

Stage 2 Cost Recovery Impact Statement

Taumata Arowai—the Water Services Regulator (the Water Services Authority) Funding for Water Services Regulation

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Water Services Authority (the Authority) with input from the Department of Internal Affairs. It provides an analysis of options to recover the costs of funding the Authority's regulation of local government water service providers.

The proposed levies (one for each 'water' service) are to recover some of the Authority's operating and capital costs from targeted drinking water service providers, wastewater network operators and stormwater network operators¹ over levy period of two years.

This CRIS is intended to be publicly released when it is final.

There are some limitations and gaps in the analysis presented in this CRIS. These are:

Data limitations affect choices on the preferred levy apportionment approach

Many water service standards and performance measures are new, so there is little data on supplier compliance, supplier support requirements, network performance, and therefore a comprehensive understanding of the Authority's full operating costs.

This CRIS has been prepared with limited and variable information on the number of households connected to council water service providers. This is because many councils do not directly charge for water services and there is no consistent information at a national level on the number of households connected to council water services. This limitation impacts on the viability of one potential cost allocation model as discussed later.

Emerging impacts associated with Local Water Done Well

On 8 August 2024, the Government announced Local Water Done Well, introducing more water service delivery options for councils. This means councils are currently considering how they will organise their water services and final decisions will not be made on these until later in 2025 while the government's expectations are that a levy will be in place by 1 July 2025.

In addition, the estimates of costs per supplier are sensitive to the number of regulated water service providers. There are currently 67 local government water service providers. Some of these councils have Council-Controlled Organisations (CCOs) that manage water services. Under Local Water Done Well it is expected that a number of local authorities will decide to change how they deliver water services.

The levy design needs to accommodate the uncertainties regarding the number of water service providers and who those water service providers will be.

It is proposed that the Chatham Islands Council is excluded from this regime since it receives much of its funding from central government and the benefits associated with regulation are

¹ This group is referred to in this document as water service providers and includes both water organisations (such as Wellington Water and Watercare) and council providers,

unlikely to outweigh the costs. Additionally, it is expected that the Local Government Water Services Bill will exclude the Chatham Islands Council from the economic regulation regime.

Budget uncertainty and scope and size of future functions of the Authority

The Authority is assuming that the Local Government (Water Services) Bill will pass as is. It is currently before the House and going through the select committee process. This presents additional uncertainty because functions could be amended or removed during this process.

New functions are proposed under the Local Government (Water Services) Bill. Until the Bill is passed it is difficult to accurately estimate the budget needed to carry them out as we expect some areas to be subject to change that would have a material impact on the cost of the function. Most of the new functions would be considered to be private goods. Whether it is more appropriate to recover any additional costs related to these as a levy, or a charge will need assessment once the Bill passes.

There are additional uncertainties around the role and responsibilities of some of the Authority's current functions that are still being developed such as the Authority's role as the Sector Coordinating Entity in emergency response.

Sara McFall

Head of Systems, Strategy and Performance

9(2)(a)



24 March 2025

Quality Assurance Review

The Department's Regulatory Impact Analysis (RIA) panel has reviewed the *Stage 2 CRIS Taumata Arowai Funding for Water Services Regulation* (CRIS) in accordance with the quality assurance criteria set out in the [CabGuide](#).

The panel members for this review were:

- Peter Hodge, Principal Policy Analyst (Chair)
- Hamed Shafiee, Principal Adviser (Member)
- Nick Law, Policy Manager (Member)
- Audrey Vidoni, Policy Analyst (Secretariat)

The panel considers that the information and analysis summarised in the RIA *meets* the quality assurance criteria. The CRIS contains the necessary information. The case for the proposed levies is convincing, supported by an analytical framework, and includes an assessment of the costs and benefits. The document is succinct and written in plain English; for a technical paper it is easy to read. The paper demonstrates that key affected parties were consulted on the proposal and outlines how issues raised were addressed.

9(2)(a)



Peter Hodge

Chair of the Department of Internal Affairs RIA panel

25 / 03 / 2025

Executive summary

The Authority was established in response to the 2016 Havelock North drinking water contamination to regulate drinking water, wastewater, and stormwater services. It became fully operational in 2021 for drinking water and in 2023 for wastewater and stormwater.

Currently, the Authority is primarily funded by the Crown, but Cabinet has directed that a levy be introduced from 1 July 2025 to recover a portion of its operating costs from regulated water service providers. This Cost Recovery Impact Statement (CRIS) outlines the proposed levy model, consultation feedback, and the rationale for the final design.

The Authority's 2024/25 budget is \$25.3 million, with \$21.316 million provided through Crown funding and a \$4 million shortfall covered by reserves.

The Water Services Act 2021 grants the Authority the legal power to recover "any and all" of its regulatory costs through a levy. Between November 2024 and January 2025, the Authority undertook targeted consultation on introducing a levy, receiving responses from councils and Council-Controlled Organisations (CCOs) representing nearly 80% of New Zealand's population. General feedback included:

- Many councils acknowledged the need for a levy but felt the Crown contribution should be higher.
- Several councils raised concerns about the levy being an unbudgeted cost, creating financial pressure during the current Long-Term Plan (LTP) cycle.
- Some councils preferred a cost-allocation method based on water connections rather than census population, but data limitations prevent this approach.
- There was strong support for aligning the review period with LTP cycles, leading to a decision to review the levy within two years rather than the originally proposed three years.

This CRIS has been drafted to reflect the results of consultation and requirements from the Minister.

The proposed Crown contribution is not as high as per the Treasury methodology, but the Authority is constrained by the level of funding that has been allocated to it by Cabinet. The Crown contribution would cover activities the Authority delivers that have a public good including reporting, and work that contributes to Ministerial servicing.

Baseline funding would be capped at \$25.3M, as per Cabinet direction, with contributions split as follows:

- \$4.642M from the Crown, per year, to cover public good activities (e.g., reporting, regulatory system design, standards setting).
- \$20.658M from levy funding, per year, with contributions varying by council depending on their population.

The levy will apply to council water service providers, including councils and CCOs. Private water service providers and central government water services will not be levied at this time, as the cost of administering a levy for these providers would outweigh the revenue collected. This means there is some inherent cross-subsidisation in the proposed levy design. This will be reassessed in the first levy review.

The levy will be calculated based on census population data, ensuring consistency and transparency. While a connection-based model was considered, inconsistent and incomplete national data prevented its use at this stage.

Separate levies will apply for drinking water, wastewater, and stormwater and based on the Authority's costs for the activities linked to those individual services, though they will be invoiced together for administrative simplicity where appropriate.

Originally a three-year review period was proposed, and this is what was consulted on. However, based on feedback the Authority is now proposing that the levy regime will be reviewed within two years to align with Long-Term Plan (LTP) development, something a number of councils sought. A two rather than three-year review period also acknowledges the considerable change the sector will go through in the next two years as part of Local Water Done Well.

The Authority acknowledges the feedback from water service providers through consultation that this is an unbudgeted expense during the current LTP cycle. However, Cabinet is requiring the implementation of a levy to fund the Authority beginning on July 1, 2025, as such the options considered were determined by this requirement.

The financial impact on households is estimated at approximately \$4.14 per person per year (\$11.17 per household).

This proposed levy model ensures a fair, transparent, and sustainable funding approach while maintaining affordability and aligning with regulatory objectives and working within the current constraints. The levy design will be reviewed within two years to refine the cost allocation methodology and consider whether additional water service providers should be included.

Status quo

Background on the Authority

The Authority was established as part of the response to the Havelock North *campylobacter* outbreak in 2016, which led to an estimated 8,000 infections and was linked to four deaths following contamination of drinking water.

The Authority works for the benefit of consumers, providing assurance to households and businesses that their water is safe to drink, and their supply is reliable.

The Authority became fully operational in its drinking water functions with the enactment of the Water Services Act in November 2021. Its functions relating to wastewater and stormwater commenced in October 2023.

Its functions and powers are set out in the Taumata Arowai—the Water Services Regulator Act 2020 (2020 Act) and the Water Services Act 2021 (2021 Act). The 2020 Act specifies that the Authority has the objectives² to:

² The Local Government Water Services Bill amends the operating principles in the Taumata Arowai – the Water Services Regulator Act 2020. Notable changes to the Taumata Arowai—the Water Services Regulator Act 2020 include: Removing the requirement to give effect to Te Mana o te Wai from the list of objectives of the Water Services Authority; Expanding the functions of the Water Services Authority to include developing National Engineering Design Standards and supporting education and training for domestic self-suppliers and shared domestic drinking water suppliers; Reducing the number of members of the Māori Advisory Group and narrowing the group's role.

- protect and promote drinking water safety and related public health outcomes; and
- effectively administer the drinking water regulatory system; and
- build and maintain capability among drinking water service providers and across the wider industry; and
- give effect to Te Mana o te Wai, to the extent that Te Mana o te Wai applies to the functions and duties of the Authority; and
- provide oversight of, and advice on, the regulation, management, and environmental performance of drinking water, wastewater, and stormwater networks; and
- promote public understanding of the environmental performance of drinking water, wastewater, and stormwater networks.

Direction to develop a levy regime

In 2024, and as provided for in the Water Services Act 2021, the Minister of Local Government instructed the Authority to develop proposals for a levy funding regime.

The aim of the proposal was to establish a levy funding regime that would;

- ensure there is a funding model for the regulation of water services that provides sufficient revenue to support the Authority's functions, and
- that to the extent possible, the costs of funding the Authority are paid by the most appropriate party.

Local Water Done Well policy programme and objectives

The Government's Local Water Done Well reform programme sets out a direction for financially sustainable water services, underpinned by a robust regulatory system. It puts an emphasis on meeting regulatory standards, and the transparent and financially sustainable performance of local water services – but provides for local choice about the form of service delivery structures.

The Local Government Water Services Bill (the Bill) includes an expanded range of water services delivery models for councils to choose from. Councils may design their own alternative arrangements, if the arrangements meet minimum requirements. The Bill is currently before the House and undergoing Select Committee consideration and is expected to come into force later this year

In developing options for the levy funding model, the Authority has taken into consideration the direction of government policy with respect to Local Water Done Well. We have needed to allow flexibility in the levy design to accommodate different organisational models which may also change and evolve over time. This includes the development of multi-council water service council-controlled organisations (CCOs) and consumer trust models.

The levy design is also intended to accommodate models where councils retain some water services (most likely stormwater services) while one or both of the other water services are placed into CCOs. Similarly, the proposed levy design allows for delivery models that may emerge, as allowed for in the Bill, including mixed council/consumer trust-owned water organisations (where one or more councils together have a minority shareholding), and water organisations that are 100% consumer trust-owned.

A key policy objective of Local Water Done Well is financial sustainability. This requirement will be a key determinant for what councils will decide to do regarding their water service

delivery. The Bill when enacted by mid-2025 will provide for a comprehensive, flexible, and risk-based approach to regulation tailored to the characteristics of local water services.

Current funding arrangements and activities of the Authority

The Authority is currently almost entirely funded by the Crown, with a small proportion of its funding received through fees charged for specific functions under the Water Services (Fees and Charges) Regulations 2021. For example, the Authority charges fees to assess exemption applications, but this funding source only totals approximately \$20,000 per year³.

The 2021 Act enables regulations to prescribe levies to be set by Order in Council on the recommendation of the Minister of Local Government for the purpose of recovering **any or all** of the costs of the Authority that relate to the exercise of its functions, powers and duties.

The table below outlines the current Crown funding arrangement of the Authority.

Table 1: Current Crown funding for the Authority excl. GST (\$m)

\$ millions	2024/25
Appropriated from the tagged contingency	\$11.630
Funding transferred from Ministry of Health for their previous role in drinking water regulation	\$4.000
Funds to cover shortfall in levies	\$5.044
Public Sector Pay Adjustment funding approved Budget 2023	\$0.642
Funding available	\$21.316

An operating budget of \$25.3m has been approved for the 2024/25 financial year. The shortfall of \$4m between Crown funding and the operating budget for the year to 30 June 2025 will be met through utilisation of the Authority's existing reserves. Using reserves is a short-term solution and not a sustainable approach to ongoing funding for the Authority.

The table below summarises estimates of the current annual costs for each of the Authority's main regulatory activities. It is intended that a proportion of these costs will be funded by the proposed levy on water service providers.

³ The Authority does not expect this to be a sustainable funding source in the future as the number of exemptions granted can fluctuate, making revenue highly unpredictable. Exemption based revenue also does not scale with increasing regulatory demands, making it an unreliable long-term solution.

Table 2: Costs and benefits associated with activities of the Authority⁴

Activity	Benefits to the Crown	Benefits to consumers	Benefits to water service providers	Cost (\$m)
Compliance, monitoring and enforcement role in the water regulatory system	Demonstrates proactive regulatory oversight and reduces the likelihood of incidents that could have significant public health or environmental impacts or a regulatory failure.	Ensures safe and reliable drinking water by holding water service providers accountable. Ensures water systems proactively manage risks, reducing the chance of contamination. Provides rapid response in crisis situations, protecting public health.	Provides clear regulatory expectations and consequences, promoting fair competition and industry standards. Supports water service providers and operators in emergency management and risk mitigation.	11.2
Reporting	Enhances government accountability and transparency. Demonstrates effectiveness of regulation and drives supplier and system performance improvement. Provides evidence for future policy and funding decisions.	Increases transparency and public trust in water quality and system performance. Increases public trust by showing how water and wastewater systems impact the environment.	Helps operators benchmark performance, identify areas for improvement, and demonstrate compliance. Helps operators track and improve environmental improvement efforts.	6.4
Engagement, information and outreach across the water sector	Reinforces government credibility and responsiveness to regulated party needs. Ensures greater likelihood of compliance and better risk management practice thereby reducing risks of incidents that could have significant public health or environmental impacts.	Enhances public understanding and trust in water safety and management efforts. Promotes better collaboration for public health protection. Ensures water services meet high safety and performance standards.	Supports collaboration, capability building, and best practice sharing across the sector.	6.3
Legislation, policy and system role in maintaining a regulatory system	Sets in place requirements to ensure known risks are appropriately managed. Supports evidence-based policymaking, ensuring regulations remain effective and responsive to emerging challenges.	Ensures water regulations evolve to protect public health and the environment. Ensures water quality meets public health and safety standards.	Provides a stable regulatory framework, clear guidance, and up-to-date standards to support compliance.	1.4

⁴ Appendix 1 provides examples of what activities fall under each category.

Development of an Interim CRIS

The Authority developed an interim CRIS⁵ which helped inform the design of the initial proposal that was consulted on with water service providers. The consultation provided further feedback that has informed the development of this final CRIS.

Cost Recovery Principles and Objectives

Development and analysis of options for cost recovery has included consideration of the requirements set out in the 2021 Act and:

- Whether, and if so how, levies might be stratified across water services; and
- How levies should be apportioned amongst levies payors.

To determine how the levy should be structured and administered the Authority have applied the following principles, consistent with the Treasury's [Guidelines for Setting Charges in the Public Sector](#) and the Office of the Auditor-General's guide on [Setting and Administering Fees and Levy for Cost Recovery](#)⁶

Table 4: Principles for proposal to implement a levy regime from 1 July 2025

Equity	Those who benefit most directly from the Authority's activities bear most of the costs associated with those activities
Efficiency and effectiveness	Costs associated with the Authority's functions are borne by water service providers to incentivise them to maintain and improve behaviours that will keep costs down, and levies are structured to minimise administrative costs
Simplicity	The Authority aims to implement a cost recovery regime that is straightforward and easily understandable to stakeholders
Justifiability	Only those costs related to functions that primarily benefit consumers of water services provided by water service providers are recovered, and all other costs are funded from general taxation
Transparency and accountability	The Authority reports publicly and consistently on income and expenditure, their drivers and levels of service performance

The Authority expects it will take several years to understand how successful the levy is with respect to influencing sector behaviour given the expected time to fully embed Local Water Done Well reforms. This is something that will be considered in future funding reviews.

⁵ The interim CRIS is published here: https://korero.taumataarowai.govt.nz/regulatory/proposed-levy/supporting_documents/Levy%20consultation%20CRIS%20and%20Panel%20Statement%20Redacted.pdf

⁶ Not all principles are relevant for each matter covered in this section.

Policy Rationale: Why a user charge? And what type is most appropriate?

The authority to charge

Section 201(1) of the Water Services Act 2021 provides that:

*The Governor-General may, by Order in Council made on the recommendation of the Minister, make regulations prescribing a levy for the purpose of recovering **any or all** of the costs of Taumata Arowai that relate to the performance or exercise of its functions, powers, and duties under this Act or any other enactment that is payable by 1 or more of the following:*

- (a) drinking water suppliers;*
- (b) wastewater network operators;*
- (c) stormwater network operators.*

Before setting the regulations for the levies, the responsible Minister must:

- *determine the costs of the Authority, including the costs of collecting the levies, to be covered by the levies; and*
- *request, and have regard to, advice from the Authority on the proposed levies; and*
- *consult the persons who will be affected by the levies, including drinking water service providers, wastewater network operators and stormwater network operators.*

The appropriateness of cost recovery

In line with guidance from the Treasury, cost recovery proposals require consideration of both:

- who benefits from the outcomes sought from the delivery of services (i.e. who derives the direct benefit from, for example, an authorisation to undertake an activity), and
- whose actions or inactions give rise to the costs the Authority incurs.

The *risk exacerbator pays* and *beneficiary pays* models are two approaches to cost recovery in the public sector. The risk exacerbator pays model assigns costs to those responsible for creating a problem, often based on the "polluter pays" principle. The beneficiary pays model, on the other hand, assigns costs to those who directly benefit from a service or improvement, ensuring that those who gain the most contribute to its funding.

For drinking water quality and sufficiency, the beneficiary pays model is preferable. Under this model, those who consume and benefit from safe and sufficient water—residents, businesses, and industries—contribute to the costs of maintaining and improving the system. This ensures a stable revenue stream and aligns costs with benefits.

Since all users rely on clean and accessible water, spreading the costs among beneficiaries can create a fairer and more sustainable funding system compared to relying solely on penalties or fees. It is also easier to implement than both an exacerbator or mixed-model and the costs are spread among all users who benefit from the service.

The exacerbator model presents challenges including

- If those responsible evade responsibility, funding may become inconsistent.

- Legacy issues may not have a clear responsible party, making cost allocation problematic.

For a mixed model, some groups may end up paying both as beneficiaries and exacerbators, leading to disputes over fairness. Implementing both models is also the most administratively burdensome, requiring extensive monitoring, enforcement, and regulatory oversight.

Some argue that since all water users are also taxpayers, the government could fully fund the Authority's costs through taxes. This would remove collection costs for the Authority and reduce the financial strain on local councils. However, cost recovery is based on the idea that those who benefit from regulation should pay for it directly. This helps ensure consumers hold their water providers accountable for the ongoing provision of safe, sufficient water services that minimise the impact on the environment.

It is also important to note that not all taxpayers receive services from regulated water service providers (i.e. some are on self-supply and are not regulated by the Authority). As such, full funding from taxation would entrench self-supply subsidisation of the benefits received by regulated water services consumers. 100% Crown funding was not supported by the Authority's analysis of activities as most services are club goods where those that benefit from services should pay for those services. Even those not on town supply benefit from council amenities in their community such as schools, medical centres, recreational centres etc.

It is appropriate that the Crown cover some of the Authority's costs that are public goods, such as ministerial support, and services provided to non-levied groups, to minimise inequities.

Why partial cost recovery is recommended

We have applied the Treasury's *Guidelines for Setting Charges in the Public Sector* in this CRIS to assess the economic characteristics of the Authority's services and segmented the activities that deliver on these functions. To determine who should pay for what we have then assessed those activities against the Treasury framework for assessing the economic characteristics of activities based on:

- Is it excludable – can people be prevented from using it?
- Is it rivalrous – if one person uses the good, does it reduce other's enjoyment of it?

Most of the Authority's services are "**club goods**," meaning they benefit specific groups but do not limit others from enjoying them. For example:

- **Drinking water standards:** Only water service providers directly use these rules, but all consumers benefit from safe water.
- **Community engagement:** Both water service providers and consumers use these services, and informing one group does not prevent others from being informed.
- **Other club goods:** Compliance monitoring, enforcement, sector capability building, guidance, and performance measures.

The next major category is **public goods**, which support government functions. For instance, policy advice helps Ministers govern effectively, benefiting all New Zealanders without excluding anyone and public reporting provides all New Zealanders with transparent national level information about the performance of their water services.

