

STATEMENT OF PROPOSAL TO AMEND THE NELSON COMMUNITY PLAN 2009-19 AND WATER SUPPLY BYLAW 2008

1. Background

- 1.1. The Nelson Community Plan 2009-2019 and Water Supply Bylaw 2008 both contain policies that credits will be available to water account holders connected to Council's water supply, when high water charges are identified as a result of leaks on the customer's reticulation.
- 1.2. Brief criteria for the provision of credits are given in both the Nelson Community Plan 2009-2019 and Water Supply Bylaw 2008. A review of these policies has shown that they are not consistent with each other and the criteria contained within them for allocating credits are too broad and vague leaving them subject to individual interpretation.
- 1.3. This statement of proposal proposes to amend the wording in the Nelson Community Plan 2009-2019 and Water Supply Bylaw 2008 in order to clearly define the criteria for evaluating credit requests.

2. Detail of the Proposal

- 2.1. This proposal aims to clarify when a credit would be given for water charges as a result of leaks by amending the wording of policies contained within the Nelson Community Plan 2009-19 and Water Supply Bylaw 2008.
- 2.2. The current policy wording relating to water credits in the Nelson Community Plan 2009-2019 and Water Supply Bylaw 2008 is contained in Attachment 1.
- 2.3. The proposal is to grant requests for water credits based on the following criteria:

Credits for excess water charges arising from the following will always be processed:

- a. Misreading of the meter or faulty meter
- b. Errors in data processing
- c. The meter was assigned to the wrong account
- d. Leak on a Council fitting adversely impacting on the metered usage

Other Conditions and Criteria include:

- e. Leaks from pipes or fittings on farms*, commercial, industrial properties and un-occupied properties (regardless of temporary or long term) or reserves or from irrigation, stock water, swimming pools, ponds, landscaping or similar systems on occupied properties. No credit.

** For the purpose of assessing credits for excess water arising from leaks "farm" is defined as any property that is or can be used for the growing of crops, including trees or rearing of livestock, with a land area greater than 5000 square metres.*

- f. Leaks from pipes that are, or should be visible, such as header tanks, overflows from WC's, above ground pipes or fittings and attached to raised flooring or in walls or ceilings. No credit.
- g. Where the leak is a previously unknown underground leak on the main lateral between the water meter and a residential dwelling or under the concrete floor of a residential dwelling. Credit the lost water where the leak has been repaired with due diligence. Only one leak per property, and maximum two consecutive water supply invoices covering the leak, per 5 year rolling timeframe will be credited. Credit will be based on Council's assessment of the property owner's usual usage for the period.
- h. Define due diligence as within two weeks of the earliest of the following:
 - The date of the first invoice to identify a higher than usual usage or the date of discovery or when it could have reasonably been discovered. Usual being the amount used in the same period as last year, these amounts are shown on every water account.
- i. The leak must be repaired by a Licensed or Certifying plumber with a brief report on the leak by that person to establish where on the line the leak was found, dates and an opinion, if possible, as to how long the leak had been occurring;
- j. Extraordinary circumstances which could lead to cases of genuine financial hardship for owner / occupier, could be granted at the discretion of the Council's Chief Financial Officer.

3. Reason for Proposal

- 3.1. Credits for water lost to leaks for both residential and commercial water accounts have been processed since the introduction of water meters in 1995/96. In the 2009 calendar year approximately \$175,000 in water credits were granted.
- 3.2. Identifying that a leak exists is generally a very straightforward task for property owners. Checking the water meter when no taps are being used soon shows if water is flowing through a meter to waste. Finding the leak however, can be difficult if the pipes are buried and the property is large.
- 3.3. While Council regularly advertises the need for customers to check their meters and their properties to ensure there are no leaks, a common comment in credit requests is that the first indication of a leak is the very large six monthly invoice that arrives. While mail outs to customers have encouraged the regular checking of meters to track leaks there is no real financial incentive for anyone to do this while Council simply credits the cost of lost water.
- 3.4. As a result of a review of these policies it has quickly become evident that some fundamental issues arise from applying the existing criteria.

