

Attachment A

Wai Tāmaki ki te Hiku

Submission on the draft initial Asset Management Plan (AMP) and Funding and Pricing Plan (FPP) to the Chief Executive, Department of Internal Affairs.

Executive Summary

The Kaipara District Council (Council) would like to thank the Department of Internal Affairs (DIA) for the opportunity to provide feedback on the draft initial Asset Management Plan (AMP) and Funding and Pricing Plan (FPP). These are critical documents that set out the investment and charging framework for the new water entity.

We are concerned with the lack of consultation on the draft AMP and FPP with the community. Particularly the briefing to Elected Members in November 2023 was requested by DIA to be held in a publicly excluded forum. Unlike the LTP (Long Term Plan) which must be broadly consulted upon through a defined process, these documents have remained largely invisible outside of the reform process. We would welcome these documents to be released for public information.

Therefore, in principle, after reviewing these documents and having them discussed directly with staff from DIA at a Council Briefing held on 1 November 2023, Council supports the draft initial Asset Management Plan and Funding and Pricing Plan. However, our specific points are outlined below.

Introduction

Kaipara District Council is a provincial territorial authority in Te Tai Tokerau located on the northern borders of Auckland, spanning from Mangawhai on the east coast, around the Kaipara Harbour, through to the heart of the Waipoua Forest on the west coast. Our Council provides a range of infrastructure functions, community facilities and social services to approximately 26,000 people and 16,000 ratepayers. In the Kaipara District, only 26% of our population is on reticulated water, and 55% is on reticulated wastewater. This is a low percentage of connections compared with neighbouring Auckland which has more than 90% connected to its systems. This absence of investment speaks to the independence of the people in Kaipara, the dispersed and rural nature of the community, and the challenges to getting 'water equity' in place.

Our Council supports the need for a three waters reform, although is opposed to the proposed governance arrangements. Councils are being exposed to new and tougher drinking water, wastewater and stormwater regulations imposed by Central Government and this means a significant lift in capital investment is required. To ensure compliance for the community, we support the significant uplift in capital investment in the Kaipara District. We are also experiencing growth and our small ratepayer base alone cannot sustain the level of investment required, hence why a different funding model than proposed in the draft AMP is required.

This feedback identifies areas of concern our Council believes warrants further consideration. We have not independently tested the modelling undertaken and are submitting feedback on the presumed basis that it is robust and accurate.

FEEDBACK FORM

Should there be any questions regarding the submission please contact Anin Nama, General Manager Infrastructure Services (anama@kaipara.govt.nz). Further, there are a few errors in the fact sheet attached. These can be directly discussed with Anin.

Feedback

Asset Management – Capital Investment

- We support the capital investment within the Kaipara District of \$493 million over the 2024-2034 financial period.
- We request investment in Paparoa for a new wastewater treatment scheme of \$20 million is brought forward and programmed in the 2026/27 year. This project is required as there is a significant risk of failure of private wastewater systems and contamination of the local stream. While this is not a compliance issue for Council, Council is responsible when assessing its community for sanitary services, therefore, we request this investment is given priority.
- We request investment is prioritized to within 10 years for Te Kopuru to replace the old wastewater ponds with a new wastewater treatment plant which has an investment allowance of \$30 million.
- We would like further clarity on the purpose of the \$20 million which is to 'support initial priority improvements under a programme named 'Productivity, Innovation and Sustainability (spend-to-save)' during the initial 10-year period.
- We have concerns about the achievability of the capital expenditure assumption in the 2033/34 year with expectations on the delivery of more than \$2.2 billion worth of investment for a cost of around \$1.4 billion after efficiencies. We would like to understand the implications if this level of efficiency is not achieved and any implications this may have on the level of investment within the Kaipara District.