Some services provide **private goods**, where use is exclusive. For example:

- **Exemptions:** Only the applicant benefits from an exemption.
- **Other private goods:** Registrations and inspections.

Currently, the Authority does not plan to charge direct fees for private goods beyond those set in the Water Services (Fees and Charges) Regulations 2021. Since many services are new, there is not enough data to set fair fees. Instead, costs will be shared across all service users through levies, with future adjustments based on new information.

Over the first levy period, the Authority will gather information to help it better understand the extent to which fees may be a more appropriate tool to recover costs of some services

Methodology for determining the split of club, public and private goods

The methodology the Authority used to determine the split of club, public and private goods included:

- Working through the Water Services Act 2021 and Taumata Arowai—the Water Services Regulator Act 2020 to determine all the functions the Authority is legally required to undertake.
- Determining the activities required to fulfil these functions.
- Working with an external cost recovery expert and internal subject matter experts to determine the beneficiary of each activity.
- Creating a cost model (based on the above) to calculate total costs for these activities and to provide a recommended split across the three waters.
- Working with internal subject matter experts to quantify costs in their teams.
- Internal quality assurance of the quantified costs by the internal Finance Team and Senior Leadership (including the Chief Financial Officer). As part of this exercise the Senior Leadership team assessed the use of resources to ensure that the limited financial resources are efficiently utilised to deliver value for money.
- Inputting all the above information into the cost model, which produced a cost per activity and an overall cost split per water.

Implications of applying the excludability and rivalry test

The Authority has referenced Treasury's *Guidelines for Setting Charges in the Public Sector* to estimate what share of the WSA's costs should, using the Treasury methodology, fall to the Crown versus other beneficiaries.

The Treasury methodology results in an estimate of 74% of the Authority's services being for a "club" or private benefit and thus paid by levy payers, with 26% being for a "public" or Crown benefit and thus paid by the Crown. Based on the Cabinet agreement of total funding to the Authority of \$25.3m p.a, this would result in a Crown funding contribution of \$6.5m p.a. However, the WSA has been advised that the Crown contribution to its costs is to be capped at \$4.462m p.a. The implications of this are discussed in more detail in the design section of this document.

Treasury's framework assumes a clear link between service use and cost recovery, but this can be problematic in areas where market failures exist. For example, clean drinking water benefits all society but undercharging to those that benefit from the services provided could promulgate further market failures by water service providers. If the primary users (the "club")

receive most of the benefits from the service, through the activities that the Authority delivers, it is fairer to shift a greater share of costs to them rather than the public.

This consideration is also reflected in the design section that follows, informed by the results of consultation.

Consultation

The Authority released a discussion document on 26 November 2024 on behalf of the then Minister of Local Government seeking feedback from council water services providers and water service organisations (CCOs) on a proposed levy design and implementation plan. The consultation period ran for eight weeks.

In conjunction, the Ministry of Business, Innovation and Employment (MBIE) consulted on a levy for the economic regulation of water services between 26 November 2024 and 7 February 2025 to recover the cost of the Commerce Commission's new functions related to water service providers of water services. The Authority, MBIE and the Commission worked closely during the levy design phase and will continue to work closely to ensure our activities are aligned and to reduce regulatory burden for water service providers.

Feedback from councils was mixed, with many signalling that the introduction of a levy was unexpected and unbudgeted expense. During consultation, councils acknowledged the value of the Authority and wanted greater engagement, with some raising concerns about the Authority's ability to deliver at current funding levels. Some councils were concerned about the Authority's resource constraints based on its prospective budget and that priority standard-setting and preventative work may not be completed within the first levy period. Some submitters raised concerns about the Authority's funding remaining static for three years (as was proposed in the consultation), particularly considering the introduction of additional functions through the Bill.

There was a strong demand for the finalisation of national wastewater standards to reduce uncertainty around investments and deliver cost savings for water service providers, alongside simplification of the Drinking Water Quality Assurance Rules.

The following table provides the themes of feedback the Authority received from targeted consultation with water service providers about the activities that the Authority delivers.

Table 3: Feedback from consultation associated with activities that the Authority delivers

Activity	Themes from submitters associated with this activity
Compliance, monitoring and enforcement role in the water regulatory system	Councils acknowledged the value of the Authority in improving the safety, quality and environmental oversight of water services for consumers. A key theme for councils was ensuring compliance is achievable and affordable, particularly for smaller or rural councils with limited budgets.
Reporting/our legislative reporting requirements	Councils noted the need to improve the quality of data being collected from councils, including developing common definitions and national benchmarking for meaningful comparisons and optimisation.

Engagement, information and outreach across the water sector	Many councils expressed support for the work of the Authority, with a number outlining how they would like to engage further particularly with regional staff and emphasised the importance of consistent, structured interactions, including regular meetings and collaborative planning and discussion on compliance challenges with the Authority. There was an emphasis on understanding and addressing local or regional challenges, including regional staff to provide local support, and site visits to build understanding of specific issues.
Legislation, policy and system role in maintaining a regulatory system	There was a strong demand for the finalisation of national wastewater standards to reduce uncertainty around investments and deliver cost savings, alongside simplification of the Drinking Water Quality Assurance Rules. There was an emphasis on ensuring that regulatory frameworks are simple and proportionate to risks.

Of the 51 submissions received, 12 were submitted by organisations and individuals that were not councils or CCOs that manage water services. As this was a targeted consultation the primary analysis is of the views submitted by councils and CCOs only. An analysis of other organisations and individuals is provided at the end of this document.

Submissions were from council water service providers and water organisations representing 38 territorial authorities.⁷

Collectively, the council and CCO submitters represent a population of 3.98 million people or 79.85% of the total population. Submissions were distributed throughout the country, with 55% of North Island councils responding and 60% of South Island councils responding, across 14 regions. No submissions were received from councils in Northland or the West Coast of the South Island; all other regions had at least one submission.

Consultation feedback that informed the design of the levy regime

Among councils and CCO submitters, 14 acknowledged that implementing a levy regime in the future is appropriate, while 19 opposed implementing a levy regime in any form. Five respondents did not answer or stated no clear preference. The 14 submitters that acknowledged that implementing a levy regime in the future is appropriate represent 54% of the total population and 68% of the population covered by respondents.

Many other council submitters considered that as all New Zealanders ultimately benefit from the provision of clean and safe drinking water, the Authority's costs should be fully (or at least mostly) funded by the Crown.

Cross-subsidisation was raised as an issue by most councils, noting that the proposal is to levy only councils (serving 84% of the population with water services) during the first levy period, and to apportion the levies based on population data. Councils' feedback related to reducing cross-subsidisation this included:

- Councils were split on whether the levy should be imposed, in the first period, only on council water service providers and water organisations (CCOs).
- Charging a council based on the number of connections was raised as a fairer alternative to population size. There was mixed feedback on whether councils had

⁷ Two different submissions were received from Hurunui District Council and are considered one submission for analysis purposes.

enough data about the number of connections for this approach to be implemented from 1 July 2025.

- Several smaller councils requested targeted support for small, rural and low-income communities with higher per-capita costs than larger urban networks.

Most councils supported aligning the review period with Long-term Plan (LTP) cycles, to give councils sufficient time for any design changes and cost implications to be factored into council planning. This would mean reducing the first levy period from the 3 years that was consulted on, to 2 years.

Through consultation, most councils noted that the levy regime was an unbudgeted cost being assigned to local authorities, which is not provided for in Annual or Long-term Plan budgets. Some noted that it will be a challenge to implement, because of the time needed if undertaking community consultation, the complexity of collecting funds for central government; meeting the implementation timeframe and ensuring consistency between the Authority and Commerce Commission levies. While the Authority notes this feedback, the total amount for the levy relative to the council's budget represents approximately 0.2% of council rates and even less when all council revenue is considered.

The feedback received informed the preferred options across the timing, apportionment and design covered in the Cost Recovery Model section of this document.

The final proposed cost recovery model (levies design)

Limiting the application of the levies in the first period

The Authority will invoice councils regardless of the organisational model that they may choose to enact as part of Local Water Done Well. This allows flexibility within the levy design to support any of the potential structural arrangements councils have access to under Local Water Done Well. This will be reassessed when the levy is reviewed.

The levy design has been reassessed by the Authority with the results of consultation informing that reassessment. The following sets out the proposed final design and notes where the design is proposed to be modified from the design that was consulted on. During the first levy period, the levy regime will only apply to local authority water service providers, which includes wastewater and stormwater network operators, council-controlled organisations (CCOs), and other entities provided for under the Bill that could include:

- Mixed council/consumer trust-owned water organisations (where one or more councils together have a minority shareholding), and
- Water organisations that are 100% consumer trust owned.

Water service providers that are not any of the above will not be levied during the initial levy period.

Council water service providers and water organisations (CCOs) serve about 84% of the population and manage most reticulated water networks. The focus for this levy period is on these water service providers, as many private water service providers are not yet registered

and are not required to comply with most 2021 Act requirements until 2028⁸. Additionally, upcoming regulatory changes may exclude many very small supplies from direct regulation⁹.

Given these factors, the cost of administering a levy for non-local authority water service providers outweighs the revenue collected, making it impractical at this stage and does not meet several of the guiding principles. This will be reassessed when the levy is reviewed.

Central government water service providers¹⁰ will also be excluded initially. These water service providers often serve dispersed populations and have limited ability to recover costs. They also serve a small portion of water service providers. Their inclusion will be reconsidered when the levy is reviewed.

This limited application during the first levy period will result in some cross-subsidisation by councils.

Funding split between Crown and levy funding

Cabinet agreed¹¹ to Crown funding the Authority of \$4.642 per annum resulting in a split of 82% levy funding and 18% Crown funding. This increased contribution is recommended because:

- There is stronger alignment with the beneficiary pays principle as the primary users (the "club") receive most of the benefits from the service, it is fairer to shift a greater share of costs to them rather than the public. A higher club contribution ensures that those who benefit the most from the service bear more of the cost.
- Higher club funding produces greater financial stability and increased fiscal responsibility through reducing reliance on taxpayer funding (and annual appropriations through Cabinet) while maintaining service quality.

The below table provides the recommended split between Crown and levy funding.

Table 5: Recommended funding split between Crown and levy funding

	First levy period	Split
Crown	\$4.642m	18.35%
Levy	\$20.658m	81.65%
Total	\$25.3m	100%

The Crown contribution would cover activities the Authority delivers that have a public good including reporting, and work that contributes to Ministerial servicing. The proposed Crown contribution is not as high as per the Treasury methodology, but the Authority is constrained by the level of funding that has been allocated to it by Cabinet.