- 3.5. The wording of the Nelson Community Plan 2009-19 provides a positive direction to Council to adjust the water account as long as the leak was on the internal water reticulation and was subject to correction within two weeks of discovery.
- 3.6. This would effectively grant a credit for leaks from any source within the property and provides no particular incentive for property owners to maintain their property and since no evidence of speedy repair is required, to fix leaks quickly. Additionally, no guidance is given on how to consider multiple leaks on the property over time. This latter point is especially important for older galvanised steel piping and some earlier polyethylene materials that can break multiple times.
- 3.7. The Water Supply Bylaw 2008 allows Council to exercise discretion about estimating consumption and limits the criteria to a previously unknown underground leak repaired with due diligence.
- 3.8. Due diligence is not defined and no process is identified for cases of genuine financial hardship to be considered when a leak is above ground but not observed, as could be the case with a leak under the floorboards of a large house, or where an occupant is absent due to illness or special family circumstances. No guidance is given on how to consider multiple leaks on the property.
- 3.9. The criteria in the Nelson Community Plan 2009-19 and Water Supply Bylaw 2008 are not consistent with each other and are overly broad and vague leaving them subject to individual interpretation.
- 3.10. Any metered supply, residential or commercial, is allowed to apply for a credit with only the very broad criteria to base their request on.
- 3.11. Staff have no clearly defined criteria for evaluating the request and therefore are unable to provide support for a refusal of the credit application.

4. Consideration of alternative options

- 4.1. Credits for excess water charges arising from the following will always be processed:
 - a. Misreading of the meter or faulty meter
 - b. Errors in data processing
 - c. The meter was assigned to the wrong account
 - d. Leak on a Council fitting adversely impacting on the metered usage
- 4.2. The following sets out options for criteria for processing credits for excess water charges arising from leaks on customer's reticulation. Choosing one will help customers and staff deal with requests fairly and speedily.

Option 1
- 4.3. No credits will be processed as of right. Only requests for credits based on genuine financial hardship for the owner/occupier will be considered by the Council.

Option 2

- 4.4. Grant every request for a credit arising from a leak, regardless of location, as long as it was fixed within two weeks of discovery or when it could have reasonably been discovered. Only one leak per property per five year rolling timeframe will be credited.
- 4.5. It will be difficult to determine when a leak actually was discovered and repaired so in practice this option would grant (nearly) every request. Adding in the point about when the leak could have reasonably been discovered should reinforce the need for property owners to repair obvious leaks. A good practice would be to insist on the leak being repaired by a registered or craftsman plumber with a brief report on the leak by that person to establish dates and an opinion, if possible, as to how long the leak had been occurring.
- 4.6. Allowing only one leak credit per five year rolling timeframe will encourage property owners to routinely check water use and replace poor quality pipework.
- 4.7. Extraordinary circumstances outside of the above, which could lead to cases of genuine financial hardship for the owner / occupier could be granted at the discretion of the Chief Financial Officer.

Option 3

- 4.8. Grant requests for water credits based on the following criteria:
- a. Leaks from pipes or fittings on farms, commercial, industrial properties and un-occupied properties (regardless of temporary or long term) or reserves or from irrigation, stock water, swimming pools, ponds, landscaping or similar systems on occupied properties. No credit.
** For the purpose of assessing credits for excess water arising from leaks "farm" is defined as any property that is or can be used for the growing of crops, including trees or rearing of livestock, with a land area greater than 5000 square metres.*
 - b. Leaks from pipes that are, or should be visible, such as header tanks, overflows from WC's, above ground pipes or fittings and attached to raised flooring or in walls or ceilings. No credit.
 - c. Where the leak is a previously unknown underground leak on the main lateral between the water meter and a residential dwelling or under the concrete floor of a residential dwelling. Credit the lost water where the leak has been repaired with due diligence. Only one leak per property, and maximum two consecutive water supply invoices covering the leak, per five year rolling timeframe will be credited. Credit will be based on Council's assessment of the property owner's usual usage for the period.
- 4.9. Define due diligence as within two weeks of the earliest of the following:
- d. The date of the first invoice to identify a higher than usual usage or the date of discovery or when it could have reasonably been discovered. Usual being the amount used in the same period as last year, these amounts are shown on every water account.

- 4.10. Once again a good practice would be to insist on the leak being repaired by a registered or craftsman plumber with a brief report on the leak by that person to establish where on the line the leak was found, dates and an opinion, if possible, as to how long the leak had been occurring.
- 4.11. Allowing only one leak credit per five year rolling timeframe will encourage property owners to routinely check water use and replace poor quality pipework.
- 4.12. Extraordinary circumstances which could lead to cases of genuine financial hardship for the owner / occupier could be granted at the discretion of the Council's Chief Financial Officer.
- 4.13. Option 3 is Council's preferred option as it will more clearly define the criteria for evaluating credit requests and is considered a reasonable response by allowing credits for a limited criteria and emphasising the need for property owners to take responsibility for their water use and the maintenance of water supply pipework on their property.