Efficiency Targets

- We agree with the need for economic regulation however we strongly recommend that any financial efficiency commitments commence no earlier than 2030. This will allow the Entity to invest in upgrading degraded assets, rather than cutting programmes to achieve the artificial identified savings.
- We have concerns regarding the achievement of 42.2% of efficiency in operational spend by the time the 10th year is reached. This is on top of a smaller productivity efficiency that is expected to take immediate effect. The plan states *"in the 2033/34 year operational costs of around \$820m are expected to be reduced to around \$460m thanks to achieved efficiencies"*. We would like to understand the implications if this level of efficiency is not achieved and any implications this may have on the level of investment within the Kaipara District.
- We would like to understand how the budget of \$400 million over 10 years for 'spend-to-save' initiatives will drive operational savings.
- We request some of the \$400 million be invested in upgrading degraded and non-compliant infrastructure.

FEEDBACK FORM

Charging

- We support the Entity's financial strategy where water bills will stay affordable over the next 10 years, and transparency is provided over how customers will be charged throughout this transition and ongoing. Greater transparency will mean greater involvement by consumers in key decision-making processes.
- We support the harmonisation of domestic tariffs and the matching of Auckland charges as shown in Figure 1.

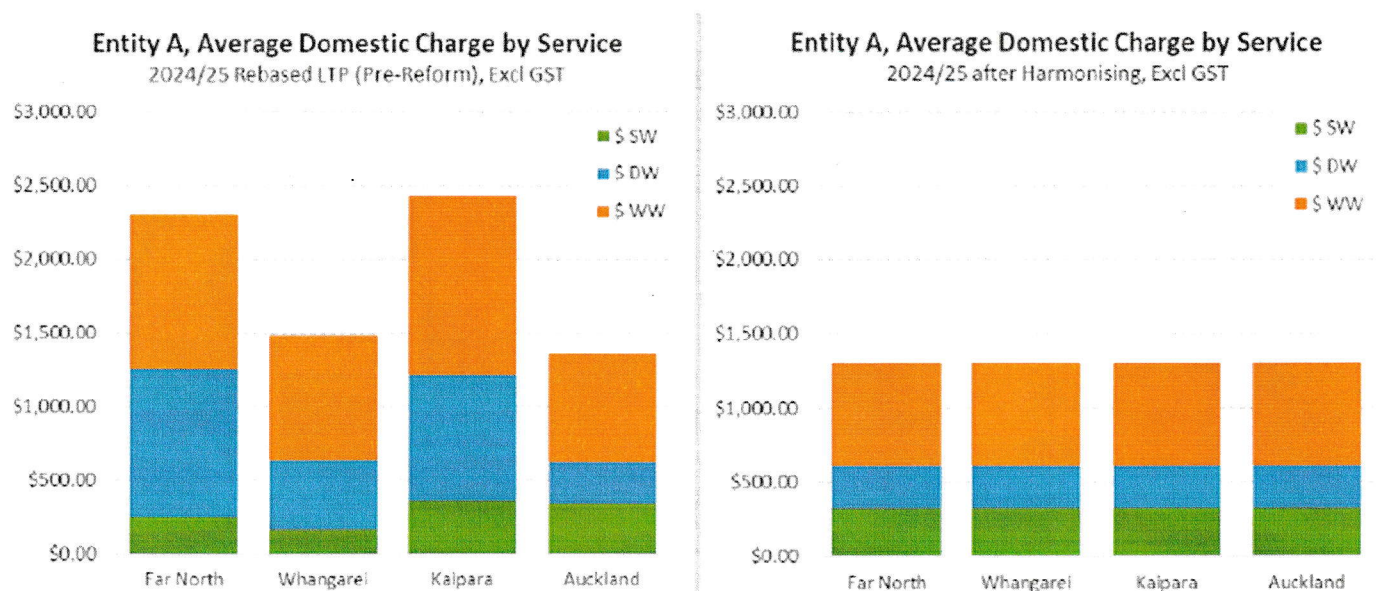


Figure 1

Like domestic customers, we request all our commercial customers are similarly better off when applying the charges set out in Figure 2. Our concern is that high-volume commercial customers may have an increase in charges arising from volumetric wastewater charging. Whilst noting this drives demand management, in communities with one large user, who is also a major employer and whose business is facing challenging circumstances, this may cause issues with affordability and business viability. Consideration needs to be given to ensure there is a transition period to the new charging regime and the opportunity is provided for possible subsidy of these costs.