⁸ Assuming changes signalled in the Bill are enacted.

⁹ The number of smaller unregistered drinking water supplies is uncertain but estimated by the Authority to be between 24,000 and 120,000.

¹⁰ Department of Corrections, Department of Conservation, Ministry of Education, and Ministry of Defence

¹¹ CAB-24-MIN-0494 and ECO-24-MIN-0222

Determining the levy period until the next funding review

The Authority acknowledges the feedback from water service providers through consultation that this is an unbudgeted expense during the current LTP cycle. However, Cabinet is requiring the implementation of a levy to fund the Authority beginning on July 1, 2025, as such the options considered are determined by this requirement.

Three options for the period over which levies may apply before the next funding review were considered.

- Option 1 – Review levies annually
(for a new levy period of FY26/27)
- Option 2 - Assess¹² the levies annually and review levies every three years
(for a new levy period beginning FY28/29) (as proposed during consultation)
- Option 3 - Assess the levies annually and review levies in two years to align with Long-Term Planning cycles
(for a new levy period beginning FY27/28) **(the preferred option and reflecting the results of consultation)**

Table 6: Assessment of alternative levy periods

	Option 1 Review levies every year	Option 2 Assess the levies annually, Review every three years	Option 3 Assess the levies annually, Review in two years Preferred option
Equity	Yes, Levies can keep pace with changes in population/connections	Somewhat, Levies will lag changes in population/connections to a small degree	Somewhat, Levies will lag changes in population/connections to a small degree
Efficiency	No, High administrative costs for the Authority and levy payers imposing a burden on the WSA and the sector	Somewhat, Moderate administrative costs for the Authority and levy payers	Somewhat higher administrative costs for the Authority and levy payers compared to Option 2 but less than for Option 1.
Simplicity	No, Difficult to administer due to constant change. The operation of a memorandum account allows for any over collection to be carried forward and eventually offset at the time of the levy review.	Somewhat easier to administer due to reduction in change.	Somewhat easier to administer due to reduction in change.

¹² Assess in this context means to conduct an internal WSA assessment to consider whether more or less levy is being collected but not actually seek to change the levy until the review occurs.

Justifiability	Yes, High accuracy in terms of ensuring charges reflect costs	Yes, the use of the memorandum account and releasing annual advice to client on its operation ensures charges reflect costs.	Yes, the use of the memorandum account and releasing annual advice to client on its operation ensures charges reflect costs.
Transparency	Yes, Ensures the Authority's costs and services are under regular scrutiny	Yes, the use of the memorandum account and releasing annual advice to client on its operation ensures costs and services are under regular scrutiny.	Yes, the use of the memorandum account and annual reporting on its operation ensures costs and services are under regular scrutiny.

Option 3 (Assess the levies annually, review in 2026/27 for FY 2027/28) is the preferred option on the basis that:

- The Authority consulted on a three-year review cycle, but most councils preferred a two-year cycle to align with the Long-Term Plan cycle, to give councils sufficient time for any design changes and cost implications to be factored into council planning¹³. The Authority has considered this and notes that while somewhat less administratively efficient, it accepts the councils' preferences in this regard.
- This balances administrative efficiency and simplicity and aligns budgeting cycles for those that would be paying.
- It provides space for the flexibility of arrangements that are implicit in Local Water Done Well over the next two years.
- It allows enough time to further the Authority's experience in operating within the new regulatory system allowing a better understanding of costs, including new functions proposed under the Bill, that would inform the next levy review.

There is a risk with the proposed levy period in two-years' time, that local authorities will still be in the process of implementing new water services arrangements and limited progress will have been possible on areas such as accurate connections data. The Authority will also still be embedding new regulatory functions. Accordingly, after just two years there will still be reasonable constraints on the Authority's ability to accurately forecast costs.

However, the Authority considers that the benefits of a two-year review period in terms of sector acceptance and convenience outweigh any additional costs. The cycle for subsequent reviews will be canvassed with the sector at the time of the proposed first review.

Levies Apportionment

When considering options for how costs should be allocated, we have applied the cost recovery principles outlined in the above section. We have also considered the need to minimise cross-subsidisation and the fact that in the first period, some information to support equitable allocation of costs is either not available or inconsistent across the country.

¹³ The Authority notes that the majority of the review cycle will need to be completed within 18-20 months for councils to incorporate it into their LTP decision makings.

We have considered five options for the design of the levies to apportion costs to water service providers:

- Option 1 - Equal shares - Under this option, each supplier/ network operator would be charged the same levies amount regardless of any factors that may differentiate them.
- Option 2 - Population bands - Under this option, each supplier/network operator is placed in bands based on the size of the population they serve. Each band would be assigned a levies rate with the rate increasing as the population served grows.
- Option 3 - Connection based - Under this option levies would be calculated based on the number of connections a drinking water supplier or network operator is responsible for.
- Option 4 - Charges to water service providers based on Census numbers - Under this option the quantum of the levies charged to each supplier/network operator is based on the population within the catchment area of that supplier (**preferred option and as consulted on**).
- Option 5 - Serviced population charges - This option would take the population data required for Option 3 (connection based) and adjust it for the population serviced.

These options are based on a Cabinet agreement for the Crown contribution of \$4.642m p.a. and the remainder being levy funded. Appendix 2 provides examples associated with the assessment of the approaches below.

Table 7: Assessment of alternative levy apportionment approaches

	Option 1 Equal shares	Option 2 Population bands	Option 3 Connections	Option 4 Census Preferred option	Option 5 Serviced population
Equity	No, this option does not support an equitable allocation of costs and impacts would be felt more acutely by small water service providers.	Somewhat, this option would be more equitable than Option 1 as it would result in more proportionate costs for smaller served populations.	Yes, apportionment would be based on actual numbers of connections.	Yes, a consistent approach is taken to costs across water service providers based on population.	Yes, a consistent approach is taken to costs across water service providers based on population served.

Administrative Efficiency	Yes, this option is the most efficient to apply.	Somewhat, this approach would be less administratively efficient for the Authority than Option 1, as it would require administration of a larger set of levies.	Yes, but consistent information does not exist across councils to inform apportionment on this basis. Stormwater not based on connections.	Yes, ensures calculation of the quantum of levies more closely reflects size of the population served, and thus who benefit from our functions. Relies on independent data.	Yes, but consistent information does not exist across councils to inform apportionment on this basis. Stormwater not based on serviced population.
Simplicity	Yes, this option is the simplest to apply.	Somewhat, population bands would need to be smaller, meaning more bands to administer, which will reduce the administrative efficiency benefits.	No, in addition to consistent information not existing to inform this approach.	Yes, the Authority would use the most recent census data to determine the population for each supplier and calculate the levy based on this.	No, in addition to consistent information not existing to inform this approach.

Charging a supplier based on the number of connections was raised by some councils during consultation as a fairer alternative to charges based on census numbers. There was mixed feedback from councils however on whether they had enough data about the number of connections for this approach to be implemented from 1 July 2025. There was recognition from several councils that that current information at a national level is inconsistent and some councils acknowledged that *current information is inadequate*. While it could be more equitable to apportion costs on the number of connections, there are data constraints and administrative complexity in doing so.

As part of the Authority's 22/23 Network Environmental Performance Report, only 66% of water service providers provided a response regarding the number of residential connections and 60% provided the number of non-residential connections. Of those that provided reporting, confidence response rate was 54% for residential and non-residential connections.

The data quality demonstrates that many water service providers are currently unable to provide robust information about the number of connections in their networks – data the Authority consider forms basic information needed to understand the network, especially to base a levy regime on¹⁴. While the Authority does not consider a per connection levy regime

¹⁴ [Appendix 4: Data quality and confidence, Network Environmental Performance Report 2022/2023](#)

is viable, under the preferred design for the levies, councils could themselves choose how to pass on costs (or not pass them on).

Taking the various constraints into account as noted above, Option 4 (Charges to water service providers based on Census numbers) is the preferred option on the basis that:

- It best meets the assessment criteria.
- It is allocated based on information from an independent third party (Statistics NZ).
- It ensures that levies reflect the size of the population served (including transients), which correlates to who benefits from the Authority's functions.
- The data used to allocate the levies is measured using a consistent methodology.
- It is simple to understand and calculate and administratively efficient.

The proposed charges to water service providers based on Census numbers approach during the first levy period also aligns with the proposed apportionment approach for the Commerce Commission's levy.

Functions charged separately for each water service

The Authority have considered two options regarding the charging of functions related to the three waters.

- Option 1 - Apply a single levy covering all three waters (drinking water, wastewater, and stormwater)
- Option 2 - Separate levies for each water – drinking water, wastewater and stormwater
(preferred option and as consulted on)

The differing nature of functions, activities and therefore costs associated with each water service (e.g. the Authority does not have a direct regulatory oversight function for wastewater and stormwater) justifies charging separate levies. Charging separate levies also adds transparency and ensures that costs are allocated appropriately to the services benefiting from the Authority's functions.

The levy has been split into the three waters components based on the estimated cost of the Authority's activities over the proposed levy period. The percentage split varies year on year as the estimated cost of delivering activities changes over this period. The cost estimates have been determined by an internal Authority review of its cost structure and resource allocation, adjusted for expected changes in activity levels as a result of water reforms.

Table 8: Percentage split of leviable amounts across the three waters

Percentage Split	2025/26	2026/27
Drinking water	75%	75%
Wastewater	21%	21%
Stormwater	4%	4%

Cost components

The largest cost driver for the Authority is staff, accounting for approximately 67% of costs. Indirect costs, such as corporate services, accommodation, depreciation on fixed assets, and contractor costs, account for 21% of costs. These costs are captured in overheads, which are apportioned based on FTE (Full-Time Equivalent).

The Authority's costs are influenced by statutory requirements, including developing drinking water standards, compliance monitoring, and enforcement. Additionally, some costs are driven by Ministerial expectations as set out in a Letter of Expectation, and strategic decisions made by the Authority as set out in the Authority's Compliance, Monitoring and Enforcement Strategy.

Finally, there are costs that are outside of the Authority's control. These predominantly relate to the consumption of services classified as 'private' goods and are driven by demand from water service providers (e.g. supporting a drinking water emergency over and above what the Authority has budgeted/planned for).

