

Feedback by

Hamilton City Council Staff

CONSULTATION: PROPOSED COST RECOVERY FEES AND CHARGES UNDER WATER SERVICES BILL REGULATIONS

20 August 2021

It should be noted that the following feedback is from staff at Hamilton City Council and does not necessarily represent the views of the Council itself.

1.0 KEY MESSAGES

- 1.1 Hamilton City Council staff thank Te Tari Taiwhenua Department of Internal Affairs for the opportunity to provide feedback on fees and charges being proposed by Taumata Arowai to recover costs for processing applications from drinking water suppliers.
- 1.2 Hamilton City Council staff note that these costs relate to water supply for planned events, requests for exemptions for certain requirements under the Water Services Bill, and requests for exemption from residual disinfection requirements.
- 1.3 Hamilton City Council staff also note that fees and charges in relation to other Taumata Arowai functions are not proposed at this stage but would appreciate the opportunity to provide feedback should further fees and charges be proposed by Taumata Arowai.
- 1.4 Hamilton City Council staff support the cost recovery objectives provided in the consultation material and recommend that further or expanded objectives could capture the need for fairness and reasonableness, sound analysis and understanding of the impact of a cost recovery regime.
- 1.5 Hamilton City Council staff agree in principle that applicants should pay the full cost of applications for accessing specific services that provide private benefit, and support a cost recovery model of fixed charge plus a variable rate. Staff have also suggested an alternative regime where there is a smaller minimum fixed fee charge for a pre-application followed by a variable rate.
- 1.6 Hamilton City Council staff support waiving of fees for small suppliers where appropriate but do not support other applicants cross subsidising this cost recovery for these waivers as this is not fair or reasonable. Staff consider that Taumata Arowai should fund these waivers.
- 1.7 Hamilton City Council staff recommend that a review period is defined for assessing and reviewing costs to ensure that costs are fair and appropriate.
- 1.8 Hamilton City Council staff consider that that cost recovery fees for applications to establish a temporary supply and exemptions are reasonable and fair, but the time allocated could be consistent between both types of applications, including listed cost items.
- 1.9 Hamilton City Council staff support the proposed fee for application for a Residual Disinfection exemption (Clause 57).

2.0 INTRODUCTION

- 2.1 Hamilton City Council staff welcome the opportunity to provide feedback to the targeted consultation being undertaken by the Department of Internal Affairs on **Proposed Cost-Recovery Fees and Charges Under Water Services Bill Regulations**.
- 2.2 Hamilton City Council has supported the establishment of a new regulator Taumata Arowai and has also supported in general, the Water Services Bill.
- 2.3 As a Local Authority, Hamilton City Council staff also understand the need for cost recovery for certain services and supports the principle of cost recovery by Taumata Arowai for the prescribed applications related to:
 - a) Temporary drinking water supply (Water Service Bill, Clause 33 Planned Events) - event organisers that plan to supply drinking water from an unregistered drinking water supply.
 - b) General Exemptions (Water Service Bill, Clause 56) from provisions in the Water Services Bill.
 - c) Exemptions for Residual Disinfection (Water Service Bill, Clause 57) - to allow a supplier to adopt arrangements or use treatment methods other than chlorination to make drinking water safe.
- 2.4 Hamilton City Council staff support the following in general:
 - The use of a fixed fee and variable rate.
 - Ability to waiver fees and charges for small suppliers.
- 2.5 Hamilton City Council staff recommend that:
 - The objectives could be expanded to include factors relating to Transparency.
 - Pre-application meetings be considered in a cost recovery regime.
 - Time estimates for Clauses 33 and 56 are made consistent.
 - A review period is defined for in accordance with best practice guidelines for cost recovery, and a need to monitor, assess and review costs recovered and that a review period should be defined.
 - Taumata Arowai meet the costs of any waived fees rather than other applicants who will be looking for fairness and transparency in charges.
- 2.6 We have also provided a response to the Consultation Document's 4 questions asked by Taumata Arowai.

3.0 KEY SUBMISSION POINTS

- 3.1 **Cost Recovery Objectives and Charging Options**
- 3.2 Hamilton City Council staff support the cost recovery objectives proposed in the consultation material and consider that additional or expanded objectives for cost recovery under the Water Services Bill could also capture the need for fairness and reasonableness, sound analysis and understanding of the impact of a cost recovery regime.
- 3.3 Hamilton City Council staff note the three options presented for charging include: fixed fee; variable rate; or combined fixed fee plus a variable rate (Taumata Arowai's preferred option). Staff support the preferred option of a fixed fee plus a variable rate because it provides sufficient certainty and flexibility to applicant's requests, and meets cost recovery objectives of effectiveness, efficiency and transparency.
- 3.4 **Fee Exemptions/Waivers and Fee Reductions**
- 3.5 Hamilton City Council staff support the enabling of the Taumata Arowai Chief Executive to authorise fee exemption/waiver or fee reduction for small suppliers provided that engagement

with Taumata Arowai on water supply management good practice is enhanced. Staff also support the proposal to disallow fee reductions or waivers for event organisers to discourage use of unregistered water supplies. Both proposals will decrease risk to the public.

- 3.6 However, staff note that the consultation document considers other applicants must cross-subsidise to cover costs incurred by Taumata Arowai. Staff do not agree with this approach and recommend that such costs be offset against Crown funding as the reason the service requesters are getting an exemption is to encourage a scenario that benefits the wider public.

