

Questions and Answers

Consultation on Water Services Authority – Taumata Arowai levy for 2025 - 2028

What is being proposed?

The Water Services Authority – Taumata Arowai (the Authority) and the Ministry of Business Innovation and Employment are consulting on levies to fund water services quality regulation, and economic regulation.

The Authority is seeking feedback from councils and council-controlled organisations (CCOs) on a proposed levy to fund its work regulating drinking water suppliers for safety and quality, and overseeing the environmental performance of drinking water, stormwater and wastewater networks.

The Authority has released a discussion document on behalf of the Minister of Local Government which seeks feedback from affected councils and council-controlled organisations (CCOs) on levy options and how levy administration might best be implemented and structured. This feedback will help inform our advice to the Minister of Local Government on the levy approach.

In parallel, MBIE has released a discussion document on a levy to fund the Commerce Commission's role in the economic regulation of council water services.

Consultation on both proposed levies will run until 24 January 2025. Consultation on levies is being undertaken by the Authority and MBIE simultaneously to enable councils and CCOs to consider the proposals for the levies' design and implementation in a coordinated way.

Why are there two levies?

The two proposed levies will fund two separate and important regulatory regimes for New Zealand's water services:

- The Authority is the drinking water quality regulator ensuring our water is safe to drink. It has an oversight and standard setting role for the environmental performance of public drinking water, wastewater and stormwater networks.
- The Commerce Commission will be the economic regulator, focusing on supporting water infrastructure to be appropriately invested in, maintained and delivered for the long-term benefit of Kiwi consumers.

Who will be paying the levy?

It is proposed that councils and their CCOs that deliver water services will fund the levy. These are unitary authorities (Auckland Council, Gisborne District Council, Marlborough District Council, Nelson City Council and Tasman District Council); territorial authorities (11 city councils and 50 district councils); and their CCOs, who collectively deliver water services to 84% of the population.

Why is it proposed to introduce a levy to fund the Water Services Authority - Taumata Arowai?

In its establishment phase, the Authority has been funded by the Crown with the intention that levies would be introduced to cover the cost of some or all of the Authority's activities.

The Water Services Act 2021 includes provisions for levies to be introduced. It is common for regulators to be funded by those who use their services. Examples include Maritime New Zealand and the Civil Aviation Authority.

The Government has proposed that a levy will be in place by 1 July 2025. We are considering what that might look like to help fund our activities, including potential new or amended functions and activities that might result from proposed changes in upcoming legislation to implement the new water service delivery models and other enduring settings for Local Water Done Well.

The Authority's discussion document proposes a preferred levy approach, but final decisions have not been made. We require feedback so we understand councils' and CCOs' views on the structure of a levy and to help us identify the most workable option for both the Authority and potential levy payers to ensure it is fit-for purpose and implementable.

What is the preferred levy option?

The discussion document proposes that the Authority will continue with its current annual funding of \$25.3m for the next three years, made up of Crown funding of \$4.642m per annum and levy funding of \$20.658m per annum.

The Crown contribution would cover functions and activities that the Authority delivers that have a significant public good including reporting, regulatory system design and work that contributes to standards setting.

The proposed approach is consistent with Local Water Done Well, where the goal is to empower councils to deliver water services while ensuring a strong emphasis on meeting economic, environmental and water quality requirements.

The levies would be calculated on the total population in each district served by a council or their service delivery organisation. This is the most administratively efficient option.

For this level of funding, the average cost for those paying the levy would be \$4.14 per person exc. GST (or around \$11.17 per household) per year, based off 2023 census population data.

Councils or CCOs will be able to determine how best to pass the levy cost on to end users.

It is proposed that the functions relating to the different waters (drinking water, wastewater, and stormwater) are levied separately but invoiced together where possible for ease of administration. The levies are proposed to be reviewed after three years initially, with interim internal reviews yearly.

Why pay a levy to help fund the Authority?

The introduction of these levies covers the cost of the Authority's regulatory functions that are performed for the benefit of consumers and communities. For the Authority, that is mainly about the assurance we provide to consumers that their water is safe to drink, the supply is reliable, and driving improved system performance over time.

The next four years will be a time of significant change for local government including their council-controlled organisations as the Government works with councils to deliver Local Water Done Well.

As part of Local Water Done Well, it is important for New Zealand to have a robust and adequately funded water services authority that can work effectively with drinking water suppliers and network operators to ensure consumers have access to safe and sufficient water.

The Authority is committed to engaging proactively with councils, taking a proportionate approach to regulation and ensuring we work constructively with councils on cost-effective paths to compliance.

What work is planned to reduce the regulatory burden for drinking water suppliers and network operators?

The Authority is progressing a programme of activities to provide ongoing certainty and clarity for the sector. It will focus on six priorities over the next three years:

- Contributing to New Zealand's first national wastewater performance standards which will provide certainty and consistency for future wastewater consents and help councils plan infrastructure investment
- Developing a range of practical information and solutions (such as end point treatments/acceptable solutions), advice and technical guidance that's tailored for different types of supplies
- Ensuring all council drinking water supplies having multi-barrier protections in place, or a reasonable plan towards compliance, by December 2025
- Reviewing at least one Drinking Water Safety Plan for each council and providing them with feedback
- Working alongside councils to collectively lift the quality of data and information that underpins public reporting on the performance of water services
- Supporting suppliers in emergencies that impact drinking water.

Over the next 12 months, the Authority will seek sector input into improvements to New Zealand's Drinking Water Quality Assurance Rules, end point treatment options, and development of new wastewater performance standards that will reduce cost and increase efficiencies.

The Authority will also engage regularly and proactively with drinking water suppliers, specifically councils and small suppliers, to ensure interventions meet requirements and can be addressed in a cost-effective manner and timeframe.

Why aren't any suppliers apart from councils and CCOs being asked to pay a levy?

For the first levy period (expected to be three years), it is intended the levies be limited to drinking water suppliers and network operators that are local authorities, CCOs or other arrangements provided for under the Local Water Done Well policy. Local authorities, CCOs, and their subsidiaries serve a large majority of the population (approx. 84%) as drinking water suppliers and manage most reticulated water services networks.

Many non-local authority suppliers are currently not registered with the Authority and are not required to be for some years. These suppliers mainly service dispersed populations and have limited ability to recover costs from users.

Additionally, the cost of administering a levy to many private and community suppliers is likely to be greater than the amount collected. This will result in some cross-subsidisation by councils that should be reduced by the Crown contribution.

Why is a separate levy proposed for drinking water, wastewater and stormwater networks?

The Authority is proposing that functions relating to the different waters (drinking water, wastewater, and stormwater) are levied separately but invoiced together where possible for ease of administration. A single levy would likely result in cross-subsidisation of drinking-water related activities in future. Separate levies support transparency and accurate cost recovery, which might happen where one supplier delivers services across the three waters to consumers. This will also make it easier if councils decide to change service arrangements for some but not all of the waters they manage.

Many of the Authority's activities are specific to one of drinking water, wastewater or stormwater. The Authority will expend most regulatory resources on drinking water-related activities. Its role in wastewater and stormwater is more limited, so the Authority has weighted related activities across those two waters differently in the split of the levy.

An alternative option considered was having a single levy across all three waters. This option was considered less appropriate because, through Local Water Done Well, some councils may choose to retain the operation of stormwater networks while drinking and/or wastewater management may be transferred to the new entities. This option would also likely end up with cross-subsidisation which is not a desired outcome.

What other approaches to calculating levy liability were considered?

The discussion document proposes levies based on a per-person charge, using 2023 Census data. This will allow the levy to be calculated by standardised and publicly available information which also captures non-residents who also benefit from water services. This is the best way to calculate costs based on direct allocation to consumers, and of the options, it is the most administratively efficient.

The annual cost would be \$4.14 exc. GST per person or around \$11.17 exc GST per household. Drinking water suppliers or network operators would choose the best approach for them on how to pass these costs onto their ratepayers.

Other approaches to calculating levy liability that were considered were:

- Equal shares where each drinking water supplier or network operator would be charged the same levy amount.
- Population bands where drinking water suppliers and network operators are placed in bands based on the size of the population they serve. Each band would be assigned a levy rate with the rate increasing as the population served grows.
- Serviced population charge - like the preferred option but with the general population data adjusted to reflect the population who receive water services from each council or CCO.
- Connection numbers where levies would be calculated based on the number of connections a supplier or operator is responsible for.

What other levy apportionment options were considered?

Consideration was also given to different ratios of Crown funding including:

- a 100% levy funded model where all funds are recovered by levy contributions
- a 100% Crown funded model, with a small amount of direct 'user pays' cost recovery through fees and charges payable for certain applications (the status quo)
- a Crown levy split of Crown (26%), levy (74%)

- an actual costs recovery model via additional fees in addition to a levy.

How can I make a submission?

You will find all the information on this consultation on the Authority website at our [Kōrero online consultation hub](#). Consultation is open from 26 November 2024 until 5pm on Friday 24 January 2025. Please send us your submission on the proposals and questions raised in this document by **5.00 pm on Friday 24 January 2025**.

You can make a submission via:

- our [online survey](#)
- sending your responses to kōrero@taumataarowai.govt.nz or mailing them to Level 2, 10 Brandon Street, PO Box 628, Wellington 6140, New Zealand.

What happens after the consultation closes?

Following consultation and analysis of feedback, a final levy proposal will be developed for consideration by the Minister of Local Government, and we anticipate regulations for a levy will come into force on 1 July 2025.

The Authority will work with councils and CCOs in the lead up to implementation of the levies to ensure the process is as efficient and straight forward as possible.

The following questions and answers were added after the 9 December 2024 water services regulators levy consultation webinar

Does the census data include transient/tourist data as well?

For this initial period, the Authority is proposing to levy based on Statistics NZ's "usual resident" census data, as the preferred method of the options assessed. It is currently the most reliable set of data the Authority currently has access to. We would review this over the next three years and consider alternative data, such as data about water services connections, to more equitably distribute costs across water consumers from public networks.

The Statistics NZ Census primarily focuses on usual residents of New Zealand and collects data about people who live in the country on census night. It does not specifically aim to include transient visitors, such as tourists, unless they happen to be present at a household when the census is conducted.

Tourists or non-residents who are in New Zealand on census night may be included in the count as part of the visitor population. People with no fixed address (e.g., those living in vehicles, temporary shelters, or without housing) are specifically targeted through outreach efforts during the census to ensure they are counted.

It would be up to councils to determine how to recover the cost of the levy e.g., through targeted rates for businesses.

Will there be any guidelines produced to facilitate effective cost recovery and implementation?

Under the proposed model, councils and their CCOs will have flexibility to decide how best to fund payment of the levy/levies. This includes determining how best to recover the costs from consumers (i.e. rates, water charges etc.) and how best to ensure these costs are recorded (i.e. whether to include levy charges as an explicit line in rates bills).

If the levy is population based, won't this disadvantage rural councils by paying for those not on municipal water supplies?

Of all the options considered, using Statistics NZ census data was considered the best of the options as it is the most consistent way to measure population across the country.

The Authority also considered a serviced population charge. This would be similar to the preferred option, but with the general population data adjusted to reflect the population who receive water services from each council or CCO. This option is more equitable in some cases but not in others, as it recognises that, particularly in regional/rural areas, a significant portion of the ratable population may be on self-supply and as such, not subject to regulation from the Authority.

The greatest challenge with this option is that accurate information is not readily available at a national level, meaning this option cannot be consistently applied.

The proposed approach draws on the most reliable set of data the Authority currently has access to for the current levy period. The Authority will review how it calculates the apportionment of levy charges as data sources improve, such as water services connections information or a serviced population charge, for future levy periods.

Why not charge the levy on a 'user-pays' basis?

There are several reasons why this approach may not always be appropriate for funding regulatory activities, particularly in the context of water services.

Smaller or rural schemes, often with fewer users, might face disproportionately high per-user charges due to the smaller population base. This could exacerbate affordability issues. Additionally, a user-pays levy could discourage councils or providers from extending services to unconnected populations or maintaining affordability, potentially impacting marginalised communities.

A user-pays system would require councils to accurately track, report and verify the number of users of water consumption levels: for example, by introducing water metering. This could introduce significant administrative burdens, particularly for small providers with limited resources.

Was flow considered as a method of apportionment?

Flow of drinking water and/or wastewater was not formally considered as a method of apportionment for the levy and the Authority is interested in the views of this approach by water service providers.

Using water flow as a method of apportioning a levy on water service providers could be considered, but it has several practical and equity-related challenges.

Accurately measuring and verifying flow data across all providers could be difficult and costly, especially for smaller or rural providers that may not have sophisticated metering systems.

Water flow also does not reflect regional variations, such as areas with high water demand but abundant resources versus regions under stress due to scarcity or infrastructure issues.