Indirect inputs include corporate services, accommodation, depreciation on fixed assets, some consultant/contractor costs, Board costs, and travel, etc. which account for 21% of costs. Indirect costs are captured in overheads. Overheads have been apportioned on an FTE basis.

Impact Analysis

The allocation of costs has been estimated across the 66 council districts based on the resident population of each district. Over time it is expected that the number of regulated water service providers will shrink to less than the number of councils because consolidation of water service providers into multi-council groupings. It is assumed that because of councils' reorganisation of their water services, the number of water service providers to be regulated will change.

The table below shows the impacts of apportioning the estimated costs of regulating water services providers across the current council districts.

Table 9: Cost of levy excl. GST (drinking water, wastewater and stormwater) by regulated supplier during the first levy period¹⁵ (FY25/26 – FY26/27)

Territorial authority and Auckland local board area	2023 Census Population	2025/26 and 2026/27
Ashburton district	34,746	\$143,751
Auckland	1,656,486	\$6,853,185
Buller district	10,446	\$43,217
Carterton district	10,107	\$41,814
Central Hawke's Bay district	15,480	\$64,044
Central Otago district	24,306	\$100,558
Christchurch city	391,383	\$1,619,223
Clutha district	18,315	\$75,772
Dunedin city	128,901	\$533,287
Far North district	71,430	\$295,519
Gisborne district	51,135	\$211,555
Gore district	12,711	\$52,588
Grey district	14,043	\$58,098
Hamilton city	174,741	\$722,935
Hastings district	85,965	\$355,653
Hauraki district	21,318	\$88,196
Horowhenua district	36,693	\$151,806
Hurunui district	13,608	\$56,299

¹⁵ Costs are rounded to the nearest dollar

Invercargill city	55,599	\$230,023
Kaikoura district	4,215	\$17,438
Kaipara district	25,899	\$107,149
Kapiti Coast district	55,914	\$231,326
Kawerau district	7,539	\$31,190
Lower Hutt city	107,562	\$445,004
Mackenzie district	5,115	\$21,162
Manawatu district	32,415	\$134,107
Marlborough district	49,431	\$204,505
Masterton district	27,678	\$114,509
Matamata-Piako district	37,098	\$153,481
Napier city	64,695	\$267,655
Nelson city	52,584	\$217,550
New Plymouth district	87,000	\$359,935
Ōpōtiki district	10,089	\$41,740
Ōtorohanga district	10,410	\$43,068
Palmerston North city	87,090	\$360,307
Porirua city	59,445	\$245,935
Queenstown-Lakes district	47,808	\$197,790
Rangitikei district	15,663	\$64,801
Rotorua district	74,058	\$306,391
Ruapehu district	13,095	\$54,176
Selwyn district	78,144	\$323,296
South Taranaki district	29,025	\$120,082
South Waikato district	25,044	\$103,612
South Wairarapa district	11,811	\$48,864
Southland district	31,833	\$131,699
Stratford district	10,149	\$41,988
Taranua district	18,660	\$77,200
Tasman district	57,807	\$239,158
Taupo district	40,296	\$166,712
Tauranga city	152,844	\$632,343
Thames-Coromandel district	31,995	\$132,369
Timaru district	47,547	\$196,711
Upper Hutt city	45,759	\$189,313
Waikato district	85,968	\$355,665
Waimakariri district	66,246	\$274,072
Waimate district	8,121	\$33,598
Waipa district	58,686	\$242,795
Wairoa district	8,826	\$36,515
Waitaki district	23,472	\$97,108
Waitomo district	9,585	\$39,655
Wellington city	202,689	\$838,561
Western Bay of Plenty district	56,184	\$232,443
Westland district	8,901	\$36,825
Whakatane district	37,149	\$153,692
Whanganui district	47,619	\$197,008
Whangarei district	96,678	\$399,974
TOTAL	4,993,254	\$20,658,000

Regulated water service providers will be able to choose how to pass the costs of levies onto the households and businesses that they directly provide water services to, or ratepayers in cases where water service providers do not have direct customer relationships. We note that some council water service providers directly charge connected customers for water services, while others recover their costs of providing water services through rates. The Authority expect that councils will work out the best way for them to recover costs from their ratepayers. The Authority will not be stipulating how councils should do this.

Based on the current resident population and an average household size of 2.7 persons, the annual financial impacts on households of the proposed levy regime will be small compared to the prices that are likely to be charged for water services through either rates or direct charges.

Table 10: Levy and crown contributions (\$ millions and cost per person, excl. GST)

\$millions over first levy period 1 July 2025 to 30 June 2027		Cost per person over first levy period	
82% levy – 18% Crown			
Levy	\$20.658m	Cost per person	\$4.14
Crown	\$4.642m	Cost per household (~2.7 persons)	\$11.17

Most councils which agreed with the proposed levy regime, considered that the Crown contribution should be higher than is proposed. If Crown funding increases in the future (or if the WSA is able to reduce its operating costs) that will provide an opportunity to consider rebalancing the Crown/Supplier apportionment.

The Authority considers that within the constraints of developing the cost recovery approach, the proposed approach takes the appropriate balance because of:

- the stronger alignment with the beneficiary pays principle as the primary users receive most of the benefits from the service, it is fairer to shift a greater share of costs to them rather than the public.
- encouraging efficient use and cost control,
- reducing cross-subsidisation to the extent reasonably possible (reducing the burden on taxpayers who may not benefit).

In rural areas where some households self-supply their drinking and wastewater, the impacts on the households that are directly connected to and directly charged for water services will be greater, but still small relative to the costs of water services. If higher club funding disproportionately affects disadvantaged groups, mitigation strategies (e.g., targeted subsidies) could be considered by Government if it wanted to address this. Impacts will further depend on how councils choose to on-charge. Councils will decide how best to charge businesses to cover seasonal surges from visitors.

Conclusions and recommendations

It is recommended that the Authority's costs to regulate council water services should largely be recovered through a levy to be paid by water service providers. This is because,

- councils and CCOs that provide water services have given rise to the need for regulation.
- consumers of water services will benefit from regulation.

Table 11: Summary proposal and recommendation for implementation of levy regime to fund the Authority

Proposal	Recommendation
The levy regime would be applicable to councils and CCOs that provide water services to consumers.	The Water Services Act 2021 provides legal authority to recover “any and all” of the Authority’s costs associated with its functions through a levy. It is more equitable to ensure those who benefit from regulation face those costs, therefore a levy is justified. The cost of administering a levy for non-local authority water service providers outweighs the revenue collected, making it impractical at this stage and does not meet several of the guiding principles.
Baseline funding for the Authority would be capped at \$25.3m with a split contribution of \$4.642m Crown funding and \$20.658m levy funding	The proposed Crown contribution covers activities the Authority delivers that have a public good including providing ministerial advice, reporting, regulatory system design and work that contributes to Ministerial servicing. The Crown contribution reflects the percentage of private and government water service providers not contributing to the levy for the first levy period.
There will be separate levies for drinking water, wastewater and stormwater networks but these would be invoiced together for ease of administration.	We have recommended levies to recover the Authority’s costs in respect of each of drinking water, wastewater and stormwater in recognition that the nature of the water regulation as a significant impact on costs incurred and charging levies separately supports transparency.
The levies would be calculated on the total population in the district served by a council or their service delivery organisation using census data.	<p>We have recommended a ‘population’ based approach, which we consider the best balance of equity, transparency and justifiability in the absence of information on connections.</p> <p>While an alternative approach would be to apportion the Authority’s costs based on the numbers of connections to a water service supplier’s infrastructure, the information and data necessary to do this would deliver consistently fair or be reliably accurate across councils. As a result, an approach to apportioning levy costs based on connections will initially be administratively expensive to implement for relatively little gain against the principles and objectives that the options were assessed against.</p>

<p>The levies would be reviewed in two years to align with LTP development</p>	<p>We have recommended a two-year period as the best balance of the various considerations at this time, including alignment with council LTP cycles.</p> <p>This is also because there is some uncertainty in the numbers of providers that will be regulated and how they will respond to regulation.</p>
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Implementation plan

The levy proposal will be considered by Cabinet in May 2025. If approved, the new levies would be in force by an Order in Council from 1 July 2025. The Authority will ensure the decision and implementation plan is notified to councils in advance of 1 July 2025.

The proposal for the levy regime, and the associated implementation process, has been designed to take account of known issues, operational risks and challenges that were shared with the Authority through targeted consultation.

Since levy regulations will likely take effect at least 28 days after being made and subject to Cabinet approval, the Authority will use this time to inform water service providers about their upcoming invoices for drinking, wastewater, and stormwater levies, including payment terms.

Local councils will pay the levies for the first levy period while they implement new arrangements under Local Water Done Well, if they choose to do so. This was tested during consultation, with most councils agreeing that this was a pragmatic approach.

The Local Government (Rating) Act 2002 outlines how councils can set rates and recover water-related levies. Under the proposed model, regulated water service providers will have flexibility to decide how best to fund payment of the levy regime. A council-controlled organisation that provides drinking water and wastewater services, for example, may choose to charge the households and businesses connected to its networks an equal amount.

Alternatively, a regulated supplier, such as a council that provides drinking water, wastewater and stormwater services in its district, may choose to pass on the levies through a targeted rate directed at connected properties for drinking water and wastewater services, and a targeted rate directed at ratepayers who own properties in an urban area for stormwater services.

It will be up to water service providers to determine if and how to recover the levy costs from consumers (i.e., rates, water charges, targeted rates, etc.) and how to ensure these costs are recorded (i.e., whether to include levy charges as an explicit line in rates bills).

Levies will be set annually and paid quarterly in advance to support the Authority's cash flow while easing the burden on smaller water service providers. However, the first payment (from July 2025) will be in arrears due to regulatory timing. Levies will be invoiced early July, with an expectation that they would be paid July/August.

To simplify payments, the Authority will use e-invoicing, clearly detailing levy amounts for each of the three waters. Water service providers that miss payments will receive a reminder and another opportunity to pay before any recovery action is taken.

As Local Water Done Well evolves, councils and CCOs as water service providers will remain responsible for levy payments, but funding arrangements may change. Given the shifting landscape, the first levy period (2025–2027) should be seen as a transition phase, with adjustments likely over time.

Monitoring, evaluation and review

The Authority will set up a Memorandum Account to track the balance of income and expenditure for each water service. The account will allow for transparent reporting on any surpluses or deficits.

