



Ashburton District Council

AGENDA

An Extraordinary Meeting of the ASHBURTON DISTRICT COUNCIL will be held as follows:

Date: Thursday 3 February 2010
Venue: Council Chamber
5 Baring Square West
Ashburton
Time: To follow the Operations Committee meeting

- 1 Apologies
- 2 Notification of Extraordinary Business

REPORTS

- 3 Winchmore Water Supply 1

MEMBERS:

His Worship the Mayor, A R McKay
Cr N A Brown
Cr I J Burgess
Cr D M Favel
Cr R J Kilworth
Cr L J Leadley
Cr D G McLeod
Cr D N Nelson
Cr M J Nordqvist
Cr P W Reveley
Cr J Sparks
Cr A B Totty
Cr R S Wilson

B LESTER
Chief Executive

1 February 2010

ASHBURTON DISTRICT COUNCIL REPORT

FILE NO: Project File
DATE: 3 February 2011
REPORT TO: Extraordinary Council Meeting
FROM: Community Planning Manager
SUBJECT: Winchmore drinking water supply – transfer of ownership

3 WINCHMORE WATER SUPPLY

3.1 SUMMARY

The purpose of this report is to inform Council of a proposal received from residents connected to the Winchmore water supply to have the supply transfer to them to operate. The report informs Council of legislative requirements needing to be addressed as part of any transfer process and provides an outline of a possible overall transfer process.

At this point Council is being asked to agree to staff initiating the transfer process and to provide funding for any costs associated with this.

3.2 RECOMMENDATION

- “1. That Council agrees to progress the process to transfer the Winchmore water scheme to a community entity.
2. That staff undertake the following work associated with that process:
 - Consult with the Medical Officer of Health
 - Prepare a draft management plan for the Winchmore water scheme
 - Undertake such work as necessary for a referendum
 - Continue to consult with affected residents.
3. That Council makes a decision on whether to continue with the process to transfer the Winchmore water scheme when the work in 2 above is complete.”

3.3 BACKGROUND

3.3.1 Overview

The Winchmore water supply provides potable water to 22 properties (there are no half charge properties on this water supply). Four properties connected to the scheme have indicated an intention to withdraw from the scheme (these properties would continue to pay the half rate serviceability charge if they did withdraw). In addition, seven properties connected to the scheme have an alternative water supply they could use if required.

The residents have expressed concern that increasing costs may lead to properties currently connected to the scheme opting out – leaving remaining properties with increased water rate payments in future. This situation could jeopardise the ongoing viability of the water supply. The water supply rates charged for each property in the 2010/ 11 year are \$2,030.00 plus gst (this is the highest water rate charged by Ashburton District Council). The high cost per property of providing service on this water scheme is primarily due to the low number of connections eliminating the possibility of economies of scale.

Representatives of residents connected to the Winchmore water supply have approached Council staff, in the first instance, to look at ways to reduce the cost of providing service to residents connected to the Winchmore supply.

Several meetings have been held between Council Water Services department staff and the scheme representatives and two community meetings held with all property owners affected.

Various scenarios have been discussed including changing the scheme to "restricted service" and community ownership or management of the scheme. The residents have indicated that, based on current information, they regard assuming ownership and control of the water supply themselves is likely to be the best option for them going forward.

A letter received from the representatives of residents connected to the scheme, dated 10 November 2010, requests that Council assists with the transfer of the scheme and that an internal loan for a well upgrade is settled (in a way that does not leave the entire loan with the remaining residents connected to the scheme); enabling the scheme to be economically viable when transferred. Preliminary options for dealing with this issue will be discussed at the meeting. The letter is attached for information.

3.3.2 Rationale for Transfer Request

While no details have been provided by the residents on this matter, the rationale for the request to transfer ownership of the Winchmore water supply appears to be based on reducing the cost of service provision. Any cost reductions expected could accrue from:

- Removal of Council overhead costs from the operation of the scheme
- Scheme subscribers possibly undertaking some or all of the day to day maintenance and operation functions of the scheme
- The possibility of scheme subscribers providing labour and machinery to undertake pipeline repairs
- The scheme subscribers could opt to not fund depreciation (though there may be some long term risks associated with this approach).

There are several water schemes within the district that operate successfully independently of Council. In most cases scheme members contribute time and skills to the running of the water scheme with outside contractors/ consultants engaged on an as required basis.

3.3.3 Legislative Requirements

There are legislative requirements detailed in the Local Government Act 2002 regarding the transfer of ownership.

