



ORDINARY MEETING of Council

AGENDA

Deliberations – Water Meter Charging

Time: 9:00 am
Date: Thursday, 19 December 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

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.

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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

There was no public forum as the Deliberations followed the Hearing Process.

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 WATER METER CHARGING DELIBERATIONS REPORT

File Number:

Author: Karen Yates, General Manager Strategy & Development

Authoriser: Kym Fell, Chief Executive

PURPOSE

To provide Council with a summary of submitters' feedback on the draft Revenue and Financing Policy and Rates Remission Policy as part of consultation on the water meter charging approach. This report also provides staff advice for Council to consider in deliberating on submissions received and seeks adoption of, or direction on, finalised policies to take effect from 1 July 2025.

EXECUTIVE SUMMARY

Consultation on the water meter charging approach and draft Revenue and Financing Policy and Rates Remission Policy ran between Thursday 14 November and Friday 13 December 2024.

166 submissions were received during the consultation period. One late submission was received. A hearing will be held on Wednesday 18 December 2024.

Council is asked to consider the views of the community and advice from staff and make recommendations on finalised policies or direct staff to undertake further work for consideration in February 2025. This provides sufficient time for any changes to be made to the policies in order to be incorporated into the Annual Plan 2025/26 budgets to implement a new charging approach from 1 July 2025.

RECOMMENDATIONS

That Council:

1. **notes** that the Council have been provided with the full set of submissions on the Water Meter Charging Approach as part of the Hearings Report.
2. **receives** the late submission from Sustainable Wairarapa.
3. **considers** the community feedback received and advice from staff.
4. **either:**
 - (a) **agrees** to the proposed charging approach as outlined in the Consultation Document and Revenue and Financing Policy (Attachment 1): 50 per cent targeted service charge / 50 per cent volume charges by the end of the three-year transition period; and
 - (b) **adopts** the Revenue and Financing Policy.

OR

- (c) **directs** staff to undertake further work on an alternative charging approach and present a revised Revenue and Financing Policy to the February 2025 Council meeting for adoption.

5. **either:**

- (a) **agrees/does not agree** to the key proposed changes to the Rates Remission Policy (Attachment 2):
 - (i) Proposal 1: Remission for households experiencing financial hardship who have incurred high volumetric water charges.
 - (ii) Proposal 2: Temporary financial assistance for households experiencing financial hardship for repair of water leaks.
 - (iii) Proposal 3: Remission for excess consumption due to water leaks;
- (b) **agrees** a definition for financial hardship for the purposes of the Rates Remission Policy.
- (c) **adopts** the Rates Remission Policy excerpt to be inserted into the Rates Remission Policy; and
- (d) **agrees** to allocate a pool of funds through the 2025/26 Annual Plan process to support providing rates relief.

OR

- (e) **directs** staff to undertake further work on the Rates Remission Policy proposals and present a revised Rates Remission Policy to the February 2025 Council meeting for adoption.
6. **notes** that the Revenue and Financing Policy and Rates Remission Policy would take effect from 1 July 2025.
7. **notes** that staff will provide advice to Council in early 2025 on the implementation of the water meter charging approach for properties with a shared meter.

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 were proposed to the Council's Revenue and Financing Policy (see Attachment 1) and Rates Remission Policy (see Attachment 2) adopted under section 102 of the Local Government Act 2002 (LGA).

Consultation on the draft policies was required to meet the requirements of section 82 of the LGA. Consultation was open from 14 November to 13 December. A hearing is being held on 18 December 2024.

Deliberations are an opportunity for Council to discuss the submissions received, consider the submission analysis, views of the community, any advice from staff, and make recommendations on finalised policies.

ANALYSIS AND ADVICE

Consultation Process

Consultation on the water meter charging approach was open from 14 November to 13 December.

During the consultation period, the opportunity for the community to have their say was advertised through direct emails to key stakeholders, social media channels, radio and traditional media (the Midweek newspaper).

Copies of the Consultation Document, draft policies, FAQs and submission form were available on council website. The Consultation Document and submission form were also available in hardcopy at the library and customer service centre.

Community feedback was sought on the following options:

- Option 1 – Adopt the proposed charging approach (50 per cent targeted service charge/50 per cent volume charges by the end of the three-year transition period).
- Option 2 – Adopt an alternative charging approach (e.g. a different combination of a targeted service charge and volume charges, a different transition length, or an alternative approach)
- Option 3 – Do not adopt the proposed charging approach (retain status quo of 30 per cent targeted service charge/70 per cent CV).

Those who selected Option 2 were asked to describe the proposed alternative charging approach.

In addition, Council sought feedback on three key proposed changes to the Rates Remission Policy:

- Proposal 1 - Water remission for households with financial hardship and high-water use
- Proposal 2 - Temporary financial assistance for repairing water leaks
- Proposal 3 - Water remission for excess charges due to a leak.

We also provided the community with an opportunity to provide feedback on how to define financial hardship for the purposes of remission proposals 1 and 2.

Summary of Submissions

A total of 166 submissions were received during the consultation period. One late submission was received (Attachment 3). This submission has not been incorporated into the analysis due to its late submission.

Submitter Demographics

Submitters were asked demographic questions to help understand which parts of the community responded. These questions were optional and not all submitters responded.

- The largest number of submitters fell into the 70+ age group.
- Most submitters identified as NZ European (138 submitters). 10 submitters identified as Māori, four as Asian and three as Pacific Peoples. 30 submitters identified as another ethnicity.

- 92 submitters identified as male and 65 as female.
- Most submitters did not identify as living with impairments/long term health conditions or as tāngata whaikaha/ disabled (120 submitters). 29 did.

Redactions were applied to individual submitters demographic information and other content that did not meet the content conditions of the [Submission Policy](#).

Consultation options for the future charging approach

Submitters were presented with three options regarding the proposed charging approach, as outlined in the Consultation Document.

Council’s preferred option was a three-year transition approach which phased out the use of CV and resulted in a 50 per cent targeted service charge and 50 per cent volumetric charge by the end of the transition. The proposed portions and allocations over the transition period are outlined on the following page. The Consultation Document signalled that these settings may need to be adjusted each year to respond to how people change their behaviour once volume charges are introduced.

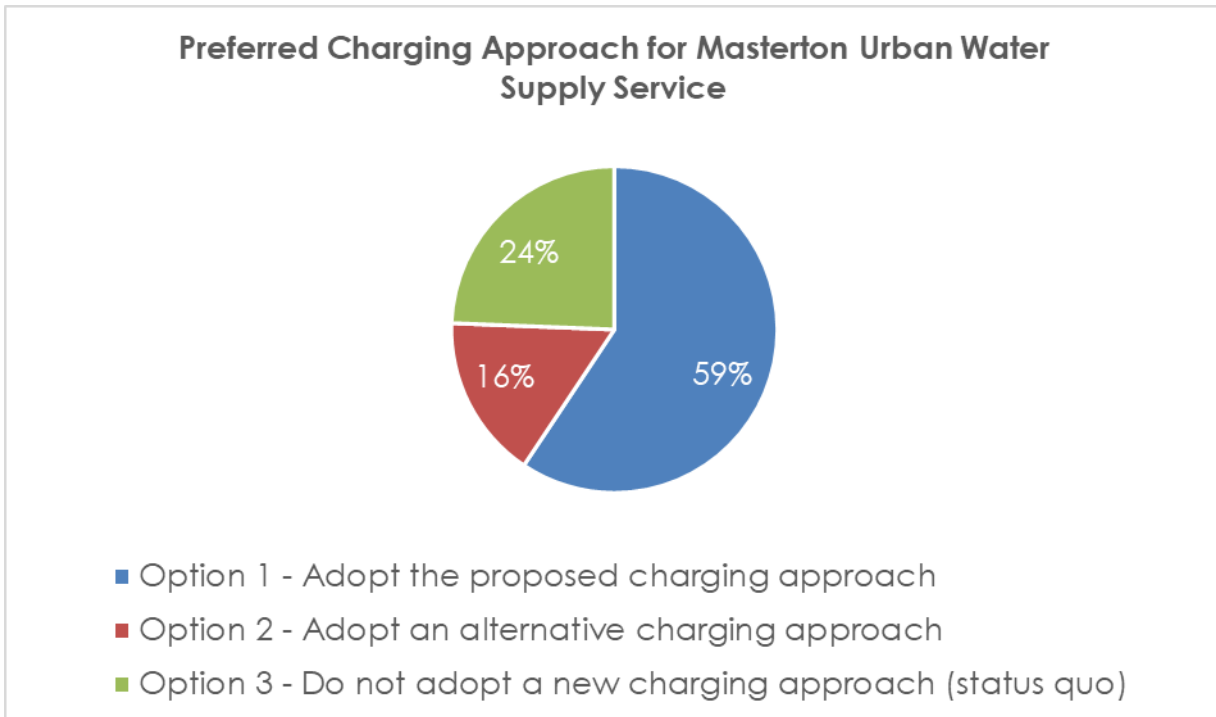
	Targeted Service Charge	CV	Volumetric Charge
Current Policy	30 per cent	70 per cent	0 per cent
Year 1 2025/26	34 per cent	40 per cent	26 per cent
Year 2 2026/27	45 per cent	27 per cent	28 per cent
Year 3 2027/28	50 per cent	0 per cent	50 per cent

	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
Year 3 2027/28	225m ³	616 litres

In the first year of the transition the price per cubic metre of water was proposed to be \$2.00/m³. The Consultation Document stated this, and that the targeted service charge would be reviewed and set annually for future years through the Council’s Fees and Charges.

Most submitters supported the proposed charging approach

95 submitters support the proposed charging approach. 39 submitters support retaining the current charging approach and 26 submitters support an alternative charging approach. Further discussion of suggestions received for an alternative approach is provided below.



Approximately 91 submitters provided commentary in support of their preferred option. Key themes related to support for a user-pays approach, the desire for water conservation, fairness in the distribution of water costs, the impact on vulnerable groups, the need for careful implementation and concerns about future water supply and infrastructure. A small number of submitters opposed Council charging for water services at all. Further discussion on key themes is provided below.

- **Support for water metering and user pays.** Many submitters supported a user-pays approach, with some commenting that charging based on actual water usage is a fairer and more proportionate way to charge. Some submitters referenced positive experiences with volumetric charging in other districts. Some submitters specifically commented that the CV rate is not an accurate basis for assessment and may not reflect ability to pay.
- **Water conservation and sustainability.** Some submitters supported the proposed approach and targeting excess consumption to encourage water conservation. There were comments in support of increased water conservation education and support for other measures such as additional water storage (e.g. dam for town water storage, discounted tanks) and water efficient appliances. There was some concern about the sustainability of water supply in the long term given population growth, climate change and infrastructure limitations. Despite much support from an environmental perspective, there were also some concerns about potential adverse impacts of volumetric charging on gardening and planting.
- **Equity, fairness in charging and affordability.** Some submitters expressed concerns about how the approach is applied for households with different sizes and water needs. Some did not consider an equal annual water allowance across all properties to be fit for purpose. There were also some concerns about the financial impact on certain parts of the community include larger households, renters, pensioners and elderly. Some submitters supported targeted relief being available for vulnerable groups.

- **Quality of infrastructure.** Some submitters provided feedback on the management of water infrastructure. Some submitters considered that Council should focus on upgrading infrastructure (renewing pipes, fixing leaks) before implementing volumetric charging and considered that leaks across the network could undermine water-saving efforts.
- **Transition and implementation challenges.** Some submitters supported a more immediate transition, while others supported the proposed three-year transition to allow time for residents to adjust. Some submitters want Council to monitor and regularly notify residents of water usage. Some submitters acknowledged the complexities of a transition approach, with two submitters commenting on the transition approach for unmetered properties. Further details of submitter feedback and staff advice on unmetered properties is provided in the specific commentary section below.
- **Alternative proposals.** Some submitters provided suggestions for an alternative approach including:
 - **an alternative targeted service charge component.** Many submitters supported a higher volumetric component than that proposed, or a full user-pays approach. There were however also some submitters who preferred a lower volumetric portion (e.g. 70 per cent targeted service charge / 30 per cent volume charge).
 - **an alternative water allowance.** There were some differing views on an appropriate water allowance threshold e.g. one submitter supported a lower usage allocation of 500 litres per day per household, while another submitter considered 616 litres per household per day by the end of the transition period too low. Another submitter supported Council only targeting those with excessive water usage.

Rates Remission Policy Proposals

Submitters were presented with three proposed changes to the Rates Remission Policy as outlined below. 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.

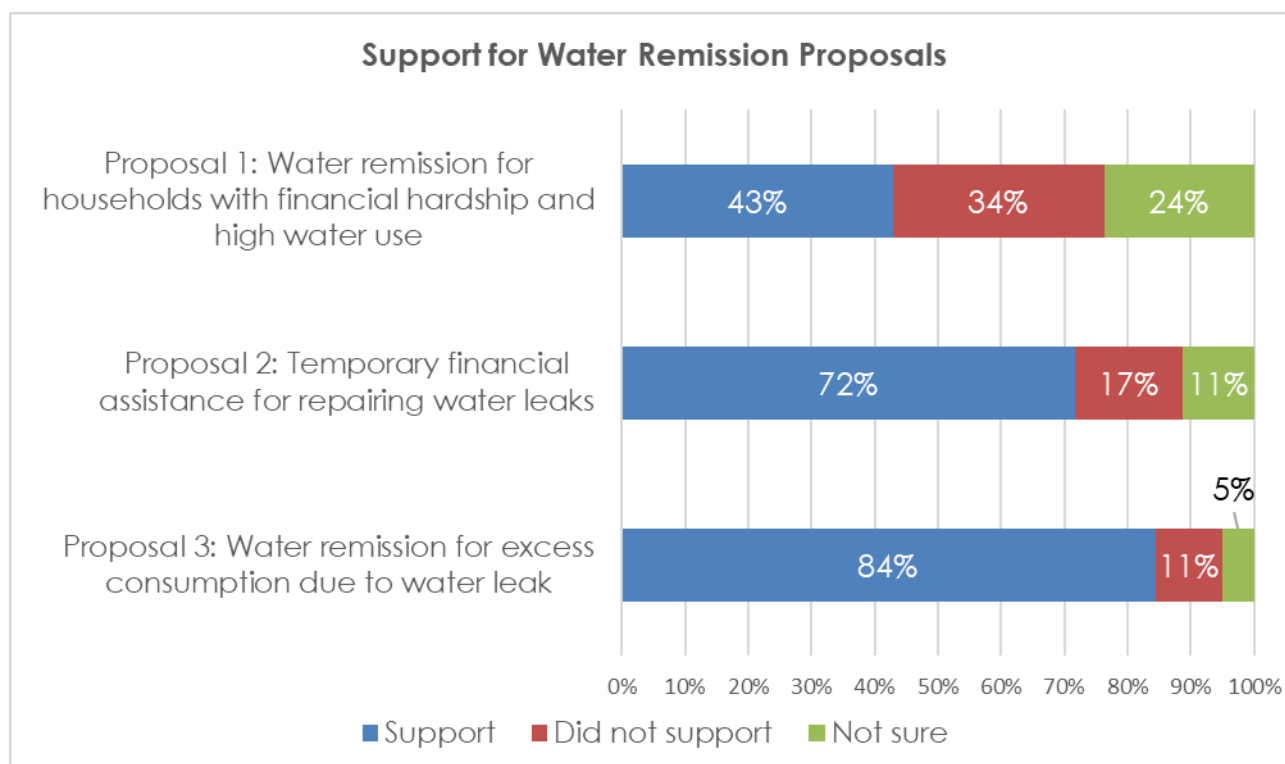
Proposed Change		Description
1	Water remission for households within financial hardship and high water use	The proposal would enable households experiencing financial hardship who have incurred high volumetric water charges to apply for a remission provided certain criteria are met. This would support 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 required to the water supply network on their private property to apply for assistance of up to \$300.