3.7 **Review Period**

- 3.8 In accordance with Office of the Auditor General (OAG) best practice guidelines for setting fees and charges, Hamilton City Council staff strongly recommend that there is a defined review period to determine if the set minimum fixed charges are reflective of most applications. Staff recommend frequent review initially to assess fairness of the fees and charges, and then a 3-yearly review.

4.0 **RESPONSE TO QUESTIONS**

4.1 **Question 1 - Do you agree that as a matter of principle, Taumata Arowai should require applicants for the registration of a temporary water supply (for planned events) and/or exemptions to pay the full costs of providing these services?**

- 4.2 Hamilton City Council staff agree, in principle, to requiring applicants to pay the full cost of providing those services when the applicant receives a private benefit. Staff consider that this is a fair and reasonable approach.

4.3 **Question 2 - Do you agree that the charge should be set using a fixed plus a variable rate?**

- 4.4 Hamilton City Council staff agree that Option 3, which charges a fixed fee plus a variable rate, could provide sufficient certainty and flexibility to applicant's requests, and meet cost recovery objectives of effectiveness, efficiency and transparency.

4.5 **Question 3 - What other approaches could we use and why would those be preferred?**

- 4.6 Hamilton City Council staff consider that an alternative to Option 3 would be for the minimum charge to be reflective of the time required to do the initial/preliminary assessment then charge on an hourly basis for the remainder of the assessment should the applicant wish to proceed. The initial assessment could be deemed a 'pre-application' fee.

- 4.7 This would provide the applicant the opportunity to have only a small outlay in cost to determine the full cost of an application and full transparency of costs associated with the request. Taumata Arowai will still be recovering the cost of the initial/preliminary assessment as well as any follow-on assessment work associated with a specific request e.g., 60 minutes for assessment and provide a response time that might be reasonable.

4.8 **Question 4 - Do you agree with these proposed fees?**

- 4.9 Hamilton City Council staff agree with the three proposed fees in general. Staff support the use of an 'estimate' of number of hours that may be required, in addition to the minimum charged, and following initial/preliminary assessment. Fees appear to be transparent, use a fair and reasonable hourly rate with the fixed component (minimum charge) providing transparency on the expected minimum number of hours required to complete the assessment.

- 4.10 However, staff consider that the expected minimum number of hours may not reflect what could be involved in application processing. For example, the temporary water supply application (Clause 33) is based on 10 hours, but the 'exemption' application (Clause 56) is only based on 6 hours. The types of potential safety risks are likely to be similar for each type of application and staff recommend consistent estimate of 6 hours for both applications and a review of fees after one year. Refer Section 3.8 and 4.13.

- 4.11 Staff also note the inconsistency between the application types for listed cost items. There is potential for both Clause 33 and Clause 56 applications to require contracted support and travel e.g., physically assessing the location of the temporary supply point. Staff consider the fees description of the costs should be the same.
- 4.12 **Application to Establish a Temporary Drinking Water Supply (Clause 33) - Planned Events**
- 4.13 Hamilton City Council staff consider the Proposed fee: \$1,300 + \$130/hour after the first 10 hours + any additional costs incurred may not reflect the cost of processing the application. Staff consider that a lower fixed fee portion of 6 hours would ensure that fees are fair and transparent, with the ability to still provide adequate cost recovery with the variable rate.
- 4.14 **General Exemptions (Clause 56)**
- 4.15 Hamilton City Council staff consider that the Fees of Proposed fee: \$780 + \$130/hour after the first 6 hours + any additional costs incurred appear to be transparent, use a fair and reasonable hourly rate with the fixed component (minimum charge) providing transparency on the expected minimum number of hours required to complete the assessment.
- 4.16 Given the range of matters an exemption could be sought for and the need for the applicant to demonstrate that they are still consistent with the Water Services Bill general duty to provide safe drinking water, staff consider 6 hours of assessment seems a fair and reasonable amount of time to propose as the fixed (minimum) fee.
- 4.17 **Residual Disinfection Exemption (Clause 57)**
- 4.18 Hamilton City Council staff consider that the proposed fee of \$5,200 + \$130/hour after the first 40 hours + any additional costs incurred are transparent, uses a fair and reasonable hourly rate with the fixed component (minimum charge) providing transparency on the expected minimum number of hours required to complete the assessment.
- 4.19 Given the range and complexity of matters in relation to residual disinfection exemption and the need to review other operational policies, processes and procedures, historic maintenance and monitoring data, staff consider 40 hours of assessment seems a fair and reasonable amount of time to propose as the fixed (minimum) fee. The recovery of costs associated with any independent expertise required to support the assessment, is also fair and reasonable to expect.

5.0 FURTHER INFORMATION AND OPPORTUNITY TO DISCUSS OUR FEEDBACK

- 5.1 Should the Department of Internal Affairs require clarification of the above points, or additional information, please contact **Rae Simpson** (Senior Planner - City Waters) on 07 838 6427 or 027 2057 183, email raewyn.simpson@hcc.govt.nz in the first instance.
- 5.2 Hamilton City Council staff would welcome the opportunity to discuss the content of our feedback with the Department of Internal Affairs in more detail.

Yours faithfully



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CHIEF EXECUTIVE