

Report No:	RESC11-09-04
File No:	
Date:	1 September 2011
Decision Required	

REPORT SUMMARY

Report to: Engineering Services
Meeting Date: 15 September 2011
Report Author Jeff Cuthbertson, Utilities Asset Manager
Subject: **Water and Wastewater Capital Works Funding Guideline**

EXECUTIVE SUMMARY

The adoption of the Water and Wastewater Capital Works Funding Guideline will assist Council in defining who will be entitled to a Council-funded subsidy when new water and wastewater networks are constructed.

RECOMMENDATION

That the report is received.

DRAFT RESOLUTION

THAT the Engineering Services Committee receives the Water and Wastewater Capital Works Funding Guideline report, RESC11-09-04 and;

THAT the Engineering Services Committee agrees to replace the existing policy “Sewerage and Water Capital Works” with the Water and Wastewater Capital Works Funding Guideline as outlined in this report, RESC11-09-04; and

THAT the Engineering Services Committee recommends that Tasman District Council adopts the Water and Wastewater Capital Works Funding Guideline as noted in the report, RESC11-09-04.

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1. Purpose

- 1.1 The purpose of this report is to gain approval from the Engineering Services Committee to recommend to Full Council that it adopts the Water and Wastewater Capital Works Funding Guideline.

2. Background

- 2.1 Council currently has a policy that provides a financial subsidy for the construction of a new water scheme or a wastewater scheme. However, the policy is old and out of date. As a result staff have prepared a new Water and Wastewater Capital Works Funding Guideline (**Appendix 1**) to replace the existing policy. The purpose of the Guideline is to provide clarity on how Council will fund the construction of any new water and wastewater schemes and to indicate how Council may provide financial assistance to communities to make such new infrastructure more affordable to those communities. The intent is that a subsidy may encourage communities without adequate water and wastewater systems to install them.

3. Matters to be Considered

- 3.1 The Guideline, therefore, only applies to new water and wastewater schemes to existing communities that presently do not have adequate systems and to areas outside one of the existing Urban Water Supply Areas or Urban Drainage Areas. Areas within existing Urban Water Supply Areas or Urban Drainage Areas are currently covered by the respective “clubs”.
- 3.2 It is important to note that the proposal is that the subsidy will be funded from the Urban Water Supply Account or the Wastewater Account, meaning that existing club members will be subsidising the communities outside the club. The subsidy level proposed in the Guideline is 33 percent of the capital cost of

the scheme after deduction of any Government subsidy, growth contribution and commercial contribution. Please refer to the Guideline for details.

3.3 Within the community there are generally four groups of potential contributors to funding of a new water or wastewater scheme. These are:

- Residential consumers;
- Commercial properties (ie business and industry);
- Non-commercial properties and non-residential properties (ie churches, schools, community halls, reserves) etc; and
- Growth component through development contributions.

3.4 Should Council's 33% subsidy benefit all or only some of the potential funding contributors?

3.5 As well as normal funding sources there may be a government subsidy. There is no intention to provide a Council subsidy that reduces any government subsidy.

4. Financial/Budgetary Considerations

4.1 It is proposed that the financial assistance provided by Council's subsidy under the Guidelines will be used to reduce the cost of the capital works to residential users and non-commercial and non-residential users. The financial assistance provided by Council's subsidy will not therefore be used to reduce any commercial contribution or growth component (development contribution).

4.2 The Guideline is intended to provide guidance to ensure a fair assessment can be made when considering who should benefit from the subsidy.

5. Potential Future Works

5.1 Potential Future Works – Council has made a subsidy application to the Ministry of Health for a government subsidy to offset the capital expenditure required to construct the Motueka Water Supply (Motueka Plains scheme). If this water supply is to be constructed it is also proposed that the urban water club would provide a 33% subsidy to the capital works.

5.2 The Guideline is needed to provide direction as to who will benefit from the Council-funded subsidy. It should be noted that the government subsidy is only available to residential consumers.

6. Options

6.1 Option 1 – Council can adopt the Guideline to assist it in making an informed decision regarding the allocation of a Council-funded subsidy.

- 6.2 Option 2 – Council can decline to adopt the Guideline which may make it more difficult to define eligibility and beneficiaries of any future Council-funded subsidy.

7. Pros and Cons of Options

- 7.1 The Guideline provides a means to assess who will benefit from a Council-funded subsidy. It provides more certainty and consistency in the treatment of different communities.
- 7.2 If a Guideline is not adopted, a Council-funded subsidy could, for instance, be provided for capital expenditure to an undeveloped lot which would not provide funding for that capital improvement. If the Guideline is not adopted it provides less certainty to communities but it could enable Council to take different approaches where communities may have differing abilities to afford the scheme.

8. Evaluation of Options

- 8.1 Staff recommend Option 1 to adopt the Guideline which will provide clarity for Council in the assessment of Council-funded subsidy applications for Water and Wastewater capital works.

9. Significance

- 8.1 This is not a significant decision according to the Council's Significance Policy.

10. Consultation

- 10.1 The Guideline is a tool for management and internal Council use. It does not need to be part of any public consultation process.

11. Recommendation

- 11.1 That the report be received.

12. Timeline/Next Steps

- 12.1 A decision needs to be made so that Council can be prepared in the event that future capital works are undertaken for water and wastewater infrastructure outside of the existing clubs and where a government subsidy is provided, for example for construction of the Motueka Water Supply.

13. Draft Resolution

13.1 THAT the Engineering Services Committee receives the Water and Wastewater Capital Works Funding Guideline report, RESC11-09-04 and;

13.2 THAT the Engineering Services Committee agrees to replace the existing policy “Sewerage and Water Capital Works” with the Water and Wastewater Capital Works Funding Guideline as outlined in this report, RESC11-09-04; and

13.3 THAT the Engineering Services Committee recommends that Tasman District Council adopts the Water and Wastewater Capital Works Funding Guideline as noted in the report, RESC11-09-04.

Appendices

Appendix 1 – Water and Wastewater Capital Works Funding Guideline