

**Mayor and Councillors**  
COUNCIL

10 DECEMBER 2015

Meeting Status: **Public**

Purpose of Report: For Decision

## **CHARGING REGIME ADVISORY GROUP - WATER TARIFF REVIEW**

### **PURPOSE OF REPORT**

- 1 This report seeks approval to reconvene the Charging Regime Advisory Group (CRAG) to review the pricing and charging for water by Kāpiti Coast District Council (the Council) and confirm its membership.

### **DELEGATION**

- 2 The Council has the authority to make a decision on this matter.

### **BACKGROUND**

- 3 On 23 June 2011, Council approved the original Terms of Reference (ToR) and representation to establish CRAG. The group met nine times between September 2011 and March 2012 and provided a report to Council on their findings and recommendations for the most efficient and equitable system to charge for water by the Council.
- 4 The ToR included the on-going monitoring of pricing and charging for water by the Council as one of the purposes of the group.
- 5 The group subsequently provided 12 recommendations in their report<sup>1</sup> including the adoption of a 50% fixed charge and 50% volumetric tariff structure subject to a review after two years of operation.
- 6 Volumetric water charges were introduced on 1 July 2014 and have been in place for just under a year and half.
- 7 Reconvening the CRAG will allow for a review of pricing and charging for water by the Council to date, progress against the CRAG's recommendations and inform the tariff structure for 2016/2017 water charges.
- 8 The original membership was developed to ensure that it provided for key stakeholder interest (given that the formula must apply to all sectors) and to ensure that there is careful consideration of social and other impacts.

### **ISSUES AND OPTIONS**

#### **Membership of the CRAG**

- 9 The original CRAG representation included the following:

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<sup>1</sup> Link to 2012 CRAG report:

<http://www.kapiticoast.govt.nz/contentassets/3f9411b3fb4a4092a115c89c4207ff79/1013-22-kcdc-app-report-crag-sp-12-509.pdf>

- Don Hunn, chairperson;
  - Jean Chamberlain representing community interests and low income households from the north of the District;
  - Don Richards representing community interests and low income households from the south of the District;
  - Ross Leggett representing the Chamber of Commerce;
  - Bernard Parker representing landlord and tenant interests;
  - Charles Lloyd representing Grey Power;
  - Jill Stansfield representing the Council of Elders;
  - Manaahi Baker for Te Āti Awa;
  - Caleb Royal for Ngā Hapū o Ōtaki; and
  - Councillors Tony Lester and Mike Cardiff representing the Council.
- 10 The original stakeholder representatives have all been contacted and have confirmed their availability to participate in the reconvening of the CRAG and that they remain the authorised representative from each of the relevant groups or organisations. Only one of the two Council representatives, Deputy Mayor Mike Cardiff is a Councillor in the current triennium which would leave one Council representative vacancy.
- 11 Membership allowed for a representative from each of the three iwi. These appointments were made from their respective mandated organisations. Iwi representatives on the CRAG: Manaahi Baker for Te Āti Awa and Caleb Royal for Ngā Hapū o Ōtaki. The position remained vacant for Ngāti Toarangatira. Caleb Royal has confirmed his intention to continue, we are awaiting the appointments for Te Āti Awa and Ngāti Toarangatira.

## Terms of Reference for the CRAG

- 12 The scope of the original ToR focused on the development of the most efficient and equitable system for the charging of water by the Council. It also contained scope to undertake on-going monitoring of pricing and charging for water within the framework set out for developing the volumetric charges.
- 13 The terms set out the framework for the development of volumetric charging formula, processes and support and communications.
- 14 Other than the back ground, which has been updated to reflect the events that have occurred subsequently, the original ToR (**Appendix 1**) are considered appropriate reference for reconvening the CRAG under and completing a review.

## CRAG 2012 report

- 15 The 2012 CRAG report<sup>1</sup> to Council on the recommended water charging formula contains the considerations, conclusions and twelve recommendations of the CRAG. These included not only the tariff structure and a two year review but a range of measures and initiatives for Council to consider on the confirmation of the introduction of water meters.

- 16 This report provides a valuable reference to assumptions on which the recommendations were developed. With nearly one and a half years of volumetric charging complete, these assumptions can be tested against the reality.

## Programme

- 17 The time frame to complete a review of the pricing and charging by the CRAG is considered challenging but still achievable to allow any recommendations to be included in the consultation on the 2016/2017 Annual Plan.
- 18 On the approval of the membership, the dates for meetings and a detailed programme would be developed to work in with the proposed 2016/2017 Annual Plan process.

## CONSIDERATIONS

### Policy considerations

- 19 The significance and engagement policy has been considered in the development of this proposal for consideration by Council given the historical district wide interest in the matter being considered by the CRAG. This is addressed below.

### Legal considerations

- 20 There are no legal considerations with reconvening the CRAG and seeking a review of the pricing and charging for water which is the decision being sought by this paper.

### Financial considerations

- 21 There is funding and resources available to support and reimburse the CRAG for the proposed function of the review with existing water management budgets and Council staff.

### Tāngata whenua considerations

- 22 There are currently two vacancies for iwi representation for Te Āti Awa and Ngāti Toarangatira. These appointments will be confirmed through their respective mandated organisations. Significance and Engagement

### Degree of significance

- 23 This matter has a moderate to high degree of significance under public interest given the historical level of District-wide public debate in the community.

### Consultation already undertaken

- 24 Extensive consultation has been historically undertaken in the development and setting of the current water charging tariff. This included the establishment and operation of the CRAG, communications plan and the special consultative process associated with the setting of the charges in the 2014/2015 Annual Plan.

## Engagement planning

25 Until we have an indication from the CRAG as to the final outcome of their review it is not clear as to the extent of any changes to the current tariff model. It is therefore proposed that any decision on the required level of consultation required would be incorporated in the report back from CRAG into the 2016/17 Annual Plan process.

## Publicity

26 Any findings and recommendations of the CRAG review are expected to be of interest to many in the district and should be communicated to inform people of the considerations and conclusions. This could be again done as part of the publicity for the 2016/2017 Annual Plan.

## RECOMMENDATIONS

27 That Council approves:

- the reconvening of the CRAG to review the pricing and charging structure for water by the Council;
- the original membership as listed in the CRAG report (Appendix 2) and this paper noting the vacancy for an elected member;
- the original amended ToR (Appendix 1) in relation to the on-going monitoring aspects for the review.

28 That Council nominate .....as the second Councillor on the CRAG.

29 That the Council notes that:

- Caleb Royal is confirmed as the representative for Ngā Hapū o Ōtaki;
- Te Āti Awa ki Whakarongotai, and Ngāti Toarangitira are in the process of confirming representatives to the CRAG.

<b>Report prepared by</b>	<b>Approved for submission</b>	<b>Approved for submission</b>
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Martyn Cole  
**Water and Wastewater  
 Asset Manager**

Tamsin Evans  
**Group Manager  
 Community Services**

Sean Mallon  
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 Infrastructure Services**

## ATTACHMENT

Appendix 1 - CRAG Terms of Reference

## **Terms of Reference: Charging Regime Advisory Group. (CRAG)**

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### **Background:**

The Kāpiti Coast District Council (the Council) introduced volumetric charging for water from 1 July 2014.

Prior to the introduction of volumetric charging the Council convened the CRAG to consider the most appropriate formula for volumetric water charges and after careful consideration the CRAG reported back in April 2012 recommending the current tariff structure, being a 50% fixed charge and a 50% volumetric charge.

The CRAG also recommended a review of the tariff structure be undertaken after two years of operation.

### **Purpose of the Charging Regime Advisory Group:**

1. To develop and recommend a draft volumetric water charging formula for introduction in conjunction with residential water meters;
2. To undertake on-going monitoring and review of the pricing and charging for water by Kāpiti Coast District Council.

### **Scope:**

CRAG will have the responsibility to develop a draft volumetric charging formula for water which can be applied to both residential and non-residential properties using the following reticulated water supply.

CRAG will be provided with technical support to gather data, explore, develop and test any charging model or formula, prior to recommendation to Council. This will include the provision of independent external expert advice commissioned for the Group on charging systems, or any other necessary analysis. There will be opportunities for members of the community to provide ideas on charging regimes into the work programme.

### **Framework for Development of Volumetric Charging Formulae:**

In discussing and arriving at any advice on a draft formula will work within the following framework:

- water charges must provide revenue for all existing and new costs of the water service activity (Note: this does not and cannot include any costs associated with wastewater services);
- in finding a balance between fixed (if any) and volumetric charges, there is sufficient incentive available from volumetric charging to effect behaviour change;
- impacts on small and larger households, in terms of fairness (horizontal equity) and social impacts (vertical equity) are considered and explicitly addressed;
- the charging regime must be capable of being applied across all geographic communities on reticulated supply and all sectors (e.g. residential and commercial);

- fairness of impacts on reasonable and high users of potable water are to be explicitly addressed;
- that particular characteristics of the Kāpiti Coast are provided for in the design of the charging system, in particular:
  - special interest of communities in gardening;
  - large older population;
  - relatively high number of low income households;
  - retirement homes;
  - unit titles;
  - holiday homes;
  - marae.
- be capable of annual adjustments to charging to address fluctuations in consumption;
- links to the water by-law in terms of landowner responsibilities and to the rating policy in terms of hardship provisions;
- satisfy Council's annual cash-flow requirements;
- not impose unreasonable administration costs.

### **Membership:**

- Chair: Mr Don Hunn
  - Grey Power: 1 member
  - background in financial skills: 1 member
  - community interests and low income households: 2 members
  - Chamber of Commerce: 1 member
  - Landlord interest – 1 member
  - Council: 2 Councillors
  - Iwi: up to 3 representatives

All members shall be ratepayers or residents of the Kāpiti Coast District.

### **Processes and Support:**

- the CRAG would:
  - meet regularly with meeting times structured to enable the Group to provide timely comment and advice to Council at each stage;

- be provided with all reports and technical data within timeframes that allow robust advice to be provided to Council staff and Council;
- Council would:
  - reimburse members' travel costs arising from participation in the CRAG;
  - provide all secretarial support;
  - provide a project management support to advance necessary technical work and follow-up between meetings actions;
  - commission any independent expert advice on behalf of the Group, including peer review processes. The latter may include seeking input from other Councils with experience in water meters and volumetric charging.