Section 130 (2) states *A local government organisation to which this section applies must continue to provide water services and maintain its capacity to meet its obligations under this subpart.*

Despite the requirement to provide water services detailed above Section 131 provides for closing or transferring responsibility to a community entity and provides the statutory process to be followed:

131 Power to close down or transfer small water services

- (1) *Despite section 130(2), a local government organisation may, in relation to a water service that it is no longer appropriate to maintain,-*
 - (a) *close down the water service; or*
 - (b) *transfer the water service to an entity representative of the community for which the service is operated.*
- (2) *A local government organisation must not close down or transfer a water service unless-*
 - (a) *there are 200 or fewer persons to whom the water service is delivered and who are ordinarily resident in the district, region, or other subdivision; and*

- (b) *it has consulted on the proposal with the Medical Officer of Health for the district; and*
- (c) *it has made publicly available in a balanced and timely manner-*
- (i) *the views of the Medical Officer of Health; and*
 - (ii) *the information it has received in the course of-*
 - (A) *undertaking a review, assessment, and comparison under section 134(a) and (b); or*
 - (B) *preparing a management plan and making assessments under section 135(a), (b), and (c); and*
- (d) *the proposal is supported, in a binding referendum conducted under section 9 of the Local Electoral Act 2001 using the First Past the Post electoral system,-*
- (i) *in the case of a proposal to close down a water service, by 75% or more of the votes cast in accordance with subsection (3); and*
 - (ii) *in the case of a proposal to transfer a water service, by more than 50% of the votes cast in accordance with section 132.*
- (3) *For the purpose of subsection (2)(a), a certificate signed by the chief executive of the local government organisation as to the number of persons to whom the water service is delivered in the district, region, or other subdivision at any date is conclusive evidence of that number.*

135 *Criteria for transfer of water service*

A local government organisation may only transfer a water service under section 131(1)(b) if it has first-

- (a) *developed a draft management plan under which the entity representative of the community would maintain and operate the water service; and*
- (b) *assessed the likely future capital and operating costs of the entity representative of the community to maintain and operate the water service; and*
- (c) *assessed the ability of the entity representative of the community to maintain and operate the water service satisfactorily.*

3.3.4 Process to Transfer Ownership

An indicative process to determine the possible transfer of ownership of the Winchmore water supply has been developed based on the legislative requirements. Ideally the process will be complete by late March or early June to enable the final Annual Plan 2011/12 to enable the budget and work programme to be included in that document.

Proposed Process

1. Users formally request to take over the scheme (already received)
2. Council considers the request and either declines the request or agrees in principle. To agree to the request the water scheme must meet the requirements of section 131. If Council agrees in principle the process would continue.
3. ADC prepares a draft management plan, assesses likely future capital and operational budgets and assesses community organisation's capability to take over the scheme – section 135 (b)
4. ADC consults with the Medical Officer of Health on the basis of the information contained in 3 above – section 131 (2)(b)
5. Council makes the views of the Medical Officer of Health publicly available (probably also the draft management plan, budget and capability assessment) - section 131 (c) (i).
Note: It is important this information is particularly available to those serviced by the scheme – probably through mail out - section 131 (2) (b & c).

6. Council reaffirms its agreement in principle based on 3, 4 and 5 above. If Council agrees in principle the process continues.
7. ADC undertakes referendum. The preparatory work for the referendum should be undertaken in parallel with the preparation of requirements above as it will take some time to develop an accurate list of electors – note this is all residents and ratepayers serviced by the scheme and not just ratepayers.
8. If the referendum is in favour of the transfer of the water supply to the community entity Council would then make a final decision on the transfer of ownership.
9. If the decision is made to transfer ownership of the supply asset management, financial and resource consent matters associated with the transfer would be completed.

If Council agrees to the process being initiated a more detailed work programme will be developed in time for the Finance and Community Services meeting on February 17.

3.5 Decision-making Approach

Council is not required to make a binding decision on the proposal at this time. Supporting the proposal in principle will enable the process to proceed with Council to make a decision on whether to support the proposal, subject to a referendum, following the preparation of a draft management plan for the scheme, consultation with the Medical Officer of Health and further consultation/ discussion with affected residents.

The time required to prepare for a referendum means a decision in principle is required now to begin the preparatory work required.

3.4 OPTIONS & RISKS CONSIDERED

The assessment of options and risks presented here is preliminary only. More detailed information will be presented to Council before a decision is required to proceed with a full process including referendum (or not as the case may be).

3.4.1 Option 1 – Undertake the process to transfer ownership and control of the scheme to a community entity

This option would see the process to transfer ownership and control of the scheme initiated. Council would not be required to make a decision on the proposal until the medical officer of health has been consulted, a draft management plan for the scheme is completed and further discussions with affected residents have been undertaken as considered necessary.

Following this Council will make the decision on whether to go to a referendum or not.

Following the referendum Council would make a decision on whether to proceed with the transfer or not.

If this option followed a path to transfer scheme ownership and responsibility would transfer from Council to the community entity established by the residents connected to the scheme. The cost of running the scheme would be borne entirely by those connected. The community entity would be responsible for all operation and maintenance of the scheme either through contracting the required services or by undertaking the services themselves.

The entity would be responsible for collecting revenue required to run the scheme.

The entity would be responsible for ensuring the scheme met all health and other legislative standards and requirements.

While the Local Government Act 2002 enables the transfer of ownership of a water supply to a community entity, there is no provision for this to be achieved through a sale of assets. It is recommended that any proposal to transfer be made on the basis of only a notional charge for assets.