Proposed Change		Description
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.

Further details of the remission proposals are provided in Attachment 2.

Most submitters supported the remission proposals for water leaks

There was majority support for the remission proposals relating to water leaks. This included 114 submitters (84 per cent) that supported Proposal 2 and 136 submitters (72 per cent) that supported Proposal 3. Proposal 1 was supported by 69 submitters (43 per cent).



Approximately 39 submitters provided commentary on the remission proposals. Key themes identified from the comments on the proposed Rates Remission Policy include:

- **Affordability and fairness:** Some submitters wanted the approach to be affordable for all and had concerns about the remission process being burdensome for low-income households. Other submitters expressed concern about ratepayers bearing the costs of remissions and wanted a user-pays approach with no exceptions or for Council to fund the relief through an alternative non-rates source. Some submitters did not support a

remission where larger households are incurring high water charges as they did not consider it incentivised behaviour change.

- **Water leak repair contribution (Proposal 2):** A small number of submitters considered the proposed \$300 Council contribution to repair leaks to be too low. One submitter preferred Council to cover the total cost of the leak repair, or use a percentage of the actual repair cost as the benchmark.
- **Water leak repair timeframe (Proposal 3):** Some submitters considered a one-month timeframe to repair leaks to be too short due to the availability of tradespeople and cost of repairs. One submitter proposed a two-month timeframe instead.
- **Incentives for water leak repairs (Proposal 3):** Some submitters supported the water remission for excess consumption due to water leaks on the basis of incentivising repairs, rewarding prompt action, and not penalising ratepayers for situations beyond their control. Another submitter considered water leaks to be the responsibility of property owners and did not support the Council providing financial support.
- **Council monitoring of excess water usage:** Some submitters wanted Council to have processes in place to monitor and advise of excess water usage to help support leak detection and behaviour change.

There are differing views on defining financial hardship

The Consultation Document stated there are different ways that the Council could define financial hardship for the purposes of the Rates Remission Policy. 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, if evidence is provided that the Council deems appropriate to support the claim. We provided an opportunity for the community to have their say on this as part of the consultation.

Approximately 66 submitters provided feedback on defining financial hardship. Feedback included:

- **Support for a case-by-case approach** with appropriate evidence to support the claim (approximately 19 submitters). Those that supported a case-by-case assessment advocated for a nuanced and flexible approach given the complexities associated with defining financial hardship.
- **Support for a specific approach or linking to an existing scheme** either based on:
 - being a Community Services Card Holder (approximately 10 submitters);
 - income threshold (e.g. household income of \$50,000) (approximately 9 submitters);
 - eligibility for Rates Rebate Scheme (approximately 4 submitters);
 - NZ Superannuation rate (approximately 3 submitters; or
 - and unspecified scheme (approximately 2 submitters).

Approximately 12 submitters did not support the Council offering financial support or raised concern about the potential for ratepayers to abuse the system. Some considered financial

support to be a central government responsibility and others expressed concern about staff time to process applications and the cost to ratepayers.

Overall feedback

Submitters were provided an opportunity to provide any further feedback on the overall charging approach. Around 65 submitters provided feedback. Most comments reiterated earlier themes identified above.

There were some questions about the practical implementation of volumetric charging, including water meter reading and billing frequency, water use monitoring, notification to property owners, the approach for properties with a shared water meter, and how the approach would be applied under a new water services entity.

Some submitters also wanted further analysis on the proposed approach and proposals.

Deliberations

Staff consider there to be reasonable support for the proposed charging approach for Council to proceed without amendment.

Support varied for the proposed remission proposals. The majority of submitters supported the proposals relating to water leaks (Proposals 2 and 3). Less submitters supported the proposal aimed at providing relief to larger households experiencing financial hardship who incur high water charges (Proposal 1). Staff provide specific commentary on this proposal below.

Specific commentary

Staff provide comments in response to specific submissions on the proposed water meter charging approach regarding:

- Water Meter Charging Approach
 - Transition Approach and Timing
 - Implementation:
 - Unmetered Properties
 - Properties with a Shared Meter
- Remission Proposals
 - Water Remission for Households with Financial Hardship and High-Water Use (Proposal 1)
 - Defining Financial Hardship (Proposals 1 and 2).
 - Water Leak Repair Contribution (Proposal 2)
 - Water Leak Repair Timeframe (Proposal 3).

Submitter Feedback	Staff Commentary
<i>Water Meter Charging Approach</i>	
<p>Transition Approach and Timing</p> <p>Council consulted on a three-year transition approach resulting in a 50 per cent targeted service charge and 50 per cent volume charge by the end of the transition. Council also proposed a water amount be allocated per property before a charge per volume applies. The proposed allocation was 225m³ per year / 616 litres per day by the end of the transition period.</p> <p>Some submitters supported a shorter transition period, alternative targeted service charge / volume charge proportions (e.g. greater user pays portion) or an alternative water allowance. Some wanted the water allowance to take into account household size / occupancy.</p>	<p>The proposed charging approach was developed to support a meaningful reduction of water use, ensure that water is available for essential use, minimise impacts for low-income and high-occupancy households, reflect local circumstances, such as current high-water use, provide a stable revenue base so that the Council can continue to provide the service, and be future-proofed so that it can be monitored and adjusted as needed over time.</p> <p>Reducing the transition period or increasing the volumetric charge portion may not enable staff to adequately monitor the impacts on the community and Council revenue. The proposal to monitor the impacts over the transition and make adjustments through Annual Plan processes where necessary would enable Council to consider shortening the transition to volumetric charging if appropriate.</p> <p>Council does not have access to information on occupancy to enable staff to apply a different water allowance based on household size or occupancy. The proposed approach is similar to that of other districts e.g. Carterton District has an annual allowance of 225m³ and South Wairarapa has an annual allowance of 250m³. The proposed annual allowance, particularly in the early years of the transition when it aims to target higher users, exceeds what an average household should use. Council could review the allowance over the transition to ensure it is fit for purpose.</p> <p>The proposed remission (Proposal 1) also intends to support larger occupancy households who have less ability to meet the costs of water charges.</p> <p>Amendments to the proposed water meter charging transition approach and timing would require further analysis and modelling to be presented to Council in early 2025.</p>

Submitter Feedback	Staff Commentary
<p>Implementation: Unmetered Properties</p> <p>The consultation material proposed to retain unmetered properties on a targeted service charge (equivalent proportion to that for metered properties) and the balance on CV rate in place of volume charges. Once a meter is installed, it proposed these properties would transition to the charging approach in place for the rest of metered properties from 1 July the following year.</p> <p>Two submitters commented on the transition approach for unmetered properties and offered alternative solutions. This included offering unmetered properties a reasonable alternative (rather than being retained on a targeted service charge and CV rate until a meter is installed) and applying the same transition period as metered properties once a meter is installed.</p>	<p>Staff recommend proceeding with the proposed approach.</p> <p>Operating an alternative approach (rather than retaining a targeted service charge and CV rate) is constrained by not having actual water usage for unmetered properties.</p> <p>Estimating usage based on similar metered properties has been considered however this may not reflect actual usage for an individual unmetered property any more accurately than using the CV rate as a proxy. The current approach of a targeted service charge and CV rate is familiar to the community and easy to administer.</p> <p>Applying a three-year transition for properties once a meter is installed rather than moving the property onto the charging regime currently in place for the rest of metered properties would be administratively difficult to implement. This could result in several different combinations of targeted service charge, CV rate and volumetric charges being in place at any one time.</p> <p>The proposed transition approach gives the community sufficient time to detect and repair undetected leaks and adjust behaviour. Those with unmetered properties have additional time to prepare for metered charging and therefore staff do not consider a further transition period necessary.</p>
<p>Implementation: Properties with a Shared Meter</p> <p>Two submitters commented on properties with a shared meter. One advocated for Council to have clear policies and a fair and transparent process for those living on shared driveways with one meter.</p>	<p>Staff will provide advice to Council on the approach for properties with a shared meter in early 2025 as part of implementing the water meter charging approach.</p>