We strongly recommend the Chief Executive of a Water Services Entity discount set charges and offer a discount where consumers take measures to reduce the burden on water services.

FEEDBACK FORM

Schedule of Water Services Charges for 2024/25			
All fees and charges are inclusive of GST at the current rate of 15%, unless otherwise stated.			
Wai Tamaki ki Te Hiku	Category	Unit	2024/2025 proposed fee
Water Charges			
	All users Volumetric charge	\$ per Kilolitre	\$2.038
Wastewater Charges			
	Domestic Fixed charge	Per meter	\$295.00
	Domestic Volumetric charge*	\$ per Kilolitre	\$3.546
	<i>* Domestic wastewater is assessed at 78.5% (95% for apartments) of incoming water volume as measured by the water meter</i>		
	Domestic Unmetered charge	Per connection	\$906.00
	Commercial - Low user plan - Fixed charge	Per meter	\$303.00
	Commercial - Low user plan - Volumetric charge	\$ per Kilolitre	\$6.828
	Commercial - Moderate user plan - Fixed charge	Per meter	\$761.00
	Commercial - Moderate user plan - Volumetric charge	\$ per Kilolitre	\$6.479
	Commercial - High user plan - Fixed charge	Per meter	\$10,775.00
	Commercial - High user plan - Volumetric charge	\$ per Kilolitre	\$5.496
	Commercial - Industry user plan - Fixed charge	Per meter	\$115,624.00
	Commercial - Industry user plan - Volumetric charge	\$ per Kilolitre	\$4.272
	Commercial - Unmetered - Fixed charge*	Per connection	\$1,251.00
	<i>* Unmetered commercial customers will pay a notional fixed charge which may be adjusted to better reflect actual discharge volumes</i>		
Stormwater Charges			
	To be updated to reflect current Council billing structures inclusive of an annual price increase for FY24/25		
Town to tank water supply service			
	Annual Fixed Charge		\$181.00
	Volumetric charge	\$ per Kilolitre	\$4.417
	Setup cost - Metropolitan Auckland		\$3,330.00
	Setup cost - Helensville and Parakai		\$4,179.00
	Setup cost - Northeast sub-regional		\$3,330.00
	Setup cost - Southwest sub-regional		\$3,330.00
	Setup cost - Wellsford		\$3,681.00

Figure 2

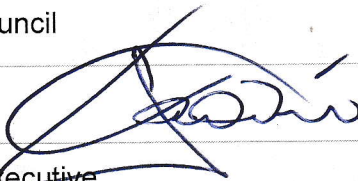
- While volumetric charging for wastewater is supported in principle, a note needs to be taken of the significant number of residents who have no reticulated wastewater or water services, or either only water or wastewater. We would like clarity on how the charges will apply.
- We request the Water Infrastructure Charges (WICS) be consulted with the Developer Community prior to being adopted.
- There is still a need for greater clarity around charging for urban stormwater services. The current funding is likely to be problematic and unclear to customers. Further clarity is needed.

Future Levels of Service and Performance Measure

- We support the level of service and performance measures however the geographic spread of the Kaipara District should be considered, and the possibility of satellite work sites are set up to ensure the level of service and performance measures are achieved.

FEEDBACK FORM

Organisation Details

Name of organisation: Kaipara District Council
Authorised Signatory: Chief Executive 
Name & Position: Jason Marris – Chief Executive
Organisation contact details: Anin Nama – General Manager Infrastructure Service. Email anama@kaipara.govt.nz .

Submission process

Submit this form to DraftInitialAMPandFPP@dia.govt.nz.

Closing date for feedback is Thursday 30 November 2023