Benefits:

- Opportunity to reduce the costs of running the scheme – see section 3.2 of this report.
- The scheme (albeit likely on a reduced scale) could remain economically viable.
- Properties connected to the scheme which do not currently have an alternative water supply would not need to invest in an alternative (likely to be an individual bore).

Risks:

- If the scheme proves not to be viable the residents left connected to the scheme will assume all risk associated with that.
- Council could incur the costs associated with initiating the proposal and the residents may vote not to take over the scheme. The costs in this area are not considered significant and are dealt with in more detail in the Financial implications section of this report.

3.4.2 Option 2 - Do not support the proposal

Council could choose not to consider transferring the water scheme to the community entity.

Benefits:

- No cost to Council in the short term (costs associated with the transfer process).

Risks:

- The current scheme arrangements may prove to be unsustainable if further residents connected decide to opt out. This would leave the residents dependant on the scheme for drinking water in a difficult situation.

Recommended Option

Option 1 – support the proposal on the basis that:

- The process required by the Local Government Act is followed
- Council will meet the costs of the transfer process required by the Local Government Act 2002.
- If the scheme eventually transfers to the community entity that the assets are transferred for a nominal cost only
- If the scheme subsequently closes that any assets (resource consent, pumps etc) are sold and any residual funds after debts are cleared come to Council

3.5 STATUTORY IMPLICATIONS

Local Government Act 2002: The requirements of the Act are covered in the Background section of this report.

3.6 CONSULTATION

Consultation has been held with the residents affected to get the proposal to this point.

Consultation with the medical officer of health is required.

Providing affected residents with all relevant information, including a copy of the draft management plan, anticipated costs of running the scheme and any other information necessary for them to make an informed decision.

A referendum of affected residents is required.

3.7 STRATEGIC LINKS

Community Outcomes: The proposal has links to the following community outcomes: to this application will mean we are one step closer to achieving results that are likely to reach the following community outcome.

Outcome 1: A thriving and diverse local economy that provides the foundation for a quality lifestyle

- a. Our community has access to quality infrastructure (roading, water, footpaths, wastewater and storm water) that is efficient and reliable. **(Priority)**

Outcome 2: Natural and developed environments are sustained for the enjoyment of current and future generations

- a. Water, land and air are managed sustainably. **(Priority)**
- b. Our towns and rural areas are developed in ways that respect the local environment and meet the needs of the community. **(Priority)**

3.8 FINANCIAL

There are costs associated with the process to transfer the scheme.

- Preparation of draft management plan – the Water Services department have indicated the costs associated with plan preparation are likely to be negligible and could be met from existing budgets
- Referendum – costs associated with holding a referendum are not expected to be significant and may be able to be met from existing budgets.

Current costs of the scheme

Total rates per connection per year - \$2,030

Outstanding loan for capital renewal work - \$54,553 as at 30 June 2011

Annual cost per connection to service loan - \$195.15

Projected scheme costs 2011/12 - \$45,000.

Prepared By:

G THOMAS
Community Planning Manager

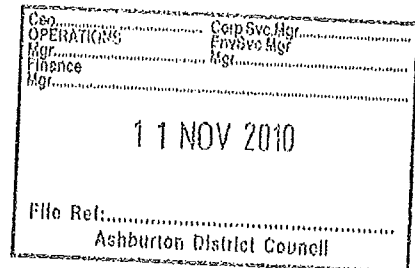
Approved by:

B LESTER
Chief Executive

10 November 2010

Winchmore School Road Water Supply
C/- R.P. Curd, No. 2 R.D
Ashburton 7772
P 302-4754, email curd@xtra.co.nz

Mr B. Lester
Chief Executive Officer
Ashburton District Council
P.O. Box 94
ASHBURTON 7740



Dear Brian,

Re: Winchmore School Road Water Supply

A Committee of the above have met and deem it desirable that the users take direct responsibility for the future running the water supply.

The situation:-

- There are 20 Domestic connections on the scheme and four have sought to withdraw
- A further seven have alternative water supply
- If the costs cannot be reduced, these seven may withdraw, leaving nine subscribers to meet the overhead and running costs
- Under the current structure this places the viability of the scheme at risk

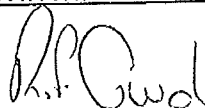
Our Committee seeks Council co-operation to:-

1. Address settlement of the internal loan to the Winchmore School Road Water Supply. This loan relates to a well upgrade for the supply to 20 connections. Should this become the responsibility of those who remain, the scheme will not survive.
2. Assist the Committee with a transfer of scheme assets including Resource Consents, Easements etc to an entity (yet to be established) reflective of private ownership.

We look forward to working with Council to bring about a sustainable outcome to this amenity.

Yours faithfully,

WINCHMORE SCHOOL ROAD WATER SUPPLY COMMITTEE



Rupert Curd
Andrew Jackson

Brian Reesby
Ray Birkett

David Kelk

Laurence Hanrahan

c.c. Mayor Angus McKay
Councillor Neil Brown