5. Discussion

Financial Considerations

- 5.1. The water activity is funded from water charges and Financial / Development contributions. The budget income for the 2009/10 year was approximately \$10 million and credits for approximately \$175,000 were processed in the 2009 calendar year.
- 5.2. The credit figure of \$175,000, from the 2009 calendar year, is based on a very hard interpretation of the existing vague criteria. Staff are currently applying a more liberal interpretation of the criteria, in line with the Nelson Community Plan 2009-2019, that may result in a substantially higher credit figure for the current year.
- 5.3. In the short period from July 2010 to date, applications for credits ranging from \$20.00 for a leaking header tank in the roof space of a residential property to \$7487.60 for a leaking water pipe on a rural farm property have been received by Council.
- 5.4. Credits for water leaks are effectively water supplied that cannot be invoiced and on an annual basis the cubic metre charge is simply increased to reflect this. Every property owner ends up paying for the lost water and the activity operates, in part, in much the same way as an insurance company.

Social Effects

- 5.5. The current policies for water credits contained within the Nelson Community Plan 2009-2019 and Water Supply Bylaw 2008 mean that the cost of water leaks are covered mostly by the ratepayer rather than the individual property owner. The new criteria for providing water credits proposed within Council's preferred Option 3 provides an incentive for property owners to regularly check for leaks to avoid incurring costs. This approach reduces the cost to ratepayers.

Environmental Effects

- 5.6. By providing an incentive for property owners to regularly check for water leaks and therefore potentially reduce the amount of water lost the Council can reduce the volume of water extracted from rivers. This

will have a positive environmental effect on river habitats. Reducing the volume of water extracted also reduces the volume passing through the water treatment plant requiring energy inputs for treatment.

Cultural Effects

- 5.7. There are no significant cultural impacts from this proposal.

Economic Effects

- 5.8. Currently ratepayers are covering the cost of water leaks that occur on individual properties. Option 3 will act to reinforce the need for property owners to regularly monitor water usage and potentially reduce the volume of water lost to leaks. This will reduce costs to the ratepayer.

6. Proposed Amendment to the Nelson Community Plan 2009-2019

- 6.1. The current policy wording relating to water credits in the Nelson Community Plan 2009-2019 is contained in Attachment 1.
- 6.2. The amendment proposed for the Nelson Community Plan 2009-2019 is to amend the text on page 42 of volume 2 to read as follows:

Remission of Excess Water Rates

Objective

To provide a measure of relief, by way of remission, to enable Council to act fairly and reasonably in its consideration of water charges.

Conditions and Criteria

Credits for excess water charges arising from the following will always be processed:

- a. Misreading of the meter or faulty meter*
- b. Errors in data processing*
- c. The meter was assigned to the wrong account*
- d. Leak on a Council fitting adversely impacting on the metered usage*

Other Conditions and Criteria include:

- e. Leaks from pipes or fittings on farms*, commercial, industrial properties and un-occupied properties (regardless of temporary or long term) or reserves or from irrigation, stock water, swimming pools, ponds, landscaping, or similar systems on occupied properties. No credit.*

** For the purpose of assessing credits for excess water arising from leaks "farm" is defined as any property that is or can be used for the growing of crops, including trees or rearing of livestock, with a land area greater than 5000 square metres.*

- f. Leaks from pipes that are, or should be visible, such as header tanks, overflows from WC's, above ground pipes or fittings and attached to raised flooring or in walls or ceilings. No credit.*
- g. Where the leak is a previously unknown underground leak on the main lateral between the water meter and a residential dwelling or under the concrete floor of a residential dwelling. Credit where the leak has been repaired with due diligence. Only one leak per*

property, and maximum two consecutive water supply invoices covering the leak, per five year rolling timeframe will be credited. Credit will be based on Council's assessment of the property owner's usual usage for the period.

h. Define due diligence as within two weeks of the earliest of the following:

- *The date of the first invoice to identify a higher than usual usage or the date of discovery or when it could have reasonably been discovered. Usual being the amount used in the same period as last year, these amounts are shown on every water account.*
- i. The leak must be repaired by a Licensed or Certifying plumber with a brief report on the leak by that person to establish where on the line the leak was found, dates and an opinion, if possible, as to how long the leak had been occurring;*
- j. Extraordinary circumstances which could lead to cases of genuine financial hardship for owner / occupier, could be granted at the discretion of the Council's Chief Financial Officer.*

7. Proposed Amendment to Water Supply Bylaw 2008

- 7.1. The current policy wording relating to water credits in the Water Supply Bylaw 2008 is contained in Attachment 1.
- 7.2. The amendment proposed for the Water Supply Bylaw 2008 is to amend the text on page 3 and page 5 of *Terms and Conditions of Connection to the Water Supply System* to read as follows:
- 7.3. Delete:

2. METERING

- ~~vi) If the metering indicates a significant increase in the consumption of water supplied to any premises, which is established as being caused by a previously unknown underground leak, the Council may estimate consumption as provided in (iv) above, provided that the customer repairs the leak with due diligence.~~

3. CHARGING

Meter Reading

- ~~i) Where it is determined that the recorded consumption does not accurately represent the actual consumption on a property, then the account shall be adjusted using the best information available to the Council whose decision shall be final. Such errors include, but are not limited to, misreading of the meter, errors in data processing; meters assigned to the wrong account, and unauthorised supplies.~~

~~Provided that no adjustment shall be backdated more than 12 months from the date the error was detected.~~

- 7.4. Insert new text under **3. CHARGING** as follows:

Remission of Excess Water Rates

The customer acknowledges and agrees that:

Credits for excess water charges arising from the following will always be processed:

- a. Misreading of the meter or faulty meter*
- b. Errors in data processing*
- c. The meter was assigned to the wrong account*
- d. Leak on a Council fitting adversely impacting on the metered usage*

Other Conditions and Criteria include:

- e. Leaks from pipes or fittings on farms*, commercial, industrial properties and un-occupied properties (regardless of temporary or long term) or reserves or from irrigation, stock water, swimming pools, ponds, landscaping, or similar systems on occupied properties. No credit.*

** For the purpose of assessing credits for excess water arising from leaks "farm" is defined as any property that is or can be used for the growing of crops, including trees or rearing of livestock, with a land area greater than 5000 square metres.*

- f. Leaks from pipes that are, or should be visible, such as header tanks, overflows from WC's, above ground pipes or fittings and attached to raised flooring or in walls or ceilings. No credit.*
- g. Where the leak is a previously unknown underground leak on the main lateral between the water meter and a residential dwelling or under the concrete floor of a residential dwelling. Credit where the leak has been repaired with due diligence. Only one leak per property, and maximum two consecutive water supply invoices covering the leak, per five year rolling timeframe will be credited. Credit will be based on Council's assessment of the property owner's usual usage for the period.*
- h. Define due diligence as within two weeks of the earliest of the following:*
 - The date of the first invoice to identify a higher than usual usage or the date of discovery or when it could have reasonably been discovered. Usual being the amount used in the same period as last year, these amounts are shown on every water account.*
- i. The leak must be repaired by a Licensed or Certifying plumber with a brief report on the leak by that person to establish where on the line the leak was found, dates and an opinion, if possible, as to how long the leak had been occurring;*
- j. Extraordinary circumstances which could lead to cases of genuine financial hardship for owner / occupier, could be granted at the discretion of the Council's Chief Financial Officer.*

8. Period for Submissions

- 8.1. Consultation opens Saturday 27 November, 2010.
- 8.2. Consultation closes 4pm Friday 21 January, 2011.

- 8.3. Submissions in response to this Statement of Proposal can be made in writing, online at www.nelsoncitycouncil.co.nz (search phrase = water credits), at any Nelson Public Library or at Council offices.

Public hearing

- 8.4. Submitters who ask to speak to Council about the proposal will be invited to a public hearing planned for February, 2011.

Contact Nelson City Council

Nelson City Council
PO Box 645 Nelson 7040
03 546 0200
www.nelsoncitycouncil.co.nz

Attachments

- Attachment 1: Existing policies and criteria for water credits from the Nelson Community Plan 2009-2019 and Water Supply Bylaw 2008 [1004215](#)

ATTACHMENT 1

EXISTING POLICIES AND CRITERIA FOR WATER CREDITS

Nelson Community Plan 2009 – 2019

Remission of excess water rates

Objective

To provide a measure of relief, by way of remission, to enable Council to act fairly and reasonably in its consideration of water charges applied due to a fault (leak) in the internal reticulation of a property, or through accounting errors.

Conditions and criteria

Where it is determined that the recorded water consumption does not accurately represent the actual consumption on a property, then the account shall be adjusted using the best information available to the Council, whose decision shall be final. The application must meet at least one of the following criteria:

- misreading of the meter or faulty meter; or
- *leaks on the internal water reticulation – subject to correction within two weeks of discovery; or*
- errors in data processing; or
- the meter was assigned to the wrong account.

Water Supply Bylaw 2008

TERMS AND CONDITIONS OF CONNECTION TO THE WATER SUPPLY SYSTEM

2. METERING

The Customer acknowledges that:

vi) If the metering indicates a significant increase in the consumption of water supplied to any premises, which is established as being caused by a previously unknown underground leak, the Council may estimate consumption as provided in (iv) above, provided that the customer repairs the leak with due diligence.