Submitter Feedback	Staff Commentary
Remission Proposals	
<p>Water Remission for Households with Financial Hardship and High-Water Use (Proposal 1)</p> <p>The draft Rates Remission Policy excerpt proposed offering a remission for households experiencing financial hardship who incurred high volumetric charges. The proposed remission was up to 100 per cent of the water supply volumetric charges and would only be granted once in a three-year period. 43 per cent of submitters supported the proposal and 34 per cent did not. 23 per cent were not sure.</p> <p>Some submitters who did not support the proposal commented in support of a user pay approach without exception, considered financial support to be a central government responsibility and did not support other ratepayers subsidising remissions. Those who supported the proposal commented on ensuring an affordable approach.</p>	<p>The proposal to offer a remission for households with financial hardship and high-water use was driven by a desire to minimise impacts for low-income and high-occupancy households.</p> <p>Council may wish to consider whether it proceeds with this proposal based on submitter feedback.</p> <p>Council could also consider an amended remission policy, such as additional criteria or offering to waive up to 50 per cent of the volumetric charges rather than up to 100 per cent. This would be consistent with the remission offered for Proposal 3.</p> <p>If Council does not proceed with the proposal, ratepayers may be entitled to other financial support available (e.g. Rates Rebate Scheme for rates assistance and Work and Income support which can include up to \$200 to help with an outstanding water bill for those that are eligible¹). Staff could promote other available financial support as part implementing the water meter charging approach.</p>
<p>Defining Financial Hardship (Remission Proposals 1 and 2)</p> <p>Council provided an opportunity for the community to have their say on how to define financial hardship for the purposes of the Rates Remission Policy as part of the consultation.</p> <p>Many submitters supported linking financial hardship to an existing scheme, with Community Services Card (CSC) being the most popular scheme mentioned.</p> <p>Others supported a case-by-case approach with appropriate evidence to support the claim. Those that supported a case-by-case</p>	<p>Staff recommend Council agree a definition of financial hardship for inclusion in the Rates Remission Policy.</p> <p>As noted, being a CSC holder was the most referenced existing scheme, followed by an income threshold although submitters had different views on what the threshold should be.</p> <p>A person may be eligible for a CSC if they are 16 years or over; are either a New Zealand citizen, permanent resident, or have (or have applied for) refugee or protection status; and normally live in New Zealand and intend to stay here. It also depends on how much income a person and their partner receive.</p>

¹ Information on Work and Income support: www.workandincome.govt.nz/eligibility/living-expenses/heating-and-power-bills.html.

Submitter Feedback	Staff Commentary
<p>assessment advocated for a nuanced and flexible approach given the complexities associated with determining financial hardship.</p> <p>Those who did not support remissions for those in financial hardship raised concern about the potential for ratepayers to abuse the system. Some considered financial support to be a central government responsibility and others expressed concern about staff time to process applications, and costs to the wider community through rates.</p>	<p>Income limits vary dependent on whether a person is single, in a couple, or have dependents. Example income limits are below:</p> <ul style="list-style-type: none"> • Single – living alone: \$35,213 • Couple, no dependent children: \$52,656 • Family of three: \$79,167 • Family of four: \$91,332. • Family of five: \$103,281. <p>Further information is available on the Work and Income website.</p> <p>In 2021, there were 6,417 CSC holders in Masterton (3,672 CSC only and 2,745 had a CSC combined with SuperGold Card)². CSC are issued to both eligible members of a couple so the count is at an individual rather than household level.</p> <p>The benefit of linking financial hardship to an existing scheme is more certainty for the community and staff. CSC is also based on income limit which was the second most supported specific approach referenced.</p> <p>Linking financial hardship to an existing scheme may reduce the administrative burden associated with processing applications which was a concern raised by some submitters. It also supports a transparent process which responds to concerns about ratepayers abusing the system.</p> <p>It is difficult to determine the number of applications that may be received as CSC holder information is at an individual rather than property level and the remission proposals also require other criteria to be met (e.g. a leak requiring repair for Proposal 2). However, CSC is more widely available than some other forms of financial assistance (e.g. main benefits) and therefore may not be as targeted as desired.</p>

² Updated Community Service Card Holder figures were not available at the time of reporting.

Submitter Feedback	Staff Commentary
	<p>The proposal to offer support until the funding pool is fully allocated would enable Council to predetermine a set amount as part of the Annual Plan process and adjust for future years dependent on demand and other factors.</p> <p>Staff also recognise community feedback that some flexibility would be an advantage given complexities in determining financial hardship. Around 19 submitters supported the ability for Council to assess financial hardship on a case-by-case basis with appropriate evidence to support the claim. This would enable Council to assess whether financial hardship would be caused or made worse by requiring full payment, rather than applying a blanket approach. A disadvantage is a less certain approach for the community and staff to administer.</p>
<p>Water Leak Repair Contribution (Proposal 2)</p> <p>The proposal for Council to offer a remission to households in financial hardship who incur expenditure relating to a water leak included a \$300 limit. Some submitters considered this limit to be too low.</p>	<p>Staff recommend proceeding with the proposed limit of \$300.</p> <p>While staff recognise that leak repair costs would likely exceed \$300, it was not intended to cover the full costs of repair. Funding the full cost of leak repairs could be a significant cost to the Council which other ratepayers would need to cover through general rates. Some submitters did not support the wider community funding financial relief through rates.</p> <p>The proposed \$300 is consistent with the amount offered by Kapiti Coast District Council who has been recognised a successful case study in implementing volumetric charging.</p>
<p>Water Leak Repair Timeframe (Proposal 3)</p> <p>The proposal to offer a remission for excess consumption due to a water leak included criteria that the leak has been repaired within a one-month timeframe. Some submitters considered the timeframe to be too short due to the availability of tradespersons and</p>	<p>Staff recommend proceeding with the proposed timeframe.</p> <p>The proposed Policy wording is that <i>the leak has been repaired as soon as practical, and within one calendar month of being identified (unless evidence is provided that the services of an appropriate repairer could not be obtained within this period).</i></p>

Submitter Feedback	Staff Commentary
recommended a two-month timeframe instead. Others had concerns about the costs.	The proposed Policy wording allows exceptions where a person has been unable to obtain an appropriate repairer while still emphasising a need to take prompt action. The proposed timeframe is similar to other councils. Extending the timeframe further would require Council to fund additional water loss.

OPTIONS CONSIDERED

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

Option	Advantages	Disadvantages
<p>1 Recommended Option - Adopts the Water Meter Charging Consultation Document, draft Revenue and Financing Policy and draft Rates Remission Policy excerpt</p>	<ul style="list-style-type: none"> - The proposed approach received majority of support from submitters. - 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. - 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 	<ul style="list-style-type: none"> - Less stability for ratepayers as their bill will vary based on usage. The targeted service charge portion supports providing some consistency for ratepayers. - Less stability in Council revenue, which could result in a significant deficit or surplus dependent on how users change their behaviour. The proposed transition approach is intended to reduce this risk and enables the impacts to be monitored. - Additional funding required to support Rates Remission Policy. - Not all properties have a meter installed. Applying two approaches at once may not be considered

Option	Advantages	Disadvantages	
	<p>Council.</p> <ul style="list-style-type: none"> - Ratepayers will be able to influence their bill through behaviour. - Rates Remission Policy provides support for those in financial hardship who may be negatively affected by the transition. 	<p>fair and may be administratively challenging.</p> <ul style="list-style-type: none"> - Some submitters did not support the proposed approach or remission proposals. 	
<p>2</p>	<p>Alternative Option – Directs staff to undertake further work on an amended Revenue and Financing Policy and/or Rates Remission Policy</p> <p>This option would delay adoption of the policy until February 2025 while staff undertake further modelling or analysis. This would still provide sufficient time to commence from 1 July 2025.</p>	<ul style="list-style-type: none"> - Advantages would depend on the extent of changes. 	<ul style="list-style-type: none"> - Disadvantages would be depend on the extent of changes.
<p>3</p>	<p>Alternative Option – Retain the current Revenue and Financing Policy and Rates Remission Policy</p>	<ul style="list-style-type: none"> - Current charging approach is familiar to the community. - More stability in rates bills and Council revenue. - Less funding requirements for remissions. - Some submitters supported the status quo. 	<ul style="list-style-type: none"> - Council would not proceed with proposed charging approach despite consulting on changes and receiving majority support. - Does not take advantage of opportunities to reduce water demand and water loss over the long term. - Full benefits of the Council's investment in

Option	Advantages	Disadvantages
		<p>water meters would not be realised.</p> <ul style="list-style-type: none"> - No ability for ratepayers to influence their bill through behaviour change.

RECOMMENDED OPTION

Option 1 is recommended. The proposed water meter charging approach (Revenue and Financing Policy) and remission proposals relating to water leaks were supported by the majority of submitters. Council may consider whether it wishes to proceed with Remission Proposal 1 based on support from 43 per cent of submitters.

The proposed charging approach was 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 and high occupancy households, to reflect the current circumstances of the district in the transition (e.g. current 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.

The proposed approach also aligns 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.

The proposed remissions support households with less ability to pay for volume water charges, enabling Council to deliver on its objective to minimise impacts to high-occupancy and low-income households. The proposed water leak remission supports ratepayers who have taken action to repair leaks promptly, contributing to Council’s objective of reducing water loss.

SUMMARY OF CONSIDERATIONS

Strategic, Policy and Legislative Implications

Section 82 of the LGA applied to the Revenue and Financing Policy and Rates Remission Policy consultation process. The consultation process aligned with the Special Consultative Procedure (SCP) as prescribed in Section 83 of the LGA. This meets the requirements of Section 82 and included 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 complied with the requirements of sections 82 and 83 of the LGA and the Council’s Significance and Engagement Policy.

Financial Considerations

Costs for consultation were 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 are proactively contacting high-use households 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.

When Kapiti Coast District Council (KCDC) introduced support for those in financial hardship in 2014/15 it allocated up to \$50,000 for a remission for larger families in financial hardship (similar to Proposal 1) and \$25,000 for water leak repairs (similar to Proposal 2). More than 200 people who fixed their leaks received credits on their bills for the estimated cost of water from lost leaks. However, it is noted that Masterton has a lower overall population than Kapiti³ but higher levels of socio-economic deprivation⁴.

Implications for Māori

Māori make up 22.6 per cent of the population of Masterton.

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

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

10 submitters identified as Māori, making up 6 per cent of the submissions received.

Communications/Engagement Plan

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

The opportunity for the community to have their say was advertised on the Council website, social

³ The June 2023 population for Masterton is 29,000 and the population for Kapiti is 57,600.

⁴ In the 2018 New Zealand Index of Multiple Deprivation, Masterton is ranked 51 out of 67 territorial authorities and Kapiti is ranked 35, with 1 being least deprived and 67 being most deprived. Information sourced from: www.hgd.auckland.ac.nz/maps/

media, radio and through traditional media. Physical copies were available at the Council customer service centre and library.

Environmental/Climate Change Impact and Considerations

The consultation approach was 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, 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.

Should Council seek to adopt an alternative charging approach, a revised policies would be presented to the February 2025 Council meeting for consideration.

Following adoption, the revised policies will be published on the Council websites and notification will be sent to submitters and stakeholders that were informed of the consultation.

The impact of the approach will be monitored and adjustments may be made during Annual Plan processes.

ATTACHMENTS

- 1. Proposed Revenue and Financing Policy** [↓](#)
- 2. Proposed Rates Remission Policy Excerpt** [↓](#)
- 3. Late Submission Sustainable Wairarapa** [↓](#)

REVENUE AND FINANCING POLICY



DRAFT FOR CONSULTATION
NOVEMBER 2024



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POLICY NUMBER: MDC003	
First Adopted	The policy was first adopted (as the Funding Policy) following public consultation in 1997. It has been reviewed, refined and revised by the Council every three years since then (apart from in 2021).
Latest Version	Adopted March 2024 Draft for consultation November 2024 (yellow highlighted additions)
Adopted by:	Masterton District Council
Review Date	March 2027 The impacts of changes to funding of the urban water supply activity commencing from 1 July 2025 will be reviewed annually as part of the Annual Plan or Long-Term Plan processes and adjusted as needed by resolution of Council.

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Purpose

This 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 Local Government Act 2002.

This policy has been developed pursuant to the requirements of sections 101, 102 and 103 of the Local Government Act 2002.

Scope

This policy covers sources of funding for the operating and capital expenditure of Masterton District Council. The funding sources include, but are not limited to, external revenue, including NZ Transport Agency Waka Kotahi roading subsidies, user fees and charges, financial contributions and local authority rating.

The policy outlines where the revenue will come from to pay for services but does not determine the costs of providing each service. Council budgets for the costs of the services it provides in the Long Term and Annual Plans.

Principles

In making this policy, the Council must consider the funding of each of its sub-activities in the context of the requirements of sections 101(3) of the Local Government Act 2020. The requirements are a two-step process, as outlined below.

First Step Considerations

The first step requires consideration of the following principles at each activity level:

- the community outcomes to which the activity primarily contributes;
- the distribution of benefits between the community as a whole and individuals or groups (user pays principle);
- the period of time in which benefits are expected to occur (intergenerational equity principle);
- the extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity (exacerbator pays principle);
- and the costs and benefits of funding the activity distinctly.

Second Step Considerations

A second step is then applied. This involves the Council considering the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.

The Council completes this step by considering the effects of applying the theoretical funding principles of step one, with the ability to modify for reasons of fairness, legality and practicality. The process seeks to match the costs of a service with the beneficiaries of a service, then modifies the allocation where appropriate, choosing the most appropriate funding mechanism based on Council's analysis. Where services can be identified as having a direct benefit to individual users and there is the ability to recover all or some of the costs, user charges have been set to recover the value of that benefit.

A summary of Council's section 101(3) analysis is available in Schedule 4.

Policy Statement

External Revenue

Wherever feasible and appropriate, the Council seeks to recover costs from users of a service via user charges. The Council also seeks to maximise its external revenue including from central Government funding such as NZ Transport Agency Waka Kotahi subsidies, local petrol tax and the waste levy. After external revenue, Council uses borrowing to fund specific capital projects and Council reserves/depreciation funding.

User Pays

Where the activity benefits an individual (or group of individuals) then user-pays is the initial funding source (i.e. requiring those individuals who receive a service, pay directly for all or some portion of the service). Council seeks to maximise the portion of the service paid for through user fees and charges wherever feasible and appropriate.

The following areas are the key sources of user charges and external revenue:

- Resource consent fees
- Building consent fees (including plumbing & drainage fees)
- Sports field charges and rents
- Property rents
- Mawley Holiday Park revenue
- Airport landing fees and leases
- Parking meter fees and fines
- Dog registration fees
- Refuse transfer station & composting user charges
- Waste levy
- Refuse collection recoveries (via bag sales)
- Hall hireage income
- Water & sewer connection recoveries
- Water meter charges
- Trade waste charges
- Roading subsidies (from NZ Transport Agency Waka Kotahi)
- Local Petrol Tax
- Cost recovery charges (e.g. GWRC rates collection, CDC & SWDC shared services).

Rating Policy

After external revenue and user pays, the balance of the funding comes from the ability for Council under the Local Government (Rating) Act 2002 to charge property rates to recover the costs of services. This includes for the many Council services that have a wider community benefit where no equitable charge can be made based on usage.

The rating policy is based on the following principles:

- The rates required for each service are first allocated between urban and rural rating areas using a range of allocation bases;
- Targeted rates are set in the urban and rural areas. No 'General Rate' is applied across all properties in the district;
- For those costs that are charged across the whole district, an effective differential is achieved using the urban/rural allocations;
- Allocation bases include the current population split, the targeted area in which the service is available and (for subsidised roading) the locality of programmed expenditure.

Schedule 3 sets out the Rating Base used. It includes population (urban and rural), property and valuation figures of the Masterton district. These are key to the way the rates required are divided up amongst properties.

Urban/Rural Allocation Basis

As outlined above, the rates required for each service are first allocated between urban and rural areas. Schedule 1 summarises both the urban/rural split of the rating incidence and the rate types to fund each activity.

The allocation between urban and rural rating areas is set to 100 per cent / 0 per cent where the area of benefit for a service is confined to one rating area (either urban or rural). Examples of these services are water supplies, wastewater systems and recycling collection. Other services that benefit the whole district have been split between urban and rural areas based on either a population criterion, a valuation criterion or an estimate of where the benefit falls.

The allocation of rates between the two rating areas has been modified by the Council from that of a pure number of properties approach or a pure valuation-based approach. The relationships between the urban and rural areas are relevant where there is an overlap in the areas of benefit, or where the use of the service cannot be limited to specific areas. The Council's intention is to allocate costs based on reflecting usage of, or access to, Council services.

The Council has taken into account the following ratios:

Population based criterion: For services where the funding policy suggests the areas of benefit relate to significant levels of individual benefit but are not met by user charges or are services with the demands being relevant to people-based services, rather than property-based services, the population ratio has been selected as the most appropriate method of allocation between properties. The Council has taken into account the population ratio set out in Schedule 3.

Services allocated via population include:

- Regulatory services
- Emergency management/civil defence
- Archive, airport, forestry
- Waste minimisation
- Community development
- Economic development
- District building & other property
- Representation
- Cemeteries
- Public conveniences
- Refuse transfer station & recycling
- Parks & recreation
- Library
- Sports fields
- Arts & culture

Land Value – 44 : 56 (urban:rural) & Capital Value – 53 : 47 (urban:rural) While no district-wide services are allocated between the urban and rural rating areas on the basis of district wide land or capital value, the ratios are shown for comparison purposes.

Subsidised Roading – 30 : 70 (urban:rural) This reflects where the subsidised roading programme expenditure is expected to be spent in the coming three years, split between areas. This ratio may be subject to change outside of the LTP years, if roading expenditure varies from the LTP in any subsequent Annual Plan.

Solid Waste – 79 : 21 (urban:rural) Used for the allocation of the residual cost of solid waste management (after user pays income) - Nursery Road transfer station, recycling and composting. This allocation recognises that all residents have equal access to the solid waste services that are being funded by way of general rates, and that rural people will use and therefore benefit from the services at Nursery Road.

Solid Waste (rural) – 10 : 90 (urban:rural) For the allocation of rural waste management costs (rural transfer stations) recognising that rural ratepayers will be paying a share of Nursery Road operating costs, so urban carries a share of rural costs. A targeted rate on beach properties recovering a proportion of waste collection costs reduces the share carried by all other rural properties.

Rural Halls – 5 : 95 (urban:rural) For the allocation of the costs of rural halls and holding paddocks, recognising some 'district benefit' in the Council supplying these facilities.

Targeted Rates, Uniform and Services Charges

The Council has no 'General Rate.' Instead, the Council uses targeted rates and targeted uniform charges for urban and rural properties to fund the costs of services allocated to those areas. In addition, targeted services charges are used to charge properties connected or able to receive a specific service.

Table 1: Targeted Rates, Uniform and Service Charges		
	Urban	Rural
Targeted Rates (differentiated between urban/rural properties based on cost allocations)		
Targeted Land Value (roading) rate	✓	✓
Targeted Land Value water races rates		✓
Targeted Capital Value rates	✓	✓
Targeted Uniform Charges (differentiated between urban/rural properties based on cost allocations)		
Targeted Uniform Charge	✓	✓
Targeted Roading Charge	✓	✓
Other Targeted Services Charges		
Urban Water Supply Charge	✓	
Urban Wastewater System Charge	✓	
Recycling Collection Charge	✓	✓*
Wastewater Treatment Charge**		✓
Castlepoint Sewerage Charge		✓
Riversdale Beach Sewerage Charge (connected)		✓
Riversdale Beach Sewerage Charge (serviceable)		✓
Beach (Refuse & Recycling) Collections Charge		✓
Tinui Water Supply Charge		✓
Tinui Sewerage Charge		✓

* Charged in the rural periphery where the Council is prepared to offer the collection service.

** This charge will apply to those properties, particularly on the urban periphery, where septic tank overflow is piped into the urban sewer network. It is applied on a 'residential equivalents (RE)' basis where one RE equals 600 cubic metres of liquid effluent per day.

The general effect of the targeted charges is to reduce the component of either land or capital value rates on the higher value properties and raise the minimum level of rates for lower value properties. The Local Government (Rating) Act 2002 places a restriction of 30 per cent maximum of Uniform General Charges to total rates income. Although there are no Uniform Annual General Charges in Masterton's

rating policy, the targeted uniform and roading charges (levied in both rural and urban areas) can be considered equivalent.

Urban Differential – Non-Residential

The Council has determined that, in general, public services provide more benefits to the urban non-residential sector (i.e. commercial) than to residential. The effect of the high percentage of uniform and services charges is recognised as regressive - it reduces the impact on higher valued properties. A multiplier of 2.0 is then applied on each of the separate and targeted rates assessed on land and capital values.

Rating Valuations

The rating policy includes a large share the rates required being allocated based on property values (land value and capital value). The values are assessed by Quotable Value NZ Ltd and a revaluation process is completed every three years. The revaluation process is subject to audit by the Office of the Valuer General. The balance of the rates are allocated via targeted charges.

When a revaluation is completed, the Council applies the new values to its rating. This results in a greater share of rates being paid by those properties that have had valuation changes above the average change. There is often a large amount of variability in the valuations and it is difficult to generalise the outcome.

Funding of Capital Expenditure

The Council's policy with regard to the funding of capital expenditure is to:

- Fund roading network renewal expenditure from Waka Kotahi (NZTA) subsidies (currently 56% on subsidised work) and the balance from annual rates;
- There are exceptions to the above:
 - bridges – Council's share is from depreciation reserves
 - non-subsidised asset renewals (e.g. footbridges, street furniture) funded from depreciation reserves that are built up from annual rates
- Fund other replacement assets from depreciation reserve funds to the extent that those funds are available. Where depreciation reserves are insufficient, loan funding may be used
- Fund assets which increase levels of service by borrowing/loans
- Fund assets needed because of growth, from developers, either by the developer providing the infrastructure or by them making financial contributions to the outset of the development.

Review of Policy

This policy will be reviewed every three years as part of the Long-Term Plan process, unless a change is prompted earlier. A summary of changes from the last review is incorporated as Schedule 5.

The impacts of changes to funding of the urban water supply activity commencing from 1 July 2025 will be reviewed annually as part of the Annual Plan or Long-Term Plan processes and adjusted as needed by Council resolution.

Related Documents

Masterton District Council Long-Term and Annual Plans

Funding and Financial Policies

- Development and Contributions Policy
- Treasury Management Policy
- Rates Remission Policy
- Rates Postponement Policy
- Rates Remission and Postponement on Māori Freehold Land Policy

References

Local Government Act 2002

Local Government (Rating) Act 2002

Te Ture Whenua Māori Act 1993

Version Control

Version	Date	Summary of Amendments	Approved By
1.0	03/04/2024	Reviewed as part of 2024-34 LTP. Refer to Schedule 5.	Masterton District Council
1.1	13/11/2024	Draft for consultation - proposed changes to funding of the urban water supply activity to support the introduction of water meter charging.	

Schedules

Schedule 1 – Masterton District Council Activity Funding Allocations

Schedule 2 – Sub-Activity Funding Analysis and 2024/25 Allocation Table

Schedule 3 – Rating Base

Schedule 4 – Section 101 (3) Analysis

Schedule 5 – Summary of changes from the 2023/24 Revenue and Financing Policy Review

Note: Only the excerpts relevant to the urban water supply activity are presented in the Schedules. This includes updates to Schedules 1 and 4. The remaining Schedules and remaining sections of Schedules 1 and 4 are unchanged and available in the Revenue and Financing Policy on the Council website at: www.mstn.govt.nz/council/policies-and-bylaws/policies

Schedule 1 – Masterton District Council Activity Funding Allocations

#	Activity	User Pays Allocation		Urban/Rural Allocation		Funding Source	
		Community	User	Urban	Rural	Urban	Rural
#40	Water Supply – Urban						
	User Pays Allocation: 34% Community: 66% Users (2025/26)						
	Urban/Rural Allocation: 100% Urban						
	The Council is transitioning to a new funding policy approach over a three year period as follows:						
	Funding Source:						
	2025/26: 34% TSC, 40% CV, 26% User (volume charges)						
	2026/27: 45% TSC, 27% CV, 28% User (volume charges)						
	2027/28: 50% TSC, 0% CV, 50% User (volume charges)						
	For unmetered properties:						
	TSC (as above) ; balance on CV						

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Schedule 4 – Section 101(3) Analysis

Consideration of Appropriate Funding Sources

The following analysis has been prepared as summary record of the consideration given by the Council while reviewing the Revenue & Financing Policy for inclusion with the 2024-34 Long Term Plan.

#	Activity	Who Benefits and how should it be funded	Allocation of Cost
40	Urban Water Supply	<p>A treated and reticulated water supply contributes to public health and fire safety. It is one of the core services that ensure the local community and economy are sustainable. Private benefits arise to the consumers of the water. Council has water meters installed for the majority of urban properties connected to the water supply network. Water meters are currently being used to detect and remedy leaks and charging for water use (using the water meters) will be introduced from 1 July 2025. Many commercial properties utilise larger lateral connections in order to service sprinkler systems and reduce insurance premiums. Their usage may not reflect the benefit that the fire fighting capacity provides.</p> <p>Those connected properties outside the urban area have water meters or restrictor valves and are charged based on usage. Properties connected in the Waingawa area of Carterton are metered and charged via CDC (who pass on the revenue to MDC). External (non-rates) revenue is 10 per cent. Renewal of the infrastructure is undertaken with a mixture of loan funding and use of depreciation reserves.</p>	<p>The Council has installed water meters for the majority of connected properties, and will implement a regime for charging for water use based on the meter readings from 1 July 2025. The intention is to transition to a new charging regime over a three-year period. This will see the phasing out of the CV rate and introduction of volume charges. The Targeted Service Charge (TSC) portion will remain and increase over the transition period to recognise the public interest component (e.g. fire fighting protection) and to fulfil Council's revenue needs to provide the service. The option to differentially set this charge will be considered to recognise the benefit for firefighting systems in large buildings.</p> <p>The funding requirement, after deducting income from rural metered properties and properties in the Waingawa industrial area (in Carterton District), will be allocated differently over each year of the transition by way of TSC, volume charge and/or CV rate.</p> <p>The TSC component for water is levied on each connected and separately used or inhabited portion of a property. This has the effect of spreading a portion the cost of the service evenly across all properties.</p> <p>The CV component is by way of a differential targeted Water Supply Rate charged on the capital value of serviceable properties in the urban area. The capital value rate has the effect of charging higher value properties more for the water supply – this having previously being a rough proxy for usage and value protected for fire fighting. All properties within the supply area are charged this rate to recognise the ability to access the infrastructure.</p>

#	Activity	Who Benefits and how should it be funded	Allocation of Cost
		<p>Financial contributions are required from developers (per the District Plan) to fund upgrading of the infrastructure and expansion of the area serviced.</p>	<p>The volume charge component for water will be introduced to replace the CV component and is based on actual water usage measured by the water meter. There will be a set bulk allocation before a per cubic metre charge applies which will be lowered over the course of the transition to account for expected behaviour change (reduced water consumption and repair of previously undetected leaks).</p> <p>In Year 1 (2025/26):</p> <ul style="list-style-type: none"> • 34 per cent as a TSC • 40 per cent as CV • 26 per cent as volume charges over an allocation of 1,600m³ <p>In Year 2 (2026/27):</p> <ul style="list-style-type: none"> • 45 per cent as a TSC • 27 per cent as CV • 28 pr cent as volume charges over an allocation of 600m³ <p>In Year 3 (2027/28):</p> <ul style="list-style-type: none"> • 50 per cent as a TSC • 50 per cent as volume charges over an allocation of 225m³ <p>The proposed starting price per cubic metre is \$2.00 (excl GST) in 2025/26. This will be reviewed and the rate for future years will be set annually through the Council's Fees and Charges.</p> <p>The effects of the charging approach will be monitored and adjustments may need to be made each year dependent on how people change their behaviour in response to volumetric charges.</p> <p>Properties without a water meter installed will revert to a hybrid system that uses the same targeted charges as above and CV rates instead of metered charges.</p> <p>Once a meter is installed, these properties will transition to the charging approach that is currently in place for the rest of metered properties from 1 July the following year.</p>

DRAFT FOR CONSULTATION NOVEMBER 2024

Rates Remission Policy Excerpt

Note: This is a draft excerpt for the Masterton District Council [Rates Remission Policy](#) to support the Council's proposed water meter charging approach.

Purpose

The purpose of the Rates Remission Policy is to state the circumstances where Masterton District Council (MDC) will consider a rates reduction.

Rates Remission

MDC will apply rates remissions for the rating units or circumstances detailed in the table below, if the conditions described within this policy are met.

Ratepayers seeking remission should apply in writing, taking into account the relevant conditions and criteria. Approved remissions will be effective from the rating year immediately after the year in which application is made, unless otherwise stated.

No.	Rating Unit/Circumstance	Remission
13	Remission for households experiencing financial hardship who have incurred high volumetric water charges	Up to 100% of the water supply volumetric charges
14	Temporary financial assistance for households experiencing financial hardship for repair of water leaks	Up to \$300 per rateable property
15	Remission for excess consumption due to water leak	Up to 50% of the difference in charge between the estimated consumption and the actual consumption. Consumption will be estimated in accordance with the Water Supply Part of the Wairarapa Consolidated Bylaw.

Rates assistance associated with volumetric water charging

This section sets out the circumstances in which the Council will offer financial assistance to those experiencing financial hardship and/or to those who have received high volumetric water charges due to excess consumption.

Three remissions are provided for in this section:

1. Water remission for households experiencing financial hardship who have incurred high volumetric water charges:
 - a. Ratepayers who own their own home
 - b. Ratepayers who own rental properties, who are applying jointly with and on behalf of a tenant facing difficult financial circumstances.
2. Temporary financial assistance for households who are experiencing financial hardship and require support to repair a water leak.
3. Water remission for excess consumption due to a water leak.

1) Households experiencing financial hardship who have incurred high volumetric water charges

Objective

To support households experiencing financial hardship who have incurred high volumetric charges.

Conditions and Criteria

Applications are open from 1 May each year until 30 June, or until the available Council funding under the Rates Remission Policy is fully subscribed, whichever occurs first.

The Council may remit volumetric water charges where the Council is satisfied that financial hardship would be caused or made worse by requiring payment of the whole or part of the charges and all of the following apply:

Ratepayer: owner of property – water meter volumetric charge paid by property owners:

- the property is metered and is used for personal residential purposes;
- the applicant owns the property (with or without a mortgage);
- the applicant resides at the property at the time of application;
- the applicant provides evidence that Council deems appropriate to support the claim of financial hardship¹; and
- the total metered water volume from 1 July to 30 April has exceeded the amount which is 5/6th of the bulk allocation set for that year multiplied by 2.

¹ Note: Community feedback is invited on how the Council defines financial hardship as part of consultation on the draft Policy.

Landlord and tenant: water volumetric charge paid by landlord and on- charged to tenant

- the property is metered and is used for residential purposes;
- the tenant has a rental agreement for no less than six months and a copy of the rental agreement is provided to the Council;
- the tenant resides at the property at the time of application;
- the tenant provides evidence that Council deems appropriate to support the claim of financial hardship²;
- the total metered water volume from 1 July to 30 April has exceeded the amount which is 5/6th of the bulk allocation set for that year multiplied by 2; and
- the landlord makes the application with, and on behalf of the tenant, and agrees to adjust any on-charged water volumetric charge to the tenant by the amount remitted by the Council. Should the landlord receive the remission and then not pass on the remission to the tenant, the amount of the remission will be subsequently charged to the relevant rateable property.

A remission will only be granted for consumption that is ordinary use for domestic purposes as defined by the Water Supply Part of the Wairarapa Consolidated Bylaw. The Council must also be satisfied that the high water use is genuine and is not caused by an ongoing undetected water leak.

The assistance for any particular property will only be granted once in a three-year period.

Remission

Refer category 13 in the table above.

² Note: Community feedback is invited on how the Council defines financial hardship as part of consultation on the draft Policy.

2) Temporary financial assistance for households experiencing financial hardship repair of water leaks

Objective

To provide relief for ratepayers who are experiencing financial hardship caused or made worse by one-off expenditure to repair a water leak.

Policy conditions and criteria

Applications may be made throughout the year and will be considered until the available Council funding under the Rates Remission Policy is fully subscribed.

A ratepayer who has incurred one-off expenditure may be eligible for assistance through a remission of rates if they meet the following criteria:

- the applicant is the owner of the property;
- the applicant resides at the property at the time of application;
- the applicant provides evidence that Council deems appropriate to support the claim of financial hardship³;
- the applicant has also applied for the Government Rates Rebate Scheme and is receiving all relevant funding;
- one-off expenditure has been incurred in relation to repairs for a water leak within the same financial year and proof of expenditure and reasons for expenditure are provided; and
- the expenditure occurred on a property connected to the urban water supply.

Costs to repair a water leak includes costs for essential repairs or maintenance to the private water supply side and costs associated with essential civil repairs.

The assistance for any particular property will generally only be granted once in a three-year period, unless the property has had a change of ownership or extenuating circumstances apply.

Remission

Refer category 14 in the table above

³ Note: Community feedback is invited on how the Council defines financial hardship as part of consultation on the draft Policy.

3) Remission for excess consumption due to water leak

Objective

To provide relief where a water leak has been detected on a ratepayers property resulting in excess consumption, and prompt remedial action to repair the leak has been undertaken.

The ratepayer remains responsible for water leaks, the pipes and the usage of water on their property in accordance with the Water Supply Part of the Wairarapa Consolidated Bylaw.

Conditions and Criteria

The Council may remit volumetric water charges for properties where all of the following apply:

- the application is made within three months of the invoice date;
- the leak occurred on a metered water property;
- the Council is satisfied that the leak on the property has caused excess water consumption;
- the leak has been repaired as soon as practical, and within one calendar month of being identified (unless evidence is provided that the services of an appropriate repairer could not be obtained within this period); and
- proof of the leak being repaired is provided to the Council.

The remission is limited to the last invoice and the period between:

- the date of leak identification and the date of repair; or
- the date of leak notification by the Council to the ratepayer and the date of repair.

The remission for any particular property will generally only be granted once in a three-year period, unless the property has had a change of ownership or extenuating circumstances apply. In the event of a recurrence of a water leak on a particular property, the Council may require the ratepayer to get a condition assessment of the pipes on the property at the property owners' expense prior to any decision to consider a subsequent remission.

Remission

Refer category 15 in the table above.

Delegations

The Chief Executive is delegated the authority to exercise all discretions available within this policy. Further delegations are made to the Manager Finance and Revenue Manager as per the table below.

Policy reference	Chief Executive	General Manager Finance	Revenue Manager
Households experiencing financial hardship who have incurred high water meter volumetric charges	✓	✓	
Temporary financial assistance for households experiencing financial hardship who have one-off expenditure to repair a water leak.	✓	✓	
Excess water consumption due to water leak	✓	✓	

DRAFT

Sustainable Wairarapa’s Submission to Masterton District Council on their Proposed Water Meter Charging Policy.

Introduction:

1. Thank you for the opportunity to make a submission.
2. Sustainable Wairarapa Inc (SW) is a formal group in the Wairarapa consisting of members who have an interest in finding sustainable alternatives to existing human activities.
3. Alternatives that have the potential to benefit all sections of society.
4. Membership is diverse and includes farmers, individuals with a technical background in environmental disciplines and members of iwi groups.
5. SW consider the four pillars of sustainability when researching issues, they being; Social, Cultural, Economic and Environmental perspectives.
6. Applying these principles. we can consider the totality of any proposal.
7. As a consequence, we have previously submitted on both urban and rural proposals in a generally constructive and proactive manner.
8. SW members have been deeply immersed in water matters throughout the Wairarapa e.g., Ruamahanga river whitua, the Wairarapa Water Resilience strategy.

Proposed Water Meter Charging policy:

- While supporting the introduction of water metering charging SW believes that insufficient analysis has been researched to justify the introduction of the water metering charging policy as outlined in the consultation documents.
- Ratepayers are given no realistic alternatives or any reasons for the proposed option the council prefers.
- It's take it or leave it.
- There is no analysis of the ability of the community to pay. Masterton has the highest deprivation status in the Wellington region. How has this impacted on the creation of this proposed policy?
- What percentage of the community will see an increase/decrease? Has this been mapped to show where these changes will occur?
- Why was the 50:50 charging mechanism chosen? What alternatives were considered? How does this charging policy impact on the poorer sections of the Masterton community? The graphs indicate that it is likely that their charges will increase compared to the higher CV properties. Poorer community members don't have the capacity to carry higher charges compared to wealthier members of the community who can afford to continue to use high volumes of water to fill their swimming pools or irrigate their gardens.
- There are at least two districts who have successfully introduced water metering- Carterton and Kapiti, possibly South Wairarapa District council. Where are the comparisons with their policies and charging to provide context for the Masterton ratepayers. What can we learn from their practices?
- Have they used the same methodology either or both for charging and remission policies?
- Have they achieved similar reductions in water consumption used in the Masterton model?

- Are the proposed charges in the same ballpark? One of our members only pays \$1.39 per cubic meter in Kapiti compared to the \$2 charge proposed here in Masterton.
- The document indicates that the Masterton community averages 616 litres per person per day. The figures indicate that consumption will still be at this level at the end of the transition period? Is this correct?
- Has a higher differential rate been considered for excessive water users?

Remissions Policy;

- SW supports a remission policy which is simple and equitable.
- As written, it appears very bureaucratic and impractical.
- It's unlikely that those needing remission will be able to negotiate the process outlined.
- It's very unlikely the requirement to fix a leak within a month is practical. How often will the metered data be forwarded to the ratepayer-probably quarterly? Getting a tradie onsite can take considerable time.
- Perhaps the council could employ a specific team/contractor during the transition period to ensure leaks are tackled in a timely and consistent manner. The Wellington Water crisis has been compounded by the inability to repair leaks in a timely manner.
- A \$300 contribution is inadequate-one of our members prior to covid spent \$3000 to replace an old unrepairable piping system-given the cost-of-living crisis it could be double this charge today.
- Given the overall benefits to the council and the community of repairing any leaks the council could contribute say 75% of the repair bill to be paid off as an interest free loan over say 15 years.

We note that MDC is involved in the Wairarapa Water Resilience Strategy. How committed to this strategy is the council? What are its budgetary requirements and what has been achieved to date? SW has sought information from the chair of the current strategy, [REDACTED]

Conclusion:

SW supports the introduction of water meters to attempt to reduce the gross water consumption of Masterton urban ratepayers. The information tabled to the council to date lacks sufficient analysis and research for SW to endorse the options preferred by council. The remissions policy seems overly bureaucratic and impractical. More analysis and research are required to convince Masterton ratepayers that what is proposed is fair, equitable and delivers value for money

8 REPORTS FOR INFORMATION

Nil

9 PUBLIC EXCLUDED

Nil