The balance of the Memorandum Account, an analysis of the drivers of cost, attainment of service performance measures and proposals to address any under-performance, will be discussed in each of the Authority's annual reports. Service performance will be monitored using metrics that align with the Office of the Auditor-General's guidelines. Performance and cost information will be included in annual reports.

The Authority will closely monitor funds received versus costs during the first levy period to ensure no material over or under recovery occurs. This will help ensure that the Authority is adequately resourced to meet sector needs. Over the first levy period, the Authority will gather information to help it better understand the extent to which fees may be a more appropriate tool to recover costs of some services¹⁶. The Authority would look to adjust the levy amounts in following periods if there was significant over or under collection compared to the actual cost of delivery by the Authority.

A full funding review will take place at the end of the first levy period within two years' time.

Version control

Version	Date	Link
1.0	March 2025	

¹⁶ s 200 of the Water Services Act is the legislative basis for regulations setting fees or charges.

Appendix 1: Activities of the Water Services Authority with examples

Activities of the Water Services Authority with examples

<p>Compliance, monitoring and enforcement</p> <p>This overarching activity relates to our compliance, monitoring and enforcement role in the water regulatory system. Some examples of the activities we undertake include:</p> <ul style="list-style-type: none"> • Ensure compliance, and undertake enforcement, investigations, prosecutions, and issue infringements as necessary. • Review drinking water safety plans, wastewater risk management plans, and stormwater management strategy plans from water service providers and operators. • Declare drinking water emergencies, exercise special powers, and engage with response agencies. • Publish a Compliance, Monitoring and Enforcement Strategy.
<p>Reporting</p> <p>This overarching activity relates to our legislative reporting requirements. Some examples of our reporting include:</p> <ul style="list-style-type: none"> • Produce the Annual Network Performance Report and Annual Drinking Water Regulation Report. • Annual reporting on environmental performance of networks and operators.
<p>Engagement, information and outreach</p> <p>This overarching activity relates to our engagement and outreach to stakeholders across the water sector. Some examples of the activities we undertake and the stakeholders we engage with include:</p> <ul style="list-style-type: none"> • Lead engagement with communities at place to support Local Water Done Well, delivered locally. • Sector and inter-agency engagement to build relationships and alignment across the water sector. • Campaigns to raise public awareness. • Engagement with water service providers on pertinent issues to improve compliance and risk reduction. • Develop and review best practice guidance for water service providers to promote supplier responsibility. • Ensure fit-for-purpose training is available to build sector capability.
<p>Legislation, policy and system</p> <p>This overarching activity relates to our role in legislative and policy setting and maintaining a regulatory system. Some examples of the activities we undertake include:</p> <ul style="list-style-type: none"> • Provide policy advice on legislative and regulatory changes and monitor effectiveness of legislation and regulatory practices. • Maintain registers of water service providers and networks. • Develop and review drinking water standards, rules, acceptable solutions, verification method and aesthetic values. • Setting wastewater environmental performance standards. • Setting stormwater environmental performance standards.

Appendix 2: Examples associated with options for levy apportionment

Example of equal shares levies: Amount payable excl. GST (Indicative):

	2025/26	2026/27	2027/28	Yearly Average
Levies	\$20,658,000	\$20,658,000	\$20,658,000	\$20,658,000
Territorial Authorities ¹⁷	66	66	66	
Combined levies per Territorial Authority	\$313,000	\$313,000	\$313,000	\$313,000

Example of Population-based bands: Bands and amount payable excl. GST (Indicative)

Ba nd	Population Supplied	No in each Band	Council	2025/26	2026/27	2027/28	Yearly Average
1	> 1,000,000	1	Auckland	\$7,737,847	\$7,737,847	\$7,737,847	\$7,737,847
2	500,000 – 1,000,000	0		\$-	\$-	\$-	\$-
3	350,000 – 500,000	1	Christchurch City	\$1,832,647	\$1,832,647	\$1,832,647	\$1,832,647
4	200,000 – 350,000	1	Wellington City	\$1,119,951	\$1,119,951	\$1,119,951	\$1,119,951
5	100,000 – 200,000	4	Hamilton City, Tauranga City, Dunedin City, Lower Hutt City	\$712,696	\$712,696	\$712,696	\$712,696
6	50,000 – 100,000	8	Palmerston North City, New Plymouth District, Rotorua District, Hastings District, Whangarei District, Napier City, Porirua City, Nelson City	\$285,078	\$285,078	\$285,078	\$285,078

¹⁷ Note this does not include the Chatham Islands as they are fully government funded.

7	20,000 – 50,000	23	Waimakariri District, Kapiti District Council, Selwyn District, Invercargill City, Whanganui District, Upper Hutt City, Waipa District, Timaru District, Taupo District, Gisborne District, Waikato District, Queenstown Lakes District, Marlborough District, Western Bay of Plenty District, Tasman District, Horowhenua District, Whakatane District, Far North District, Ashburton District, Thames-Coromandel District, Matamata-Piako District, Masterton District, Manawatu District	\$162,902	\$162,902	\$162,902	\$162,902
8	10,000 – 20,000	11	South Taranaki District Council, South Waikato District, Waitaki District, Central Otago District, Rangitikei District, Hauraki District, Clutha District, Southland, Kaipara District, Tararua District, Grey District	\$61,088	\$61,088	\$61,088	\$61,088
9	5,000 – 10,000	12	Hurunui District, Carterton District, Gore District, Central Hawke's Bay District, Ruapehu District, Kawerau District, South Wairarapa District, Buller District, Stratford District, Westland District, Wairoa District, Waitomo District	\$30,544	\$30,544	\$30,544	\$30,544
10	2,000 – 5,000	5	Waimate District, Opotiki District, Kaikoura District, Otorohanga District, Mackenzie District	\$10,181	\$10,181	\$10,181	\$10,181

Examples of Connections based levies excl. GST (some data is missing / has not been provided by water service providers. Some of the data has also been supplied at a Regional Council or Local Board level)

Supplier	Supplier connections	TOTAL INDICATIVE LEVIES BY YEAR			Yearly Average
		2025/26	2026/27	2027/28	
Ashburton District Council	12239	\$149,858	\$149,858	\$149,858	\$149,858
Auckland City Council (Watercare Services Limited)	467165	\$5,720,097	\$5,720,097	\$5,720,097	\$5,720,097
Auckland Council (excluding Watercare)	111	\$1,359	\$1,359	\$1,359	\$1,359
Buller District Council	3385	\$41,447	\$41,447	\$41,447	\$41,447
Carterton District Council	3137	\$38,410	\$38,410	\$38,410	\$38,410
Central Hawkes Bay District Council	4151	\$50,826	\$50,826	\$50,826	\$50,826
Central Otago District Council	14592	\$178,668	\$178,668	\$178,668	\$178,668
Christchurch City Council	179561	\$2,198,594	\$2,198,594	\$2,198,594	\$2,198,594
Clutha District Council	8662	\$106,060	\$106,060	\$106,060	\$106,060
Dunedin City Council	49041	\$600,471	\$600,471	\$600,471	\$600,471
Far North District Council	8731	\$106,905	\$106,905	\$106,905	\$106,905
Gisborne District Council	14304	\$175,142	\$175,142	\$175,142	\$175,142
Gore District Council	4908	\$60,095	\$60,095	\$60,095	\$60,095
Greater Wellington Regional Council	0		\$-	\$-	\$-
Grey District Council	5081	\$62,213	\$62,213	\$62,213	\$62,213
Hamilton City Council	62836	\$769,381	\$769,381	\$769,381	\$769,381

Hastings District Council	24149	\$295,687	\$295,687	\$295,687	\$295,687
Hauraki District Council	8602	\$105,325	\$105,325	\$105,325	\$105,325
Horowhenua District Council	13616	\$166,718	\$166,718	\$166,718	\$166,718
Hurunui District Council	9479	\$116,063	\$116,063	\$116,063	\$116,063
Invercargill City Council	21760	\$266,435	\$266,435	\$266,435	\$266,435
Kaikoura District Council	1200	\$14,693	\$14,693	\$14,693	\$14,693
Kaipara District Council	3728	\$45,647	\$45,647	\$45,647	\$45,647
Kapiti Coast District Council	21712	\$265,848	\$265,848	\$265,848	\$265,848
Kawerau District Council	3025	\$37,039	\$37,039	\$37,039	\$37,039
Mackenzie District Council	3860	\$47,263	\$47,263	\$47,263	\$47,263
Manawatū-Rangitikei District Shared Services	0	\$-	\$-	\$-	\$-
Marlborough District Council	16802	\$205,728	\$205,728	\$205,728	\$205,728
Matamata Piako District Council	9207	\$112,733	\$112,733	\$112,733	\$112,733
Napier City Council	24345	\$298,087	\$298,087	\$298,087	\$298,087
Nelson City Council	21950	\$268,762	\$268,762	\$268,762	\$268,762
New Plymouth District Council	31949	\$391,192	\$391,192	\$391,192	\$391,192
Opotiki District Council	2694	\$32,986	\$32,986	\$32,986	\$32,986
Otorohanga District Council	1784	\$21,844	\$21,844	\$21,844	\$21,844
Palmerston North City Council	33940	\$415,571	\$415,571	\$415,571	\$415,571
Papakura Local Board	23566	\$288,549	\$288,549	\$288,549	\$288,549

Queenstown Lakes District Council	28497	\$348,925	\$348,925	\$348,925	\$348,925
Rotorua Lakes Council	25584	\$313,258	\$313,258	\$313,258	\$313,258
Ruapehu District Council	6280	\$76,894	\$76,894	\$76,894	\$76,894
Selwyn District Council	25600	\$313,453	\$313,453	\$313,453	\$313,453
South Taranaki District Council	10189	\$124,757	\$124,757	\$124,757	\$124,757
South Waikato District Council	8490	\$103,954	\$103,954	\$103,954	\$103,954
South Wairarapa District Council	4214	\$51,597	\$51,597	\$51,597	\$51,597
Southland District Council	11633	\$142,438	\$142,438	\$142,438	\$142,438
Stratford District Council	3025	\$37,039	\$37,039	\$37,039	\$37,039
Taranaki Regional Council	1	\$12	\$12	\$12	\$12
Tararua District Council	5727	\$70,123	\$70,123	\$70,123	\$70,123
Tasman District Council	14752	\$180,628	\$180,628	\$180,628	\$180,628
Taupo District Council	20068	\$245,718	\$245,718	\$245,718	\$245,718
Tauranga City Council	62685	\$767,532	\$767,532	\$767,532	\$767,532
Thames-Coromandel District Council	0	\$-	\$-	\$-	\$-
Timaru District Council	21313	\$260,962	\$260,962	\$260,962	\$260,962
Waikato District Council	18116	\$221,817	\$221,817	\$221,817	\$221,817
Waimakariri District Council	21468	\$262,860	\$262,860	\$262,860	\$262,860
Waimate District Council	3231	\$39,561	\$39,561	\$39,561	\$39,561
Waipa District Council	17736	\$217,164	\$217,164	\$217,164	\$217,164

Wairoa District Council	2255	\$27,611	\$27,611	\$27,611	\$27,611
Waitaki District Council	10810	\$132,361	\$132,361	\$132,361	\$132,361
Waitomo District Council	3033	\$37,137	\$37,137	\$37,137	\$37,137
Wellington Water	163039	\$1,996,294	\$1,996,294	\$1,996,294	\$1,996,294
Western Bay of Plenty District Council	18201	\$222,858	\$222,858	\$222,858	\$222,858
Westland District Council	2826	\$34,602	\$34,602	\$34,602	\$34,602
Whakatane District Council	14635	\$179,195	\$179,195	\$179,195	\$179,195
Whanganui District Council	20022	\$245,155	\$245,155	\$245,155	\$245,155
Whangarei District Council	28454	\$348,399	\$348,399	\$348,399	\$348,399
Total Connections	1687156	\$20,658,000	\$20,658,000	\$20,658,000	\$20,658,000

Examples of census-based levies excl. GST

Territorial authority and Auckland local board area	2023 Census Population	2025/26	2026/27	2027/28	Yearly Average
Ashburton district	34,746	\$143,751	\$143,751	\$143,751	\$143,751
Auckland	1,656,486	\$6,853,185	\$6,853,185	\$6,853,185	\$6,853,185
Buller district	10,446	\$43,217	\$43,217	\$43,217	\$43,217
Carterton district	10,107	\$41,814	\$41,814	\$41,814	\$41,814
Central Hawke's Bay district	15,480	\$64,044	\$64,044	\$64,044	\$64,044
Central Otago district	24,306	\$100,558	\$100,558	\$100,558	\$100,558
Christchurch city	391,383	\$1,619,223	\$1,619,223	\$1,619,223	\$1,619,223
Clutha district	18,315	\$75,772	\$75,772	\$75,772	\$75,772
Dunedin city	128,901	\$533,287	\$533,287	\$533,287	\$533,287
Far North district	71,430	\$295,519	\$295,519	\$295,519	\$295,519
Gisborne district	51,135	\$211,555	\$211,555	\$211,555	\$211,555
Gore district	12,711	\$52,588	\$52,588	\$52,588	\$52,588

Grey district	14,043	\$58,098	\$58,098	\$58,098	\$58,098
Hamilton city	174,741	\$722,935	\$722,935	\$722,935	\$722,935
Hastings district	85,965	\$355,653	\$355,653	\$355,653	\$355,653
Hauraki district	21,318	\$88,196	\$88,196	\$88,196	\$88,196
Horowhenua district	36,693	\$151,806	\$151,806	\$151,806	\$151,806
Hurunui district	13,608	\$56,299	\$56,299	\$56,299	\$56,299
Invercargill city	55,599	\$230,023	\$230,023	\$230,023	\$230,023
Kaikoura district	4,215	\$17,438	\$17,438	\$17,438	\$17,438
Kaipara district	25,899	\$107,149	\$107,149	\$107,149	\$107,149
Kapiti Coast district	55,914	\$231,326	\$231,326	\$231,326	\$231,326
Kawerau district	7,539	\$31,190	\$31,190	\$31,190	\$31,190
Lower Hutt city	107,562	\$445,004	\$445,004	\$445,004	\$445,004
Mackenzie district	5,115	\$21,162	\$21,162	\$21,162	\$21,162
Manawatu district	32,415	\$134,107	\$134,107	\$134,107	\$134,107
Marlborough district	49,431	\$204,505	\$204,505	\$204,505	\$204,505
Masterton district	27,678	\$114,509	\$114,509	\$114,509	\$114,509
Matamata-Piako district	37,098	\$153,481	\$153,481	\$153,481	\$153,481
Napier city	64,695	\$267,655	\$267,655	\$267,655	\$267,655
Nelson city	52,584	\$217,550	\$217,550	\$217,550	\$217,550
New Plymouth district	87,000	\$359,935	\$359,935	\$359,935	\$359,935
Ōpōtiki district	10,089	\$41,740	\$41,740	\$41,740	\$41,740
Ōtorohanga district	10,410	\$43,068	\$43,068	\$43,068	\$43,068
Palmerston North city	87,090	\$360,307	\$360,307	\$360,307	\$360,307
Porirua city	59,445	\$245,935	\$245,935	\$245,935	\$245,935
Queenstown-Lakes district	47,808	\$197,790	\$197,790	\$197,790	\$197,790
Rangitikei district	15,663	\$64,801	\$64,801	\$64,801	\$64,801
Rotorua district	74,058	\$306,391	\$306,391	\$306,391	\$306,391
Ruapehu district	13,095	\$54,176	\$54,176	\$54,176	\$54,176
Selwyn district	78,144	\$323,296	\$323,296	\$323,296	\$323,296
South Taranaki district	29,025	\$120,082	\$120,082	\$120,082	\$120,082
South Waikato district	25,044	\$103,612	\$103,612	\$103,612	\$103,612
South Wairarapa district	11,811	\$48,864	\$48,864	\$48,864	\$48,864

Southland district	31,833	\$131,699	\$131,699	\$131,699	\$131,699
Stratford district	10,149	\$41,988	\$41,988	\$41,988	\$41,988
Tararua district	18,660	\$77,200	\$77,200	\$77,200	\$77,200
Tasman district	57,807	\$239,158	\$239,158	\$239,158	\$239,158
Taupo district	40,296	\$166,712	\$166,712	\$166,712	\$166,712
Tauranga city	152,844	\$632,343	\$632,343	\$632,343	\$632,343
Thames-Coromandel district	31,995	\$132,369	\$132,369	\$132,369	\$132,369
Timaru district	47,547	\$196,711	\$196,711	\$196,711	\$196,711
Upper Hutt city	45,759	\$189,313	\$189,313	\$189,313	\$189,313
Waikato district	85,968	\$355,665	\$355,665	\$355,665	\$355,665
Waimakariri district	66,246	\$274,072	\$274,072	\$274,072	\$274,072
Waimate district	8,121	\$33,598	\$33,598	\$33,598	\$33,598
Waipa district	58,686	\$242,795	\$242,795	\$242,795	\$242,795
Wairoa district	8,826	\$36,515	\$36,515	\$36,515	\$36,515
Waitaki district	23,472	\$97,108	\$97,108	\$97,108	\$97,108
Waitomo district	9,585	\$39,655	\$39,655	\$39,655	\$39,655
Wellington city	202,689	\$838,561	\$838,561	\$838,561	\$838,561
Western Bay of Plenty district	56,184	\$232,443	\$232,443	\$232,443	\$232,443
Westland district	8,901	\$36,825	\$36,825	\$36,825	\$36,825
Whakatane district	37,149	\$153,692	\$153,692	\$153,692	\$153,692
Whanganui district	47,619	\$197,008	\$197,008	\$197,008	\$197,008
Whangarei district	96,678	\$399,974	\$399,974	\$399,974	\$399,974
TOTAL	4,993,254	\$20,658,000	\$20,658,000	\$20,658,000	\$20,658,000

Examples of serviced population levies excl. GST (some data is missing / has not been provided by water service providers)

Supplier	Supplier population served	2025/26	2026/27	2027/28	Yearly Average
Ashburton District Council	25275	\$120,981	\$120,981	\$120,981	\$120,981

Auckland City Council (Watercare Services Limited)	1399673	\$6,699,643	\$6,699,643	\$6,699,643	\$6,699,643
Auckland Council (excluding Watercare)	16800	\$80,415	\$80,415	\$80,415	\$80,415
Buller District Council	6225	\$29,796	\$29,796	\$29,796	\$29,796
Carterton District Council	5860	\$28,049	\$28,049	\$28,049	\$28,049
Central Hawkes Bay District Council	6759	\$32,352	\$32,352	\$32,352	\$32,352
Central Otago District Council	27075	\$129,597	\$129,597	\$129,597	\$129,597
Christchurch City Council	391162	\$1,872,328	\$1,872,328	\$1,872,328	\$1,872,328
Clutha District Council	15600	\$74,671	\$74,671	\$74,671	\$74,671
Dunedin City Council	115357	\$552,165	\$552,165	\$552,165	\$552,165
Far North District Council	22080	\$105,688	\$105,688	\$105,688	\$105,688
Gisborne District Council	39750	\$190,267	\$190,267	\$190,267	\$190,267
Gore District Council	9270	\$44,372	\$44,372	\$44,372	\$44,372
Greater Wellington Regional Council			\$-	\$-	\$-
Grey District Council	9730	\$46,573	\$46,573	\$46,573	\$46,573
Hamilton City Council	179900	\$861,106	\$861,106	\$861,106	\$861,106
Hastings District Council	71167	\$340,646	\$340,646	\$340,646	\$340,646
Hauraki District Council	19677	\$94,186	\$94,186	\$94,186	\$94,186
Horowhenua District Council	28586	\$136,829	\$136,829	\$136,829	\$136,829
Hurunui District Council	16328	\$78,155	\$78,155	\$78,155	\$78,155
Invercargill City Council	47074	\$225,323	\$225,323	\$225,323	\$225,323

Kaikoura District Council	4500	\$21,540	\$21,540	\$21,540	\$21,540
Kaipara District Council	7463	\$35,722	\$35,722	\$35,722	\$35,722
Kapiti Coast District Council	58390	\$279,488	\$279,488	\$279,488	\$279,488
Kawerau District Council	7721	\$36,957	\$36,957	\$36,957	\$36,957
Mackenzie District Council	3230	\$15,461	\$15,461	\$15,461	\$15,461
Manawatū-Rangitikei District Shared Services	19864	\$95,081	\$95,081	\$95,081	\$95,081
Marlborough District Council	37928	\$181,545	\$181,545	\$181,545	\$181,545
Matamata Piako District Council	22474	\$107,574	\$107,574	\$107,574	\$107,574
Napier City Council	62150	\$297,486	\$297,486	\$297,486	\$297,486
Nelson City Council	51170	\$244,929	\$244,929	\$244,929	\$244,929
New Plymouth District Council	67615	\$323,645	\$323,645	\$323,645	\$323,645
Opotiki District Council	4780	\$22,880	\$22,880	\$22,880	\$22,880
Otorohanga District Council	7065	\$33,817	\$33,817	\$33,817	\$33,817
Palmerston North City Council	92300	\$441,801	\$441,801	\$441,801	\$441,801
Papakura Local Board	48513	\$232,211	\$232,211	\$232,211	\$232,211
Queenstown Lakes District Council	96471	\$461,766	\$461,766	\$461,766	\$461,766
Rotorua Lakes Council	68500	\$327,881	\$327,881	\$327,881	\$327,881
Ruapehu District Council	7490	\$35,851	\$35,851	\$35,851	\$35,851
Selwyn District Council	49455	\$236,720	\$236,720	\$236,720	\$236,720
South Taranaki District Council	20907	\$100,073	\$100,073	\$100,073	\$100,073

South Waikato District Council	22535	\$107,866	\$107,866	\$107,866	\$107,866
South Wairarapa District Council	7590	\$36,330	\$36,330	\$36,330	\$36,330
Southland District Council	946	\$4,528	\$4,528	\$4,528	\$4,528
Stratford District Council	6703	\$32,084	\$32,084	\$32,084	\$32,084
Taranaki Regional Council			\$-	\$-	\$-
Tararua District Council	0	\$-	\$-	\$-	\$-
Tasman District Council	31857	\$152,486	\$152,486	\$152,486	\$152,486
Taupo District Council	31868	\$152,539	\$152,539	\$152,539	\$152,539
Tauranga City Council	157506	\$753,915	\$753,915	\$753,915	\$753,915
Thames-Coromandel District Council	24254	\$116,094	\$116,094	\$116,094	\$116,094
Timaru District Council	44613	\$213,544	\$213,544	\$213,544	\$213,544
Waikato District Council	45910	\$219,752	\$219,752	\$219,752	\$219,752
Waimakariri District Council	55557	\$265,928	\$265,928	\$265,928	\$265,928
Waimate District Council	5844	\$27,973	\$27,973	\$27,973	\$27,973
Waipa District Council	42649	\$204,143	\$204,143	\$204,143	\$204,143
Wairoa District Council	5150	\$24,651	\$24,651	\$24,651	\$24,651
Waitaki District Council	19723	\$94,406	\$94,406	\$94,406	\$94,406
Waitomo District Council	7916	\$37,891	\$37,891	\$37,891	\$37,891
Wellington Water	427100	\$2,044,348	\$2,044,348	\$2,044,348	\$2,044,348
Western Bay of Plenty District Council	35826	\$171,484	\$171,484	\$171,484	\$171,484

Westland District Council	7887	\$37,752	\$37,752	\$37,752	\$37,752
Whakatane District Council	31839	\$152,400	\$152,400	\$152,400	\$152,400
Whanganui District Council	45610	\$218,316	\$218,316	\$218,316	\$218,316
Whangarei District Council	65600	\$314,000	\$314,000	\$314,000	\$314,000
Total Connections	4315817	\$20,658,00	\$20,658,00	\$20,658,00	\$20,658,000

Proactively released by the Department of Internal Affairs

Appendix 3: Summary of submissions

Summary of submissions: Consultation on the Water Services Authority – Taumata Arowai levy for 2025 – 2028

On 26 November 2024, the Water Services Authority–Taumata Arowai (the Authority), on behalf of the Minister of Local Government, began an eight-week targeted public consultation on the proposed design of a levy for councils and their council-controlled organisations (CCOs) to fund water services regulation.

The Authority received 51 submissions on the proposed design of the levy

Of the 51 submissions received, 12 were submitted by organisations and individuals that were not councils or CCOs that manage water services. As this was a targeted consultation the primary analysis is of the views submitted by councils and CCOs only. An analysis of other organisations and individuals is provided at the end of this document.

Not all councils and CCOs answered every specific question asked in the consultation, and some councils provided general feedback in place of answering individual questions. The Authority has considered these limitations in its analysis of submitters' views.

Groups of submitters are denoted by: 'a small number' (1-3), 'several' (3-10), 'many' (11-15), 'majority' (more than half) and 'most' (more than 20) respectively. There can be room for interpretation in understanding the position of submitters, and so these terms are used to manage submission nuances.

The Authority received 39 submissions from 38 councils and CCOs

Submissions were from councils and CCOs representing 38 territorial authorities.¹⁸

Collectively, the council and CCO submitters represent a population of 3.98 million people or 79.85% of the total population.

Submissions were distributed throughout the country, with 55% of North Island councils responding and 60% of South Island councils responding, across 14 regions.

No submissions were received from councils in Northland or the West Coast of the South Island; all other regions had at least one submission.

¹⁸ Two different submissions were received from Hurunui District Council and are considered one submission for analysis purposes.

Councils supporting/not supporting a levy regime, and those who did not submit

	Support that a levy in some form is appropriate	Do not support a levy	No preference / not answered	Councils that did not submit	Total No. Of councils in NZ
Number	14	19	5	28	66
Population	2,701,989	717,456	567,555	1,006,254	4,993,254
Percentage of total population	54.11%	14.37%	11.37%	20.15%	100.00%
Percentage of population covered by respondents	67.77%	17.99%	14.24%		100.00%

Almost half of councils agreed that a levy regime should be implemented in some form, but several considered the Crown contribution should be higher.

Among councils and CCO submitters, 14 acknowledged that implementing a levy regime in the future is appropriate, while 19 opposed implementing a levy regime in any form. Five respondents didn't answer or stated no clear preference.

The 14 submitters that acknowledged that implementing a levy regime in the future is appropriate represent 54% of the total population and 68% of the population covered by respondents.

Most councils who agreed with the proposed levy regime considered that the Crown contribution should be higher than is currently proposed. Reasons included that this would better address cross-subsidisation and pay for activities that are of national benefit. There were a range of views on what proportion of costs should be funded by the Crown. Five councils supported apportionment based on the Treasury's Guidelines for Setting Charges in the Public Sector, which if followed, would have suggested a Crown contribution of 26% or \$6.5 million.

Many other council submitters considered that as all New Zealanders ultimately benefit from the provision of clean and safe drinking water, the Authority's costs should be fully (or at least mostly) funded by the Crown.

There are concerns that councils would be subsidising other water service providers

Cross-subsidisation was raised as an issue by most councils, noting that the proposal is to levy only councils (serving 84% of the population with water services) during the initial levy period, and to apportion the levy regime based on population data. Several smaller councils requested targeted support for small, rural and low-income communities with higher per-capita costs than larger urban networks.

Charging a council based on the number of connections was raised as a fairer alternative to population size. There was mixed feedback on whether councils had enough data about the number of connections for this approach to be implemented from 1 July 2025.

Most councils supported aligning the levy period with Long-term Plans

Most councils supported aligning the levy review period with Long-term Plan (LTP) cycles, to give councils sufficient time for any design changes and cost implications to be factored into council planning.

Summary of submission responses related to consultation questions¹⁹

Consultation Question	Submission response		Analysis	
Do you/your organisation agree with the focus, in the first levy period, on councils?	14 (Agree)	14 (Disagree)	10 (other ²⁰)	<p>Councils were split on whether the levy should be imposed, in the first levy period, only on councils and CCOs. Some noted that the funding of the Authority should remain with the Crown and others noted contributions from other supplier types should be considered.</p> <p>A small number of councils expressed concerns that high performing councils that have invested in water services may end up cross-subsidising councils that have not made similar investments.</p>
Would splitting the levy between drinking water, wastewater and stormwater result in any benefit for your organisation, or create any barriers?	21 (Benefit)	3 (Challenge)	13 (Unclear)	<p>Most submitters supported the levy being split between the three waters to enable flexibility in payment arrangements based on the way that councils decide to manage their water services.</p> <p>A small number of submitters had concerns that the amount allocated to wastewater and stormwater was too high.</p>
Would the proposed apportionment approach create any challenges for your organisation?	11 (No challenges)	22 (Challenges)	5 (Unclear)	<p>Cross-subsidisation and the implications for communities were raised by most councils, regardless of whether it would present a challenge to their organisation. The smaller the size of the council district, the more likely this was to be raised as an issue. Charging a council based on the number of connections was raised as a fairer alternative than population size, but there was mixed feedback on whether councils had enough data about the number of connections for this approach to be implemented from 1 July 2025.</p> <p>Several smaller councils requested targeted support for small, rural and low-income</p>

¹⁹ This table does not summarise individual comments on questions. Not all respondents answered every question, and some respondents provided separate written documents in place of answering the individual questions.

²⁰ This includes submitters that didn't answer this question, or their response didn't include a clear preference.

				communities with higher per-capita costs than larger urban networks.
Do you see any issues with your implementation of the levy?	4 (No issues)	23 (Issues)	11 (Unclear)	<p>Most councils noted that the levy was an unbudgeted and unexpected cost being assigned to local authorities, that is not provided for in Annual or Long-term Plan budgets and will be a challenge to implement, for example: because of the time needed if undertaking community consultation; the complexity of collecting funds for central government; meeting the implementation timeframe for the levy; and ensuring consistency between the Authority and Commerce Commission levies.</p> <p>Many councils were concerned that a levy regime would further contribute to cost pressures on local communities.</p> <p>Most councils supported aligning the levy review period with Long-term Plan cycles, to give councils sufficient time for any design changes and cost implications to be factored into council planning.</p> <p>Many councils were concerned about the levy coming into force on 1 July 2025 and requested that implementation be delayed or phased to help councils adjust.</p>

Themes from organisations and individuals that are not councils or CCOs that manage water services

The consultation was targeted at councils and CCOs that would pay levies if it was implemented. Submissions and feedback was received from other organisations and individuals on the levy proposals and questions posed in the consultation document.

The responses highlighted:

- A concern that private and community supplies would be levied in the future.
- Support from Water New Zealand for a levy regime which recovers the costs of a reasonable, proportionate and pragmatic regulatory approach.
- Concern from Local Government New Zealand about the potential financial impact of the levy on councils.