3. CHARGING

Meter Reading

The Customer acknowledges and agrees that:

- i) Meters will be read and accounts rendered at monthly, 3 monthly or 6 monthly intervals, or as the Council may from time to time decide.
- ii) Where it is determined that the recorded consumption does not accurately represent the actual consumption on a property, then the account shall be adjusted using the best information available to the Council whose decision shall be final. Such errors include, but are not limited to, misreading of the meter, errors in data processing; meters assigned to the wrong account, and unauthorised supplies.

Provided that no adjustment shall be backdated more than 12 months from the date the error was detected.

**Report to the readers of
Nelson City Council's
proposed amendment to the Long-Term Council Community Plan Statement of
Proposal for public consultation
for the ten years commencing 1 July 2009**

The Auditor-General is the auditor of Nelson City Council (the City Council). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to report on the Statement of Proposal for adoption of the proposed amendment to the Long Term Council Community Plan (the Statement of Proposal), on her behalf.

The City Council adopted its Long Term Council Community Plan (LTCCP) for the ten years commencing 1 July 2009 on 25 June 2009.

We expressed an unqualified opinion on the City Council's LTCCP for the ten years commencing 1 July 2009 in our audit report dated 25 June 2009.

We considered that the LTCCP provided a reasonable basis for long term integrated decision-making by the City Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the City Council.

The City Council is now proposing to amend its Rates Remissions Policy included in the LTCCP. The Statement of Proposal provides information about the proposed amendment to the City Council's LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed.

The Auditor-General is required by section 84(4) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the Statement of Proposal complies with the requirements of the Act;
- the quality of information and assumptions underlying the forecast information provided in the Statement of Proposal; and
- the extent to which the forecast information and proposed performance measures will provide an appropriate framework for the meaningful assessment of the actual levels of service provision.

It is not our responsibility to express an opinion on the merits of any policy content within the Statement of Proposal.

Opinion

Overall Opinion

In our opinion, the information within the Statement of Proposal on pages 1 to 9, dated 18 November 2010 about the proposed amendment to the LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed, is fairly presented and the City Council has complied with the applicable requirements of the Act in preparing the Statement of Proposal.

In forming our overall opinion, we considered the specific matters outlined in section 84(4) of the Act which we report on as follows.

Opinion on Specific Matters Required by the Act

In terms of our obligation to report on the matters required by the Act, as it applies to the proposed amendment to the LTCCP, in our view:

- the City Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment;
- the underlying information and assumptions used to prepare the Statement of Proposal provide a reasonable and supportable basis for the preparation of the forecast information;
- the extent to which the forecast information and proposed performance measures within the Statement of Proposal provide an appropriate framework for the meaningful assessment of the actual levels of service provision reflects good practice for a Council of its size and scale within the context of its environment.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 10 November 2010, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the City Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

We planned and performed our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the information within the Statement of Proposal, about the proposed amendment to the LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed, does not contain

material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Our audit procedures included assessing, where and as it applies to the proposed amendment to the LTCCP, whether:

- the Statement of Proposal provides the community with sufficient and balanced information about the strategic and other key issues, choices and implications it faces to provide an opportunity for participation by the public in decision making processes;
- the City Council's financial strategy, supported by financial policies, is financially prudent and has been clearly communicated to the community in the Statement of Proposal;
- the presentation of the Statement of Proposal complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the Statement of Proposal are compliant with the decision-making and consultation requirements of the Act;
- the information in the Statement of Proposal is based on materially complete and reliable asset or activity management plans;
- the agreed levels of service are fairly reflected throughout the Statement of Proposal;
- the key plans and policies adopted by the City Council have been consistently applied in the development of the forecast information;
- the assumptions set out within the Statement of Proposal are based on best information currently available to the City Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;
- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the City Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the Statement of Proposal.

We do not guarantee complete accuracy of the information in the Statement of Proposal. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the Statement of Proposal and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The City Council is responsible for preparing a LTCCP under the Act, by applying the City Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The City Council's responsibilities arise from Section 93 of the Act.

We are responsible for expressing an independent opinion on the Statement of Proposal and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 84(4) of the Act.

Independence

When reporting on the Statement of Proposal we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than this report, and in conducting the audit of the annual audit, we have no relationship with or interests in the City Council.

A handwritten signature in black ink, appearing to read 'S M Tobin', with a long horizontal line extending to the right from the top of the signature.

S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand