



**Rangitikei**  
UNPOINT...

# Rangitikei District Council

## Omatane Rural Water Supply Sub-Committee Meeting

Order Paper – Wednesday 15 April 2015 – 3:00 p.m.

---

### Contents

1	Apologies .....	2	
2	Confirmation of minutes.....	2	Pages 1 – 4
3	Matters Arising.....	2	
4	Water Managers Report .....	2	Page 5
5	Scheme Overseers Report.....	2	To be tabled
6	Financial Report .....	2	Pages 6 – 8
7	Options for management of the Omatane Rural Water Supply Scheme.....	2	Pages 9 - 75
8	Members/Questions.....	3	
9	Date of Next Meeting .....	3	

**1 Apologies**

**2 Confirmation of minutes**

**Recommendation**

That the minutes of the Omatane Rural Water Supply Sub-Committee meeting held on 10 September 2014 be taken as read and verified as an accurate and correct record of the meeting.

**3 Matters Arising**

**4 Water Managers Report**

**Recommendation**

That the Water Managers Report, be received.

**5 Scheme Overseers Report**

**Recommendation**

That the Scheme Overseers Report, be received.

**6 Financial Report**

**Recommendation**

That the Statement of Operations:for period ending 28 February 2015, be received.

**7 Options for management of the Omatane Rural Water Supply Scheme**

**Recommendation**

That the report “Options for management of the Omatane Rural Water Supply Scheme” be received and noted as (for the Council) constituting a review of delivery of services under section 17A of the Local Government Act 2002 (and potentially an approach applicable to the District’s other rural water supply schemes).

### **Recommendation**

That the Omatane Rural Water Supply Subcommittee recommends to Council that it

#### **EITHER**

Continues the present arrangements to support the Scheme;

#### **OR**

Commences the processes required by section 131 of the Local Government Act 2002 to transfer the Scheme's assets and Council's interest (including the resource consent) in the scheme to a legal entity which is representative of the owners of properties connected to the scheme

#### **OR**

Develops in more detail a proposal for a joint arrangement which gives the Scheme committee or some other body authorised by a majority of the owners of properties connected to the Scheme the responsibility for managing the Scheme subject to conditions agreed between the Scheme members and the Council.

### **8 Members/Questions**

### **9 Date of Next Meeting**

**Wednesday 12 August 2015**

# Rangitikei District Council

## Omatane Rural Water Supply Sub-Committee Meeting

Minutes – Wednesday 10 September 2014 – 3:00 p.m.

### Contents

1	Apologies .....	2
2	Confirmation of Minutes .....	2
3	Matters Arising.....	2
4	Water Manager's Report .....	2
5	Scheme Overseer's Report.....	3
6	Financial Report .....	3
7	Members' Questions .....	4
8	Date of next meeting.....	4
9	Meeting Closed .....	4

Present: Mr A McKay, Chairperson  
Mr D Hammond  
Mr L Kelly  
Mr A Ramsay  
Mr J Taylor  
Mr C White  
Mr L Bird

In Attendance: Mr A Watson, His Worship the Mayor  
Mr P O'Connor, Water Manager  
Mr D Miller, Asset Engineer  
Cr R Rainey  
Cr A Gordon (arrived at 3.10pm)  
Mrs S Srhoj, Administration



## 1 Apologies

There were no apologies.

## 2 Confirmation of Minutes

**Resolved minute number** 14/ORWS/009 **File Ref**

That the minutes of the Omatane Rural Water Supply Sub-Committee meeting held on 13 November 2013 be taken as read and verified as an accurate and correct record of the meeting.

D Hammond / J Taylor. Carried

## 3 Matters Arising

There were no matters arising.

## 4 Water Manager's Report

Mr O'Connor introduced himself and Mr Rei Miller. He explained that there had been a few structural changes within the Infrastructure departments of Rangitikei and Manawatu District Councils. He said that the first point of contact would now be Mr Rei Miller.

Mr McKay advised that ORWS members were very proactive and were able to sort out most issues as they arose. He said that the scheme had been running really well. This year they had undertaken work on the intake 3 times. Flow over the weir had been good – with an increase in water.

There had been some problems with the telemetry. Mr O'Connor advised that he had met with Horizons and they were now aware of this problem.

**Resolved minute number** 14/ORWS/010 **File Ref**

That the Water Managers' Report, be received.

Mr McKay / Mr Hammond. Carried

## 5 Scheme Overseer's Report

Mr Hammond advised that routine work had been undertaken on Mr Platt's line and intakes had been cleaned out. He reported that the gate valves on Mr Andrews's property would need to be replaced in the near future. This job would only require a couple of hours work.

**Resolved minute number**                      **14/ORWS/011**                      **File Ref**

That the Scheme Overseers Report, be received.

Mr Hammond / Mr Kelly. Carried

## 6 Financial Report

Mr Kelly said that he had been on the scheme for 20 years and had been very happy with how things had progressed. However, he now wished to voice his concerns regarding the increase in internal charges. These had tripled over the years and he felt they were not justified. He wondered if there had been some confusion between their water scheme and that of Erehon and Hunterville.

Mr McKay noted that administration costs had also increased.

Mr Taylor quoted his annual water costs for the years 2005 – 2014. These varied from \$3760.00 in 2008 to \$371.30 in 2013. He queried the big difference in his water charges from year to year. Although he was aware that they would spike due to resource consents there was no continuity for roughly the same amount of water usage.

His Worship offered his comments on the charges, noting that initially he had also struggled to understand them. He then went on to explain the Long Term Plan process and suggested the Committee prepare a written submission on the water charges for Council's 2015-2025 Long Term Plan.

The Committee requested that Council's Infrastructure Group review these charges.

**Resolved minute number**                      **14/ORWS/012**                      **File Ref**

That the Omatane Rural Water Supply Sub-Committee requests that Council's Infrastructure Group review the charges to the Omatane Rural Water Supply.

Mr Kelly/Mr Taylor. Carried

**Resolved minute number**                      **14/ORWS/013**                      **File Ref**

That the Statement of Operations: for period ending 30 June 2014, be received.

Mr Kelly / Mr Hammond. Carried

## **7 Members' Questions**

Mr Kelly asked if there was any reason why the ORWS Committee could not run the scheme themselves.

Mr O'Connor replied that there was no reason why this could not happen. He said that Manawatu District Council currently have four rural water schemes. A formal lease had just been signed which would allow the Kiwitea scheme to be community operated and administered. He would provide a copy of the formal lease agreement.

There was further discussion on this option. There was some concern as to who would cover costs if the mainlines were to blowout. The Committee also requested information regarding the amount in the depreciation account along with the year the scheme was built and the length of the main line.

The Committee agreed to hold an extraordinary meeting on 18 February 2015 for further discussion on this item.

Mr O'Connor suggested that Carl Kelly and Samantha Whitcombe be invited to attend in order to answer any of the Committee's queries.

<b>Undertaking</b>	<b>Subject</b>	<b>Omatane Rural Water Supply Management</b>
--------------------	----------------	--

His Worship to ask that the Council's Chief Executive arrange for a report on options for management including privatisation of the Omatane Rural Water Supply and that these be made available for the Committee's meeting of 18 February 2015.

## **8 Date of next meeting**

An extraordinary meeting to be held 18 February 2015.

## **9 Meeting Closed**

The meeting closed at 3.55pm



# REPORT

SUBJECT:           **Operations Report**

TO:                 Omatane Rural Water Supply Committee

DATE:             15 April 2015

FILE:             6-WS-3-8

---

## **1     General**

- 1.1   Day to day operation of the scheme is carried out by members.

## **2     Consent Compliance**

- 2.1   There was a non-compliance for abstraction from 3-11 December 2014 due to a leak which was located and repaired.
- 2.2   There have still been no other non-compliances within the reporting period.

## **3     Planned Work**

- 3.1   No major renewals have been identified at this time. If there is a need for any specific renewals to be done, this can be discussed at the meeting and programmed.
- 3.2   The proposed budget of \$5,000 for Omatane renewals each year is included in the Draft 2015-2025 Long Term Plan, which is now out for consultation. Individuals who are residents or ratepayers can submit on this Plan, and the Omatane Rural Water Supply Committee can also make submissions. Submissions must be received by midday, 4 May 2015.

## **4     Recommendations**

- 4.1   That the Operations Report be received.

David Rei Miller  
Asset Engineer - Utilities

Water Supply Omatane  
Statement of Operations

Feb-15

Revenue

Rates

Account	Detail	YTD Actual 2014/15	Ytd Budget 2014/15	FYR Budget 2014/15
60618 142	Metered Supply Charges			10450
	<b>Total Rates</b>			<b>10450</b>
	<b>Apportioned Rates Revenue</b>			
60618 808 01	General Rates	6110	6111	8147
60618 809	Internal Interest Paid			-183
60618 809 01	Interest Charged Rate A/C			-1069
	<b>Total Apportioned Rates Revenue</b>	<b>6110</b>	<b>6111</b>	<b>6895</b>
	<b>Internal Charges</b>			
60618 179 1100	Allocated o/heads CEO	667	672	1012
60618 179 2100	Allocated o/heads Fin Services	691	736	1101
60618 179 2500	Allocated o/heads Stat Plannin	851	1280	1925
60618 179 4100	Allocated o/heads Cust Service	55	56	80
60618 179 5100	Allocated o/heads Assets	2728	2688	4029
	<b>Total Internal Charges</b>	<b>4993</b>	<b>5432</b>	<b>8147</b>
	<b>Expenditure:</b>			
60618 343 01	Telephone Costs		248	374
60618 562 08	Depreciation infrastructure	7641	7640	11462
60618 565	Insurance	572	662	662
60618 567 02	Rates	300	1169	1169
60618 630 01	Professional Services - MDC		552	828
60618 630 02	MDC Charges - PSU	540		
60618 691	Principal Contractor	1992	1656	2482
60618 697	Resource Consents	144	728	1087
60618 699	Materials		176	259
	<b>Total Expenditure</b>	<b>11189</b>	<b>12831</b>	<b>18323</b>
	<b>Net Surplus</b>	<b>-10071</b>	<b>-12152</b>	<b>-9125</b>

Water Supply Omatane  
Statement of Operations

Feb-15

Capital - Renewals Infrastructure				
60618 721	Treasury Loans Repaid			281
	Total Capital - Renewals Infra			281
Capital - Projects				
	Net Projects			281
Equity				
60618 990	Public Equity Omatane Rural Wa	429836		
	Net Surplus	-10071	-12152	-9125
	Working Capital	12956	12152	9406
Total Equity		432721		281
Non Current Assets				
60618 878	Infrastructure	7641		
60618 886	Water Supply Schemes	-452460		
60618 886 01	Depreciation Infrastructure	9289		
	Net Projects			-281
	Total Non Current Assets	-435530		-281
Non Current Liabilities				
60618 950	Internal Loan	2809		
Total Non Current Liabilities		2809	56256	112510
Net Assets		432721		281

**Rural Water Supplies Cash Flow Statement****Omatane****For the period ended 28 Feb 2015**

	YTD Actual 2014/15	YTD Budget 2014/15	FYR Budget 2014/15
<b>Revenue</b>			
Operating revenue			10450
General rates	6110	6111	8147
Internal Interest Paid		0	-183
Interest Charged Rate A/C			-1069
Total revenue	6,110	6,111	17,345
<b>Expenses</b>			
Operating expenses	11189	12831	18,323
Overheads	4993	5432	8,147
Interest paid	0	0	0
Add back non-cash items	(7,641)	(7,640)	(11,462)
	8,540	10,623	15,008
<b>Net surplus from operating</b>	(2,430)	(4,512)	2,337
<b>Capital items</b>			
Capital expenditure	0.00	0	0
Loan repayments	0.00	0	281
Total capital	0.00	0	281
<b>Net cash surplus(deficit)</b>	(2,430)	(4,512)	2,056
<b>Notional bank account</b>			
Opening balance 1 July 2014	(10,526)	(11,212)	(11,212)
Cash surplus(deficit) above	(2,430)	(4,512)	2,056
<b>Closing balance 28 Feb 2015</b>	(12,955.80)	(15,724)	(9,156)



# REPORT

SUBJECT: Options for management of the Omatane Rural Water Supply Scheme

TO: Omatane Rural Water Supply Subcommittee

FROM: Michael Hodder, Community & Regulatory Services Group Manager

DATE: 7 April 2015

FILE: 6-WS-3-8

---

## 1 Background

- 1.1 At its meeting on 10 September 2014, the Subcommittee was given an undertaking that a report on options for management of the Scheme (including privatisation) would be made available for the Committee's meeting on 18 February 2015. At the Council's request, that meeting was postponed until 16 April 2015.
- 1.2 The scheme was constructed in the 1980s, for untreated water intended for stock consumption and servicing 11 properties extending over 3,000 ha. The scheme pipeline extends just over 21 km. Local farmers in the Omatane area approached the Ministry of Agriculture and Fisheries to undertake a feasibility study for a rural water supply to service the area. The scheme proved viable and a request was made to the Rangitikei County Council to further investigate and develop the scheme. The County Council's preliminary report is attached as Appendix 1.
- 1.3 Subsequently the County Council designated the Omatane Rural Water Supply District as a Water Race District in terms of the Local Government Act 1974 and made the Omatane Rural Water Supply Bylaw, confirmed by the Council in February 1981. This constituted a Management Committee with "responsibility for care and control of the races, dams, pipes, reservoirs and other works" comprising the Scheme. It also established the basis for setting annual charges and confirmed that such charges would be considered as "separate rates" under section 143 of the Local Government Act 1974. These administrative arrangements have continued, under updated authorities and legislation.
- 1.4 The scheme qualified for a \$ for \$ subsidy from the Ministry which became available during 1980/81. The farmers involved had made an approach to the County Council for a loan facility but subsequently were able to refinance their contribution through the Rural Bank. Laying of the pipeline was a co-operative effort, with teams of farmers working to assist the contractor.
- 1.5 Initially the water take (from an unnamed tributary of the Makino Stream) was approved by the Rangitikei Wanganui Catchment Board. The District Council negotiated a consent with Horizons Regional Council in 2008. This expires on 1 July 2027. Council is responsible for ensuring ongoing compliance with the conditions of



the consent. The latest compliance report (dated 19 May 2014) which records all these conditions is attached as [Appendix 2](#).

## 2 Legal issues

- 2.1 Part 7 Sub-part 2 of the Local Government Act 2002 specifies the Council's obligations and restrictions relating to water services. These are attached as [Appendix 3](#). Before closing down or transferring a small water service, Council must get the views of the Medical Officer of Health, prepare a management plan (including the capability of the Scheme committee to manage the supply), and undertake a binding referendum of scheme members. Alternatively, Council may enter into a joint arrangement with another entity for the delivery of the service. In this case, consultation must be done in accordance with Part 6 of the Act (i.e. having regard for Council's significance and engagement policy as well as the consultation principles in section 82)
- 2.2 No distinction is drawn between potable and non-potable supplies. The restrictions on divestment are couched in terms of "ownership" and also "or other interest". The assets of the scheme<sup>1</sup> are recorded (and valued) in the Council's asset register and are included in Council's arrangement with the Local Authorities Protection Programme for below-ground assets. Council also has a clear "interest" given its role in the governance arrangements for the scheme and in taking rates to fund the scheme.
- 2.3 As a scheme servicing fewer than 200 people, Council is able to use the provisions of sections 131-137 to transfer the scheme wholly or partly to the Committee. It will not be necessary to go to the lengths required to deal with the Cold Creek Rural Water Supply Scheme in South Taranaki.<sup>2</sup>
- 2.4 Following considerable consultation, on 27 March 2015, the Ministry of Health issued its *Rural agricultural drinking-water supply guideline* (attached as [Appendix 4](#)). This applies to all stock-water schemes servicing more than 25 people. The guideline is based on the assumption that rural water supplies used for commercial agriculture will also be used for household purposes. However, only water used for human consumption, domestic and food preparation needs to meet the drinking-water standards. Monitoring and backflow prevention will be required. These obligations may be placed on the scheme users; otherwise, Council is the default position.<sup>3</sup>
- 2.5 Section 17A(1) of the Local Government Act 2002 requires a local authority to review the cost-effectiveness of current arrangements for meeting the needs of

---

<sup>1</sup> The 20m<sup>3</sup> concrete reservoir at the intake, 21.1 km of pipeline, together with flow restrictors and other valves

<sup>2</sup> A Local Act of Parliament was required.

<sup>3</sup> The provisions of the Health Act 1956 relating to water supplies are currently being phased in and, when fully in force will require all water suppliers to take all practicable steps to comply with the Drinking-water Standards for New Zealand 2005 (Revised 2008). The drinking-water provisions of the Act include a new category of water supply; a Rural Agricultural Drinking-water Supply. The Ministry has developed the Guideline to give water suppliers flexibility in demonstrating compliance with the requirements of the drinking-water provisions of the Act. By following the Guideline and implementing a water safety plan, a rural agricultural water supplier would be able to demonstrate that they had taken all practicable steps to comply with the Health Act 1956, even if not fully complying with the Drinking-water Standards for New Zealand 2005 (Revised 2008).

communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions. The first round of reviews is due by 8 August 2017 and every six years thereafter.

- 2.6 The review is required to consider (at least) the following options:
- a. The local authority exercising responsibility over governance, funding and delivery
  - b. The local authority exercising responsibility over governance and funding with responsibility for delivery being delegated to a council controlled organisation, and other local authority, or another person or agency.
- 2.7 For the second option, delegating delivery to another local authority does not appear feasible. It is possible that, taking the District's rural water supplies as a collective, the formation of a Rangitikei-specific council controlled organisation could be viable. However, this overlooks the origins of each scheme and the very substantial input from the properties served by each scheme into establishing and maintaining the infrastructure. So the practical options are the status quo, divestment or a joint arrangement.

### **3 Current status**

- 3.1 The scheme is managed by the Omatane Rural Water Supply Management Subcommittee, comprising representatives of scheme users plus a nominated Councillor and Council support. Typically the Subcommittee meets once a year. The delegated functions of the Subcommittee are attached as [Appendix 5](#).
- 3.2 Depreciation on all Rangitikei's rural water supplies (including Omatane) is a book entry only: there is no funding for depreciation; any capital renewals or upgrades must be loan-funded by scheme users.
- 3.3 While Council does not have any maintenance history (because maintenance is undertaken by an external contractor appointed by the Subcommittee), the PVC piping is likely to last beyond the current term of the consent. The longevity of the concrete reservoir would be preserved by periodic draining.
- 3.4 Council overheads for rural water supply schemes, while showing in each scheme's accounts, are funded District-wide within the uniform annual general charge.
- 3.5 The scheme infrastructure is covered by Council's insurance policy and the Local Authorities Protection Programme for below-ground assets.
- 3.6 Although the current conditions of consent allow Horizons to reduce the take, informal conversation with Horizons suggests that there would be no move to do this until at least the expiry date.

## 4 Options

### a. Status quo

- 4.1 The current arrangements remain, including attendance by Council staff at the scheme Subcommittee meetings, liaison with Horizons over compliance with the conditions of consent, provision of technical and financial advice, insurance cover, and rating for ongoing maintenance of the scheme
- 4.2 Subject to approval of the scheme users, Council would renegotiate the terms of a new consent.
- 4.3 No statutory formalities are required to continue the current arrangements, other than noting that the decision has been made in the context of section 17A of the Local Government Act 2002.

### b. Divestment

- 4.4 This would end Council's formal relationship with the scheme. It would mean establishing a new legal entity which represented the community currently serviced by the Omatane scheme.<sup>4</sup> It would mean writing out the scheme's assets from the Council's asset register. The scheme would assume responsibility for securing financial and technical advice and for ensuring insurance cover. As a private scheme, alternative arrangements would be needed to control access to the pipes running across the various farms.
- 4.5 It would also mean transferring the resource consent to the new legal entity (Horizons has a procedure for this, which is currently not charged for). The new legal entity would be responsible for monitoring the scheme's performance (i.e. water use) and liaising with Horizons. Renegotiation of the consent would not be undertaken by Council. It would be feasible – if scheme members desired it – for Council to continue rating members of the scheme.
- 4.6 This would mirror the divestment of the Rocklands Rural Water Scheme (supplying 12 farms and 55 people) by the Dunedin City Council in 2013. The paper presented by Sarah Stewart to the 2013 Water New Zealand conference (attached as [Appendix 6](#)) provides a detailed case study of what was involved over an 18 month period, following the process specified in section 131 of the Local Government Act 2002. Council would need to decide whether to recover costs of doing this from scheme members. For Rocklands, the total cost (absorbed by Dunedin City) was around \$14,000.
- 4.7 A binding referendum is mandatory for this option. More than 50% of those qualified to vote must support the divestment proposal for it to proceed.

---

<sup>4</sup> Whether establishing the Committee as an incorporated society would suffice for this purpose has not been tested.

### c. Joint arrangement

- 4.8 This option would mirror the approach taken by Manawatu District Council with the Kiwitea rural water supply scheme, which is a forerunner of the joint arrangement as provided for by section 137. The text of this lease is attached as Appendix 7. In this arrangement, while the management of the scheme is transferred to scheme users, the Manawatu District Council required the continuation of a publicly elected committee, the retention of a consultant engineer and financial advisors (approved by that Council), the preparation of audited accounts, and maintained rights of inspection. Council still rates members annually to achieve the budget as approved by the Council. The lease is silent about compliance with the resource consent: this does still rest with the Manawatu District Council. This lease document dates from 1992 so pre-dates the requirement of the Local Government Act 2002. The specific terms of a lease with Omatane might be different, but will need to comply with the requirement of section 137(4) that the Council:

- continues to be legally responsible for providing the water services;
- retains control over the pricing of water services and the development of policy relating to them; and
- retains ownership of the infrastructure (whether or not in place at the beginning of the joint arrangement or developed or purchased during its term)

What both parties are likely to look for is the appropriate balance between independence (for the Scheme) and accountability (for the Council).

- 4.9 Unlike divestment, this option would require Council to follow a consultative process which aligns with its recently adopted Significance and Engagement Policy and the consultation principles of section 82 of the Local Government Act 2002 – no referendum is required.

## **5 Conclusions**

- 5.1 From the outset, the Scheme committee has had the lead role in determining how the scheme operates, with Council providing support through a bylaw, liaison with Horizons, and technical and financial advice. The costs for these administrative services are shown as internal charges to the Scheme but since 2013/14 have been funded through a uniform targeted rate across all District ratepayers. Insurance cover is separately charged, but benefits from Council's overall arrangements with its insurer and the Local Authorities Protection Programme. It seems unlikely that these costs would reduce if the Scheme were to assume direct responsibility for these arrangements.
- 5.2 Irrespective of who controls and manages the scheme, it will be subject to conditions of the water take set by Horizons. Council has no particular status as the consent holder, although negotiations over the current consent suggest that Council's view helped extend the consent period, initially proposed by Horizons as ten years. Unless it can be demonstrated that fewer than 25 people are supplied from the scheme, it

will be subject to the Ministry of Health's Rural Agricultural Drinking water Supply Guideline.

- 5.3 Council has no statutory obligation to transfer the scheme to its members, or to enter into a joint arrangement, apart from its general obligation to review delivery of services before August 2017 and thereafter at least once every six years.
- 5.4 Irrespective of what option is preferred and implemented, Council is able to continue rating members for the costs of the scheme. Entering into a joint arrangement would not preclude divestment at a later date.

## **6 Recommendations**

- 6.1 That the report 'Options for management of the Omatane Rural Water Supply Scheme' be received and noted as (for the Council) constituting a review of delivery of services under section 17A of the Local Government Act 2002 (and potentially an approach applicable to the District's other rural water supply schemes).
- 6.2 That the Omatane Rural Water Supply Subcommittee recommends to Council that it  
EITHER
- 6.3 continues the present arrangements to support the Scheme;  
OR
- 6.4 commences the processes required by section 131 of the Local Government Act 2002 to transfer the Scheme's assets and Council's interest (including the resource consent) in the Scheme to a legal entity which is representative of the owners of properties connected to the Scheme.  
OR
- 6.5 develops in more detail a proposal for a joint arrangement which gives the Scheme committee or some other body authorised by a majority of the owners of properties connected to the Scheme the responsibility for managing the Scheme subject to conditions agreed between the Scheme members and the Council.

Michael Hodder  
Community & Regulatory Services Group Manager

# *Appendix 1*

RANGITIKEI COUNTY COUNCIL

OMATANE RURAL WATER SUPPLY

PRELIMINARY REPORT

AUGUST 1980

1. Introduction.

Local farmers in the area approached the Ministry of Agriculture and Fisheries to undertake a feasibility study for a Rural Water Supply to service the Omatane area.

This was undertaken and the Scheme found to be a very viable proposition. An approach was then made to the Rangitikei County Council to further investigate and develop the Scheme.

It is proposed to dam a small stream running out of a shingle slide in the Ruahine Ranges and gravitate the entire scheme. Farmers to be served by the scheme are very enthusiastic and wish the scheme to be implemented as soon as possible, as dry weather flows in existing watercourses are almost non-existent and fattening of stock on farm is impractical.

2. Area.

The area to be covered by the scheme is approximately 3,100 hectares with 9 farmers confirming their interest in the scheme. The scheme encompasses the area between the Rangitikei River and Makino Road to the north. Makopua Road to the south except for Carkeeks (and possibly Hammonds and K. Donovans extra block), the Rangitikei River to the west and the Ruahine Ranges to the east. Participants at this stage are Thurston, Abraham, Carkeek, McColl, Sheriff Gregory, Smith, K. Donovan and G. Donovan. (See Appendix 1A and 1B) There is a possibility of a further block of Ken Donovan's being watered at some future date. Hammond has indicated that he is not interested in the scheme at this stage, but provision could be made to water his property.

3. Present Land Use.

Local opinion is that without an improved water supply, existing stock numbers could not be maintained and even a drop in stock numbers could be expected.

The existing water sources can be almost non-existent during a normal dry year. The few surface creeks tend to dry up and the rugged nature of the terrain does not lend itself to the construction of farm dams. Most creeks are in deep valleys 100 metres or more below the ridges, and this makes good grazing management on the higher areas very difficult.

Please File  
w/11  
Omatane - water supply Scheme

#### 4. Water Requirements.

Details of stock water usage was supplied by the Ministry of Agriculture and Fisheries.

The M.A.F. considers the area has a potential of 17s.u./ha over the next 20 - 30 years providing ample supplies of good water are available, additional sub-division and general pasture improvement continues. Water requirements are based on a sheep to cattle ratio (on a stock unit basis) of 2:1. Water allowance for a sheep s.u. is 4.5 l/day and for a cattle s.u. 8 l/day. This represents an average of 5.67 l/day/s.u.

Assuming an initial watering area of 3,100 ha the watering requirement is:

$$\begin{aligned} & 3,100 \text{ ha} \times 17 \text{ su/ha} \times 5.67 \text{ l/su} \\ & = 300 \text{ m}^3/\text{day} \\ & = 12.5 \text{ m}^3/\text{hr} \end{aligned}$$

If Hammond's and Donovan's other block are included in the Scheme the water requirement rises by 3.3m<sup>3</sup>/hr.

Thus total water required to water total scope of scheme would be 16 m<sup>3</sup>/hr.

#### 5. Water Source.

Water for the scheme will be taken from an unnamed tributary of the Makino stream, which runs out of a shingle slide in the Ruahine Ranges at map reference NZMS1 - N133 - 509104.

The surface flow of the stream was measured in March 1980 and was estimated at 30 m<sup>3</sup>/hour. More water flowed through the gravels but above bedrock however, this flow could not be estimated. Local farmers have indicated that the flow in the stream is relatively stable and does not fluctuate greatly even during summer drought.

A water right to dam and take natural water has been approved by the Rangitikei Wanganui Catchment Board. No objections to the scheme were received by the Board.

#### 6. Water Quality

The water has not been tested for quality but tests on nearby sources done by the Catchment Board show the local water to be of good quality. Some turbidity was noticed in the water but the installation of a settlement tank will overcome this.



## 7. Construction Aspects.

### 7.1 Intake

A large quantity of rocks and timber move down the stream bed and this will necessitate the intake structure having a low profile to allow overtopping by deleterious material. To detain below-surface flows the intake structure will need to be anchored into the base rock of the stream bed. A perforated pipe would be installed above base rock level and protected by gabions both upstream and around the pipe. Backfilling with gravel will restore an even stream profile enabling all debris to sweep over the top of the dam during flooding.

### 7.2 Reticulation

The pipeline will run from the dam downstream along the stream bank, where a settlement tank will be located and continue down the hill parallel to the stream before rising on to the main ridge. The main line follows this ridge to the Rakautahi Trig, from where a smaller line runs to Smiths block. Three branch lines leave the mainline to water the far reaches of various blocks. This includes a high pressure line through Donovans to Carkeeks property.

Pipe sizes range from 80 mm Class B U.P.V.C. down to 15 mm Class E U.P.V.C. with some 25 mm steel main. All pipes are U.P.V.C. with the exception of the steel section on Carkeeks line.

Due to the steep nature of the leading ridge four break pressure tanks will be installed at various points on the mainline. This enables a conventional static head design to be implemented rather than a continuous flow design. There is therefore no need for expensive pressure reducing valves, and the majority of the pipe can be U.P.V.C. as opposed to other more expensive pipes.

### 7.3 Storage

Storage tanks of 22.7 m<sup>3</sup> capacity will be provided under the on-farm scheme at all distribution points to enable peak on-farm drawoff to be met. Each farmer will thus be able to store at least 12 hours flow. Additional storage will be provided by on-farm tanks which will be positioned according to the farmers requirements.

## 8. Costs.

### 8.1 Off-Farm Costs

The estimate for the scheme is approximately \$100,000.00 or \$32 per hectare (See Appendix II). If it is feasible to water Ken Donovan's extra block the cost per hectare is reduced to \$30. Similarly if Gordon Hammond wished to water part of his property the cost would be further reduced to approximately \$28 per hectare.

## 8.2 On-Farm Costs

An estimate from the M.A.F. based on recent schemes they have designed is included. (See Appendix III A and III B).

A cost of \$70 per hectare for a full on-farm scheme would be average for the area to be serviced.

## 8.3 Capital Costs

The total cost to water the scheme, inclusive of on-farm work, is approximately \$300,000 or \$100 per hectare, and will be eligible for a \$1:\$1 Government subsidy. The overall cost of the scheme could possibly be reduced if the farmers install their own on-farm reticulation. Manufacturers discount on materials for bulk supplies will also tend to reduce the overall.

## 8.4 Running Costs

As the entire scheme will be gravity fed the annual running costs will be very low. The only foreseeable expenditure would be for maintenance of the intake structure and repairing the occasional damaged pipe. At this stage the water is for stock use only so there are no chlorination or treatment costs to be considered.

An overall figure of 1 1/2% of the capital cost, approximately \$5,000 per year, should be sufficient for the maintenance of the scheme.

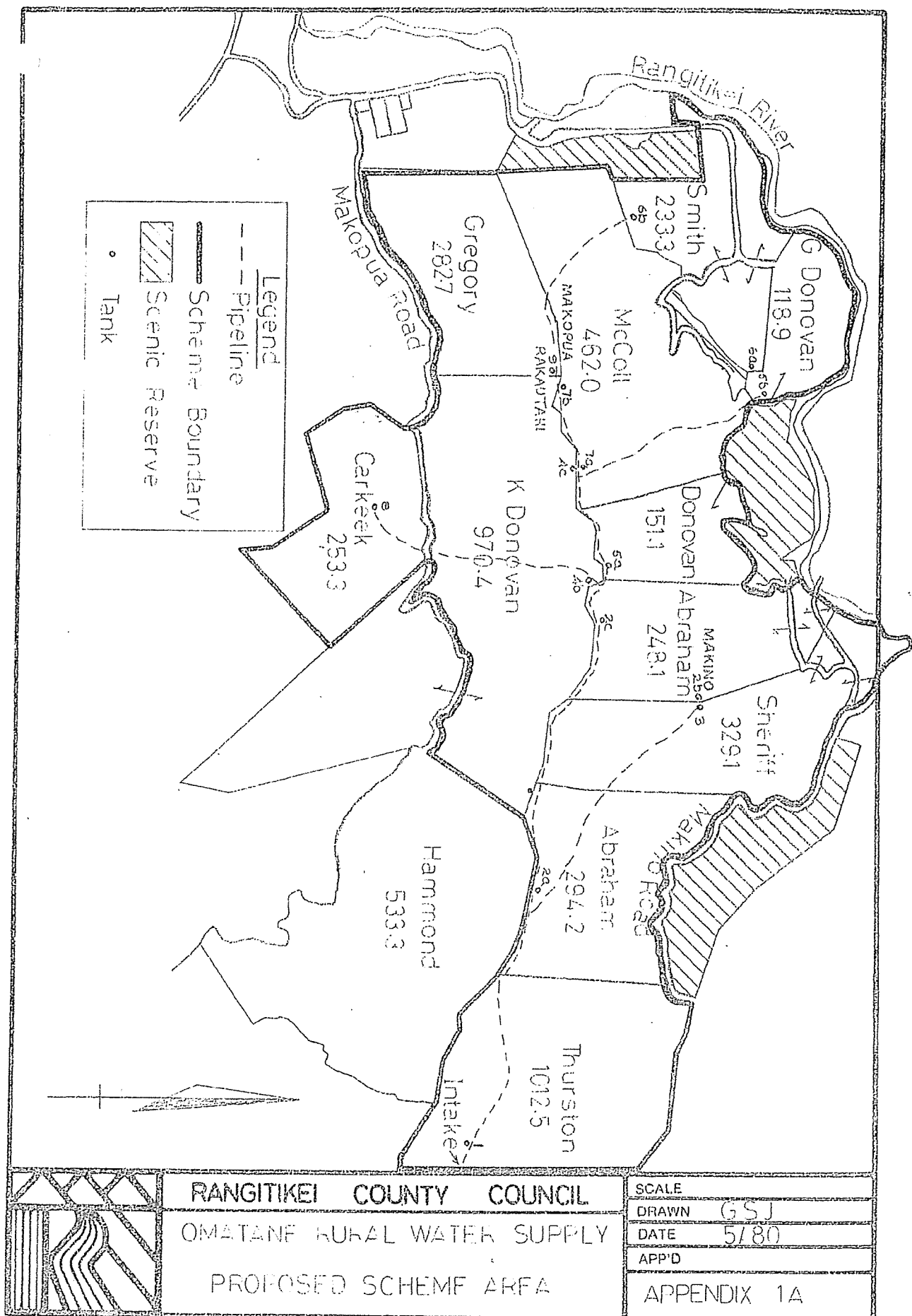
## 9. Scheme Benefits

The obvious benefits of having a continuous and reliable water supply are increased stock production with the ability to fatten stock rather than sell them prematurely. Other benefits are lower stock losses during dry seasons and the ability to retain stock during droughts. Further subdivision will be possible which will improve grazing management and pasture utilization.

An Internal Rate of Return of 35.8% has been assessed by the Economics Department of the Ministry of Agriculture and Fisheries (See Appendix IV for an evaluation of the scheme prepared by Roy Fraser - Farm Advisory Officer).

## 10. Construction Time

It is envisaged that the scheme be completed in three months. The majority of the pipeline will be installed with a mole plough so the actual laying will be quite rapid. On-farm work would hopefully be completed during this same construction period so the entire project would be operational by the latter part of Summer.



RANGITIKEI COUNTY COUNCIL

OMATANE RURAL WATER SUPPLY

PROPOSED SCHEME AREA

SCALE

DRAWN G.S.J.

DATE 5/80

APP'D

APPENDIX 1A

# APPENDIX 1B

Ref.	Interested Farmers	Area ha (acres)	Stock Unit s.u. (at 17 su/ha)	Peak Water Requirement m <sup>3</sup> /day	Peak Water Requirement m <sup>3</sup> /hour	Mainline flow m <sup>3</sup> /hour
1	Howard Thurston	200 ha (500)	3400	19.3	0.8	12.5 11.7
2b	Mich Abraham - Part of Bottom Bk	120 (300)	2000	11.3	0.5 )	
3	Sheriff	325 (800)	5500	31.2	1.3 )	9.9
2a	Mich Abraham - Top Bk	294 (730)	5000	28.5	1.2	8.7
4a	Ken Donovan - Top Bk	200 (500)	3400	19.3	0.8	7.9
2c	Mich Abraham - Part of Bottom Bk	128 (320)	2200	12.3	0.5	7.4
4b	Ken Donovan - Mid Bk	100 (250)	1700	9.6	0.4	7.0
5a	Gary Donovan - Top Bk	147 (360)	2500	14.2	0.6	6.4
8	Steve Carkeek	253 (625)	4300	24.4	1.0	5.4
5b	Gary Donovan - Bottom Bk	118 (290)	2000	11.4	0.5 )	
6a	Graham Smith - West Bk	102 (250)	1700	9.8	0.4 )	4.5
7a	Tony McCall - Top Bk	172 (425)	2900	16.6	0.7	3.8
4c	Ken Donovan	237 (585)	4000	22.8	1.0	2.8
7b	Tony McCall - Mid and Bottom Bk	276 (680)	4700	26.6	1.1	1.7
9	Neil Gregory	272 (670)	4600	26.2	1.1	0.6
6b	Graham Smith	158 (390)	2700	15.2	0.6	0
Possible Future Participants		3100 ha (7660)	52 600	300 m <sup>3</sup> /day	12.5 m <sup>3</sup> /hour	
4d	Ken Donovan	300	5100	28.9	1.2	
10	Gordon Hammond	530	9000	51.0	2.1	

# APPENDIX II

## Original Scheme Participants

Supply of Materials

ESTIMATE

AUGUST 1980

ITEM	UNIT	QUANTITY	RATE	AMOUNT
80 B U.P.V.C.	m	300	3.40	1020.00
65 C "	m	3600	3.00	10800.00
65 D "	m	1300	3.75	4875.00
50 C "	m	600	2.00	1200.00
50 D "	m	1600	2.40	3840.00
50 E "	m	500	3.00	1500.00
40 D "	m	200	1.60	320.00
32 E "	m	4200	1.45	6090.00
20 E "	m	2700	0.65	1755.00
15 E "	m	3200	0.50	1600.00
25 Galv. Steel	m	1100	2.75	3025.00
				<u>36,025.00</u>
Fittings 8% of pipe cost				3,000.00
Lay - 80B	m	300	1.50	450.00
Lay	m	19000	1.000	<u>19,000.00</u>
				19,450.00
Intake Structure	LS			15,000.00
Break Pressure Tanks	Each	4	500.00	2,000.00
Settlement tank	Each	1	1200.00	1,200.00
Track and pipeline preparation	m	19300	0.50	9,650.00
Contingency 10%	LS			8,630.00
Engineering 4%	LS			<u>3,800.00</u>
				\$98,755.00

Approximately \$32 ha.

## Future Participants

Donovan - 300 ha	102,800.00
Approx. \$30 ha	
Hammond - say water 400 ha	105,930.00
Approx. \$28/ha	

SCHEDULE OF COST

APPENDIX III A

Approx on-farm cost (Based on Ereuhon Rural Water Supply) - Area 500 ha

POLYTHENE										U.P.V.C.	
Low Density					High Density					Class D	
										Class E	
Size mm	Dist m	Cost \$/100m	Total Cost	Dist m	Cost \$/100m	Total Cost	Dist m	Cost \$/100m	Total Cost	Dist m	Cost \$/100m
15							120	30	40		
20							1200	65	780		
25				750	65	490	2500	85	2130		
32				1800	85	1530	4250	115	4900		
40				3270	110	3600					
50											
65											
TOTALS				5820		5600	7250		7280	1320	820

Other pipe

Total Pipe Cost = \$13,700.....

Fittings: Allow 20% of Polythene Pipe Cost  
Allow of P.V.C. Pipe Cost

\$ 2,750.....

Installation: Polythene ..14,400..m @ ..0.60...../m  
PVC .....m @ ...../m

\$ 8,650

Troughs: 50@ \$75..... (includes cover and fittings)

\$ 3,750.....

Tanks  
1 23 m<sup>3</sup> @ \$1,000  
1 14 m<sup>3</sup> @ \$750  
2 10 m<sup>3</sup> @ \$625

\$ 3,000.....

Sundries

\$.....

Cost/ha \$70.....

\$.....200.....

Contingency

\$ 3,200.....

Engineering

\$.....

TOTAL COST

\$ 35,250.....

# APPENDIX III B

Approx on-farm cost (Base on Ereuhon Rural Water Supply) : a 160 ha

## SCHEDULE OF COST

POLYTHENE										U.P.V.C.	
Low Density				High Density				Class D		Class E	
Size mm	Dist m	Cost \$/100m	Total Cost	Dist m	Cost \$/100m	Total Cost	Dist m	Cost \$/100m	Total Cost	Dist m	Cost \$/100m
15										300	50
20										550	65
25											
32											
40											
50											
65											
TOTALS										850	510

Other pipe

Total Pipe Cost = \$3,730

Fittings: Allow 20% of Polythene Pipe Cost 650  
Allow 10% of P.V.C. Pipe Cost 50

Installation: Polythene 4250.....m @ ...0.60...../m  
PVC ..850.....m @ ...0.70...../m

Troughs: 18 @ \$ 75..... (includes cover and fittings)

Tanks 1 23 m<sup>3</sup> \$1,000  
1 14 m<sup>3</sup> \$750

Sundries

Cost/ha \$.....73.....

Contingency  
Engineering  
TOTAL COST \$11,750

## APPENDIX IV

Prepared by R. R. Fraser, F.A.O., Ministry of Agriculture and Fisheries, Taihapa

### 1. Benefits of Community Rural Water Supply Scheme

#### (a) Increased Stock Numbers Wintered

This would result primarily from:

- improved farm sub-division, resulting in more intensive grazing management and pasture improvement.
- improved summer grazing management and better summer pasture control giving higher autumn and winter pasture growth.

Estimate of increased stock numbers five years post water supply instalment:

	<u>Before</u>	<u>After</u>
B. Ewes	22,200	26,500
Other Sheep	8,000	9,600
Total Sheep	30,200	36,400
B. Cows	383	416
R. 1 Yr Cattle	263	287
Other Cattle	894	970
Total Cattle	1,540	1,673
Total Sheep S.U.'s	27,800	33,200
Total Cattle S.U.'s	7,820	8,500
Total S.U.'s	35,600 S.U.'s	41,700 S.U.'s
S.U.'s/ha	10.6 S.U./ha	12.4 S.U's/ha

(i.e. increase of 1.8 S.U.'s/ha)

The long term potential carrying capacity would be 15 - 17 S.U.'s/ha.

#### (b) Production Increases

These would result from improved summer grazing management, achieving a higher efficiency of pasture utilisation and a substantial improvement in feed quality.

- (i) Lambing Performance - improved lambing percentages from improved ewe hogget and mixed-age ewe nutrition, thus achieving higher ewe body weights at mating.

Estimated lift in lambing percentage from 93.5% to 106%.

This represents an additional 7,300 lambs born/yr.



- (ii) Wool production - greater wool production from better sheep nutrition.

Estimated lift in wool production from 4.6 kg wool/sheep S.U. to 5.4 kg/sheep S.U.

This represents an additional 51,400 kg wool/yr.

- (iii) Other Production Lifts

- increased lamb weights with a higher percentage solid fat.
- improved liveweight gains in cattle.
- possibility of fattening bought-in store lambs or cattle over summer/autumn period.

- (c) Other Benefits

- (i) Lower stock losses, especially during dry seasons.
- (ii) Improved water quality.
- (iii) Improved animal health.
- (iv) Ability to retain capital stock during droughts.
- (v) Lower maintenance costs.

#### Salvage Value of Existing Plant

Salvage value of existing plant and equipment not required with community water supply scheme = \$1,500.

#### Saved Costs

With community water supply scheme in form of dam and pump maintenance and electricity = \$6,000/yr.

#### Cost of Additional Fencing

To achieve stock numbers and production targets outlined, an additional 30 km of post and wire and electric fencing would be required.

Cost of additional fencing \$38,000.

## 2. Economic Valuation

Mr W. T. Kirkland (Economics Division, M.A.F.) conducted an economic evaluation of this scheme based on the information provided by this survey and the scheme costs provided by J. Bealing (F.A.O. Ag. Eng.) M.A.F.

This evaluation showed an Internal Rate of Return of 35.8% and a Present Worth (at 15%) of \$812,400.

See Table 1 - Scheme Cash Flow.

### 3. Summary

All farmers within the proposed area have demonstrated considerable enthusiasm for this scheme. The estimates of stock numbers and production increases are well within this class of lands' potential and have been derived from the individual farmers expectations of the benefits of such a scheme.

The average post scheme figures of 12.4 S.U.'s/ha, lambing percentage of 106% and wool weights of 5.4 kg/sheep S.U. are on a par at less than what the top third of the farmers in the area are achieving at present.

The Principal gains will be achieved by improved on farm sub-division which reticulated water will allow. The additional costs of this fencing have been included in the economic analysis.

The 35.8% Internal Rate of Return and Present Worth of \$812,400 highlights the economic value of this scheme.

### 4. ACKNOWLEDGEMENTS

- (i) Mr J. Bealing - FAO (Ag. Engineering)  
Ministry of Agriculture & Fisheries  
Palmerston North
  - (ii) Mr W. T. Kirkwood - Economics Division  
Ministry of Agriculture & Fisheries  
Palmerston North
- for the Economic Analysis.

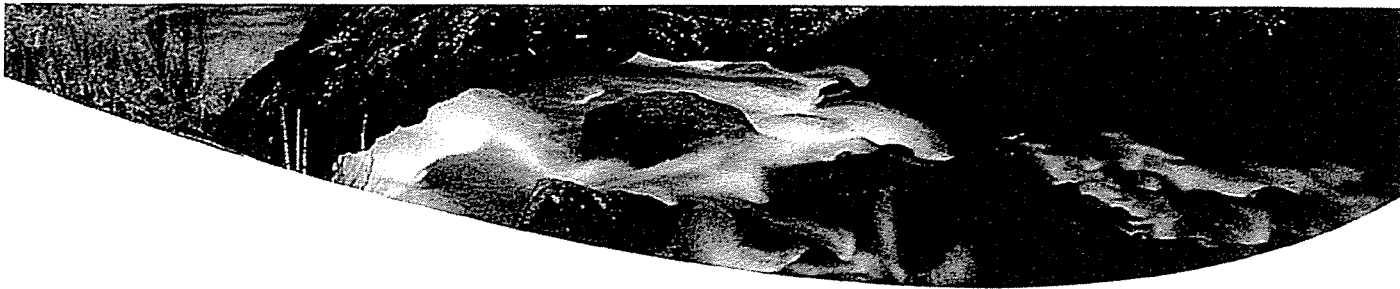
TABLE I

## Scheme Cash Flow - Increased Livestock Numbers and Performance

Year	0	1	2	3	4	5	6	.34	35.	36
<u>Benefits</u>										
Sheep	:	0	31,912	51,866	121,082	152,722	240,946	→	240,946	0
Cattle	:	0	1,716	3,994	7,407	10,822	14,069	→	14,069	0
Plant Salvage	:	750	750	0	→	→	→	→	→	0
Saved Capital	:	11,000	11,000	11,000	0	→	→	→	→	0
Saved Running Costs	:	0	3,000	6,000	→	→	→	→	6,000	0
Livestock Salvage	:	0	→	→	→	→	→	→	170,093	0
<hr/>										
TOTAL BENEFITS	:	11,750	48,378	72,860	134,489	169,544	261,015	→	261,015	431,108
<hr/>										
TOTAL COSTS (as before)	:	239,973	148,566	44,586	44,586	39,940	2,650	→	2,650	0
<hr/>										
Net Benefits	:	+	28,274	89,903	129,604	258,365	→	258,365	428,458	0
	-	228,223	100,188							



# *Appendix 2*



# Compliance Inspection Report

19 May 2014

Rangitikei District Council (Marton)  
Private Bag 1102  
MARTON 4741

Compliance Indicator    yes



no



RECEIVED

23 MAY 2014

Attention: Colin Anderson

To: CA  
File: 6-WS-3-8  
300 11 125

Location: OMATANE

## Performance Assessment

### Did I comply with the conditions of my consent? Yes

Thank you for meeting with me to discuss the Water Permit's associated with the Rangitikei District Council Water Supply Scheme's.

This compliance monitoring report is for resource consent 103988 and incorporates information contained on Horizons Regional Council (HRC) files for this resource consent.

### Water Permit 103988

1. *The maximum rate of abstraction of surface water from the unnamed tributary of the Makino Stream on the property legally described as Lots 1 & 2 of Section 2 BLK II Ruahine SD at approximate map reference U22:707-589 under the authorisation of this Permit shall not exceed 300 m<sup>3</sup> per day (300 m<sup>3</sup>/day) at a maximum rate of 3.5 litres per second (3.5 L/s).*

HRC have telemetry installed at the abstraction site to log and transfer the abstraction volumes. For the period 1 May 2013 – 30 April 2014 the data received indicates that the above abstraction rates were complied with.

**COMPLY**

- 
2. *The Permit Holder shall maintain, in fully operational condition, a flow meter with a pulse counter output and a GPRS data logger / telemetry unit compatible with the Manawatu-Wanganui Regional Council's Telemetry System on the water abstraction line traceably calibrated to +/- 5 % or better. The flow meter shall be capable of providing daily water use as well as a pulse counter output. The GPRS data logger / telemetry unit attached to the pulse counter output will be monitored by the Manawatu-Wanganui Regional Council to ensure compliance with Water Permit conditions and as part of a programme to enable monitoring of total catchment water use. The flow meter shall be installed to measure the entire volume of water abstracted under authorisation of this Permit. Where telemetry equipment fails for reasons other than fair wear and tear, replacement or repair will be at the Permit Holder's expense and replacement will be required within seven days. The length of straight pipe before and after the flow meter shall be the **greater** of:*
- a. 10 times the external diameter of the pipe before the meter's inlet flange and 10 times the external diameter of the pipe after the meter's outlet flange.*
  - b. 1.5 m metres before the flow meter inlet flange and 0.75 m of pipe after the flow meter outlet flange.*
  - c. the length of pipes specified by the flow meter manufacturer to enable accurate flow measurement to be achieved.*

*The flow meter and length of straight pipe before and after the meter (as specified above) shall be easily and safely accessible and is to be installed so as to be between 100 mm and 1,200 mm above ground level. The flow meter shall be positioned within straight lengths of steel pipe of uniform wall thickness (excluding flanges) before and after the meter. For the purpose of this clause, the pipe on either side of the flow meter shall be of equal diameter.*

**Note:** *Spiral welded pipe will not meet the "uniform" wall thickness specifications above.*

A flowmeter with pulse output is installed on the abstraction line. Please ensure that the flowmeter is maintained in fully operational condition at all times, which includes maintaining the accuracy. HRC also have telemetry installed at the site.

**COMPLY**

3. *The Permit Holder shall keep hourly records of the rates and volumes of water abstracted from the unnamed tributary of the Makino Stream under the authorisation of this Permit using the flow meter and GPRS data logger / telemetry unit as required by Condition 2. The records shall be supplied automatically through the telemetry system linked to the Manawatu-Wanganui Regional Council.*
-

---

**Note:** The Council's Manager Resource Data is committed to providing reasonable assistance and advice to facilitate the installation of telemetry equipment at the point of abstraction. For information please contact Horizons Regional Council's Hydrology Team. A flow meter was installed at the site in March 2008.

Abstraction volumes are logged through the telemetry unit and transferred through to HRC at hourly intervals.

**COMPLY**

4. The Permit Holder shall provide the Manawatu-Wanganui Regional Council staff or its agents with reasonable access to enable monitoring of water use.

**Advice Note:** The site of the water take is located on a working farm. Manawatu-Wanganui Regional Council staff are to be aware of farming activities and there may be the need to also contact the landowner when there is the need to access the site. It remains the responsibility of the Permit Holder to ensure access to monitoring equipment can be negotiated.

**COMPLY**

5. This Water Permit shall commence by **1 December 2008**. If this permit is not commenced by **1 December 2008** it shall lapse pursuant to Section 125 of the Resource Management Act.

This Water Permit has been given effect to.

**No longer applicable**

6. The Permit Holder shall, by **May 2011**, undertake at least ten gaugings, at least seven days apart, within 500 m upstream of the weir for this take when the flow at the Rangitikei at Pukeokahu flow recorder is less than 8.7 m<sup>3</sup>/s, with at least five of these measurements taken when the flow is less than 5.3 m<sup>3</sup>/s. The results of these gaugings are to be submitted to the Manawatu-Wanganui Regional Council's Environmental Compliance Manager by **1 July 2011**.



Date	Time	River flow (l/s)	Upstream gauging (L/S)
25/01/2010			7.34
9/02/2010			6.94
22/02/2010			7.23
2/05/2010			24
17/06/2010			25
1/07/2010			25
26/01/2011			8.34
11/02/2011			7.84
16/06/2011			34
2/08/2011		22800	24
9/02/2012	1030	6333	8.8
16/02/2012	1100	8319	10.4
22/02/2012	920	11881	8.3
29/02/2012	1045	8012	9.9
1/03/2013		6944	4.6
8/03/2013		4109	4.3
15/03/2013		3925	4.6
22/03/2013		3699	4.6
4/04/2013		3932	4.5
18/04/2013		3942	4.6

## COMPLY

7. *Manawatu-Wanganui Regional Council may, under Section 128 of the Act, initiate a review of all conditions of this Permit in the month of May in the years **2012, 2015, 2017 and 2023**. The reviews shall be for the purpose of reviewing the effectiveness of the conditions in avoiding, or mitigating any adverse effects on the environment which may arise as a result of the exercise of this Permit. The review may be necessary to:*
- assess the water abstraction volumes and rates detailed in Condition 1 of this Permit for consistency with any review of any Regional Water Allocation Policy developed, and if necessary change the monitoring outlined in Conditions 2, 3 and 4 of this Permit;*
  - deal with any significant adverse effects on the environment which may arise as a result of this Permit; and*

---

*The review of conditions shall allow for:*

- a. the deletion or amendment of any of the conditions of this Permit; or*
- b. the imposition of low flow restriction parameters in conditions 1; or*
- c. the addition of new conditions as necessary to avoid, remedy or mitigate any adverse effects on the environment.*

**Note:** Any review exercised under this condition may result in the abstraction volume and / or rate being reduced and / or restricted, or restrictions being placed on the abstraction volume and / or rate during low flow conditions and / or restricting volumes taken to align with efficiency criteria.

**NOT ASSESSED**

- c. The Regional Council may under Section 128(1)(b) of the Resource Management Act 1991, initiate a review of all of the conditions of this Permit at any time throughout the term of this Permit, when a regional plan has been made operative which sets rules relating to maximum or minimum levels or flows or rates of use of water and in the Regional Council's opinion it is appropriate to review the conditions of the Permit in order to enable the levels, flows, rates, or standards set by the rule to be met. The review shall be for the purpose of reviewing the effectiveness of the conditions in avoiding, or mitigating any adverse effects on the environment, which may arise as a result of the exercise of this Permit in response to any future Regional Water Allocation Plan.*

**NOT ASSESSED**

- d. Charges, set in accordance with Section 36(1)(c) of the Resource Management Act 1991, and Section 150 of the Local Government Act 2002, shall be paid to the Manawatu-Wanganui Regional Council for the carrying out of its functions in relation to the administration, monitoring and supervision of this resource consent and for the carrying out of its functions under Section 35 (duty to gather information, monitor, and keep records) of the Act.*

**Note:** Section 36(1)(c) of the Act provides that Manawatu-Wanganui Regional Council may from time to time fix charges payable by holders of resource consents. The procedure for setting administrative charges is governed by Section 36(2) of the Act and is currently carried out as part of the formulation of the Regional Council's Long Term Council Community Plan].

**NOT ASSESSED**

---

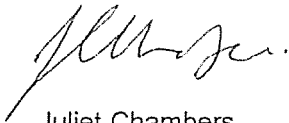
### **Recommended Actions**

The overall rating of this resource consent is **COMPLY**

The Resource Management (Measurement and Reporting of Water Takes) Regulations 2010 do not apply to this Water Permit.

If you have any further questions, please do not hesitate to contact me on 06 952 2975 or via email [juliet.chambers@horizons.govt.nz](mailto:juliet.chambers@horizons.govt.nz).

Regards



Juliet Chambers  
**SENIOR CONSENTS MONITORING OFFICER**

# *Appendix 3*

Subpart 2—Obligations and restrictions  
relating to provision of water services

**130 Obligation to maintain water services**

- (1) This subpart applies to a local government organisation that provides water services to communities within its district or region—
  - (a) at the commencement of this section:
  - (b) at any time after the commencement of this section.
- (2) 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.
- (3) In order to fulfil the obligations under this subpart, a local government organisation must—
  - (a) not use assets of its water services as security for any purpose:
  - (b) not divest its ownership or other interest in a water service except to another local government organisation:
  - (c) not lose control of, sell, or otherwise dispose of, the significant infrastructure necessary for providing water services in its region or district, unless, in doing so, it retains its capacity to meet its obligations:
  - (d) not, in relation to a property to which it supplies water,—
    - (i) restrict the water supply unless section 193 applies; or
    - (ii) stop the water supply unless section 69S of the Health Act 1956 applies.
- (4) This section—

- (a) does not prevent a local government organisation from transferring a water service to another local government organisation; and
- (b) does not override sections 131 to 137.

Section 130(3)(d)(ii): amended, on 27 November 2010, by section 31 of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

*Closure or transfer of small water services*

**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.

**132 Eligibility to vote in referendum**

A person is eligible to vote in a referendum conducted under section 131(2)(d) if the person is qualified as either—

- (a) a residential elector under section 23 of the Local Electoral Act 2001 and the address in respect of which the person is registered as a parliamentary elector is a property serviced by the water service that is the subject of the referendum; or
- (b) a ratepayer elector under section 24 of the Local Electoral Act 2001 and the property, for the purposes of section 24(1)(a) or (b) of that Act, is a property serviced by the water service that is the subject of the referendum.

**133 Responsibility for conduct of referendum**

- (1) The territorial authority that is responsible for conducting a referendum under section 131(2)(d) is the territorial authority in whose district the majority of persons eligible to vote in that referendum is on the roll of electors of that territorial authority.
- (2) The electoral officer of a territorial authority responsible for conducting a referendum under subsection (1) must prepare a special roll of the persons eligible to vote under section 132.
- (3) The provisions of the Local Electoral Act 2001 apply, with any necessary modifications, to the conduct of a referendum under section 131(2)(d).

**134 Criteria for closure of water service**

A local government organisation may only close down a water service under section 131(1)(a) if it has first—

- (a) reviewed the likely effect of the closure on—

- (i) the public health of the community that would be affected by the closure; and
  - (ii) the environment in the district of that community; and
- (b) assessed, in relation to each property that receives the water service, the likely capital cost and annual operating costs of providing an appropriate alternative service if the water service is closed down; and
- (c) compared the quality and adequacy of the existing water service with the likely quality and adequacy of the alternative service referred to in paragraph (b).

**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.

*Contracting out of water services*

**136 Contracts relating to provision of water services**

- (1) Despite section 130(2), a local government organisation may enter into contracts for any aspect of the operation of all or part of a water service for a term not longer than 35 years.
- (2) If a local government organisation enters into a contract under subsection (1), it must—
  - (a) continue to be legally responsible for providing the water services; and
  - (b) retain control over the following matters:
    - (i) the pricing of water services; and
    - (ii) the development of policy related to the delivery of water services.



- (3) This section does not limit contracts in relation to water services that are entered into solely between local government organisations.

Section 136: substituted, on 27 November 2010, by section 32 of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

*Joint local government arrangements and joint arrangements with other entities*

Heading: substituted, on 7 July 2004, by section 13 of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

**137 Joint local government arrangements and joint arrangements with other entities**

- (1) In this section,—

**joint arrangement** means an arrangement entered into by 1 or more local government organisations with 1 or more bodies that are not local government organisations for the purpose of providing water services or any aspect of a water service

**joint local government arrangement** means an arrangement entered into by 2 or more local government organisations for the purpose of providing water services or any aspect of a water service.

- (2) Section 130(2) does not prevent a local government organisation from entering into, for the purpose of providing water services,—
- (a) a joint arrangement for a term not longer than 35 years (except a concession or other franchise agreement relating to the provision of the water services or any aspect of the water services);
- (b) a joint local government arrangement for any term.
- (3) However, before a local government organisation enters into a joint arrangement or joint local government arrangement, it must,—
- (a) in the case of a local government organisation that is a local authority, have undertaken consultation in accordance with the procedures set out in Part 6; and
- (b) in the case of a local government organisation that is not a local authority, have undertaken consultation in

accordance with the procedures set out in Part 6 as if it were a local authority.

(c) *[Repealed]*

(4) If a local government organisation enters into a joint arrangement under subsection (2)(a), it must—

(a) continue to be legally responsible for providing the water services; and

(b) retain control over the following matters:

(i) the pricing of water services; and

(ii) the development of policy related to water services; and

(c) after the end of the joint arrangement, retain ownership of all the infrastructure associated with the water service, whether or not the infrastructure was—

(i) provided by the local government organisation at the beginning of the joint arrangement; or

(ii) developed or purchased during the joint arrangement; and

(d) not sell or transfer ownership of any existing infrastructure associated with the water service, unless the local government organisation reasonably believes that the sale is—

(i) incidental to the joint arrangement; and

(ii) desirable for the success of the joint arrangement.

(5) In this section, **concession or other franchise agreement** means an agreement under which a person other than the local government organisation is entitled to receive a payment from any person other than the local government organisation for the supply of the water service.

Section 137 heading: substituted, on 7 July 2004, by section 14(1) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Section 137(1): substituted, on 7 July 2004, by section 14(2) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Section 137(2)(a): substituted, on 27 November 2010, by section 33(1) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

Section 137(2)(b): amended, on 7 July 2004, by section 14(3) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Section 137(3): amended, on 7 July 2004, by section 14(3) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Section 137(3): amended, on 7 July 2004, by section 14(4) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Section 137(3)(b): amended, on 27 November 2010, by section 33(2) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

Section 137(3)(c): repealed, on 27 November 2010, by section 33(3) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

Section 137(4): substituted, on 27 November 2010, by section 33(4) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

Section 137(5): added, on 27 November 2010, by section 33(4) of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

# *Appendix 4*

# Rural Agricultural Drinking-water Supply Guideline

2015

---

Citation: Ministry of Health. 2015. *Rural Agricultural Drinking-water Supply Guideline*.  
Wellington: Ministry of Health.

Published in March 2015  
by the Ministry of Health  
PO Box 5013, Wellington 6145, New Zealand

ISBN: 978-0-478-44493-3 (online)  
HP 6137

This document is available at [www.health.govt.nz](http://www.health.govt.nz)



---

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	The need for a rural agricultural drinking-water supply guideline	1
1.2	Definition of a rural agricultural drinking-water supply	2
1.3	Determining water supply usage	2
<b>2</b>	<b>The Rural Agricultural Drinking-water Supply Guideline</b>	<b>3</b>
2.1	Options to comply	3
2.2	Distinguishing the components of a rural agricultural drinking-water supply	3
2.3	Criteria	3
<b>3</b>	<b>Clarification</b>	<b>6</b>
3.1	The type of water treatment system	6
3.2	Responsibilities and costs of rural agricultural water supply treatment and maintenance	6
3.3	Monitoring water quality	7
	<b>Appendix 1: Decision tree</b>	<b>8</b>
	Determining if a water supply is a RADWS	8

---

# 1 Introduction

## 1.1 The need for a rural agricultural drinking-water supply guideline

During the Select Committee consideration of the Health (Drinking-water) Amendment Bill in 2007, concerns were raised that rural agricultural water suppliers would be unfairly burdened by the compliance requirements. Regardless of the size of the drinking-water component of the water supply, all water in the supply would need to be treated to the standard of drinking-water. This would be costly to rural suppliers and wasteful of resources.

To address this issue, the Select Committee recommended establishing a separate class for rural agricultural drinking-water supplies from which 75 percent or more of the water is used for agricultural purposes. Only the water used for drinking-water, domestic<sup>1</sup> and food preparation use would be required to be potable, and the water supplier would therefore not need to treat water not intended for human consumption.

In 2008 the Ministry of Health established an expert working group to develop a draft rural agricultural drinking-water supply standard. In July 2013 the Ministry of Health published the draft *Rural Agricultural Drinking-water Supply Guideline*. Some 44 submissions were received by the time the consultation period ended on 30 September 2013. The Guideline was revised to take account of this consultation.

The development of this Guideline will give water suppliers flexibility in demonstrating compliance with the requirements of the drinking-water provisions of the Health Act 1956. By following the Guideline and implementing a water safety plan, a rural agricultural water supplier would be able to demonstrate that they had taken all practicable steps to comply with the drinking-water provisions of the Health Act 1956, even if they do not fully comply with the *Drinking-water Standards for New Zealand 2005 (Revised 2008)*.

---

<sup>1</sup> Domestic use includes human consumption, food preparation, preparing products for human consumption or food storage, washing utensils and oral hygiene.



## 1.2 Definition of a rural agricultural drinking-water supply

The Health Act 1956 defines a rural agricultural drinking-water supply as a:

- a. large, medium, minor, small, or neighbourhood drinking-water supply from which 75 percent or more of the water supplied:
  - i. is used for the purposes of commercial agriculture; and
  - ii. does not enter a dwelling house or other building in which water is drunk by people or other domestic and food preparation use occurs;
- b. but does not include a drinking-water supply using a single connection to provide water to:
  - i. a town; or
  - ii. a village or other place with a permanent population of 50 people or more that is used primarily for residential purposes.

In other words, a rural agricultural drinking-water supply may serve a population of any size, but at least 75 percent of the water must be used for agricultural purposes such as stock water or irrigation. However, a community of 50 or more residents that receives its water supply from a *single connection* cannot be part of a rural agricultural drinking-water supply. Even if 75 percent or more of the water used throughout the entire scheme is used for agriculture, the community must be categorised as a separate water supply.

Although the Health Act 1956 requires the water in a rural agricultural drinking-water supply to be supplied for *commercial* agricultural purposes, the Ministry of Health believes that this Guideline, if implemented in a water safety plan, may be used to demonstrate a water supplier has met its statutory obligation to take all practicable steps to comply with the *Drinking-water Standards for New Zealand*, even if the water supply is used for non-commercial agricultural purposes (such as lifestyle blocks) or a mixture of commercial and non-commercial agricultural purposes.

## 1.3 Determining water supply usage

A rural agricultural water supply may only be categorised as a rural agricultural drinking-water supply if the supplier can show that at least 75 percent of the water supply is used for agricultural purposes *and* does not enter a building where it may be used for drinking-water, domestic or food preparation use.

To assess the proportion of water used for the household, if a community rural supply uses constant trickle feed to household storage tanks, this could be used to determine the daily volume of water flowing into buildings for domestic and other uses which are not agricultural.

However, most rural houses will not have their water use metered or restricted or have a practical way of demonstrating water usage. The Ministry therefore will accept a usage of 2500 litres per dwelling house per day for domestic purposes based on the number of houses the supply is designed to serve. The rest of the water supply will be assumed to be for agricultural purposes.

---

## 2 The Rural Agricultural Drinking-water Supply Guideline

### 2.1 Options to comply

The *Drinking-water Standards for New Zealand* set different criteria for the different sizes and types of drinking-water supplies. This allows drinking-water suppliers to provide different levels of certainty that water supplies are adequately protected, balancing the risks to public health and costs, as appropriate to the size or type of the drinking-water supply.

In this Rural Agricultural Drinking-water Supply Guideline, water suppliers have the option to:

1. meet the relevant criteria for large, medium, minor, small, or neighbourhood drinking-water supplies, as set out in the *Drinking-water Standards for New Zealand*, sections 4, 5, 7, 8 and 9, or
2. choose to use section 10 of the *Drinking-water Standards for New Zealand* (Small water supplies, alternative criteria), and follow that water safety plan approach, or
3. use this Guideline to develop and implement an approved water safety plan.

### 2.2 Distinguishing the components of a rural agricultural drinking-water supply

Rural agricultural drinking-water supplies are multi-purpose supplies that include water used for drinking-water and agricultural usage, such as stock water or irrigation. The drinking-water component of a rural agricultural drinking-water supply may supply water for human consumption, food preparation and other domestic uses to individual houses, groups of houses, home stays and other buildings. Under this Guideline, only the drinking-water and the domestic use component of the water supply must meet the criteria; not all of the water. In other words, only water used for human consumption, domestic and food preparation uses needs to meet the requirements.

### 2.3 Criteria

Sections 2.3.1, 2.3.2 and 2.3.3 describe the various responsibilities involved in the treatment and/or maintenance of a rural agricultural drinking-water supply. Notwithstanding the requirements of this Guideline, all premises must meet all other statutory requirements, including under the Building Act, Food Act, Sale of Liquor Act, Health Act, and associated regulations, to provide potable water.<sup>2</sup>

<sup>2</sup> For example, see clause G12 of the Building Code, in Schedule 1 of the Building Regulations 1992.

### 2.3.1 Responsibilities of a rural agricultural drinking-water supplier

The rural agricultural drinking-water supplier must have an approved water safety plan that identifies and manages any public health risks for the supply, including:

- ensures there is an adequate supply of water for drinking-water use
- ensures the water delivered to the network is of a quality that can be adequately treated by a point-of-use or point-of-entry filter or other treatment system
- provides appropriate water quality information and or advice so that any individual filter or other treatment system chosen is appropriate for the water quality supplied (for example, it complies with the relevant Australia/New Zealand Standard)
- includes a plan for filter or other treatment system maintenance (which depending on the Plan may be collective or individual)
- outlines how water is distributed to buildings, including backflow prevention for the network
- identifies all reasonably foreseeable risks that may arise with the water supply, including the source, distribution and treatment, and how the risks will be managed
- includes the water supply monitoring regime; who will be provided with the results of monitoring; and what response will be made depending on the results
- describes remedial actions to be taken when a public health risk identified for the supply needs to be managed, or if a maximum acceptable value of a Water Quality Standard is exceeded.

The rural agricultural drinking-water supplier may use contractual or other procedures to define the responsibilities of building owners' or occupiers' duties and responsibilities for achieving and demonstrating the drinking-water meets the criteria in this Guideline.

The rural agricultural drinking-water supplier must monitor the water supply, as delivered to the network (at a point that is representative of what quality of water is delivered to the buildings). Monitoring may include *Escherichia coli*, turbidity, pH, free available chlorine (where a supply is chlorinated), and any other parameter indicated in the water safety plan. Monitoring should be carried out:

- at least three-monthly, with a maximum interval between successive samples of 135 days, and
- at any time that an event has affected, or is suspected of having affected, the quality of the water supplied.

Turbidity monitoring is designed to enable the water supplier to be able to provide information for the selection of appropriate treatments systems (whether collective or individual treatment). When sufficient information on likely turbidity variations of the water supplied to the network is available for treatment choices to be made and, depending on the extremes of those variations, future turbidity monitoring may be relaxed.

Monitoring results must be sent to the drinking-water assessor (DWA) of the District Health Board's public health unit. Any monitoring results that are outside the water quality parameters specified in the water safety plan should be promptly advised to the drinking-water assessor.

The results of monitoring must be provided to all those supplied with drinking-water from the rural agricultural water supply at least every six months, and at any time that an event has affected water quality to the extent that its quality is outside the parameters specified in the water safety plan.

### **2.3.2 Responsibilities of house and building owners who receive water from a rural agricultural drinking-water supply**

All house and building owners who receive water from a rural agricultural drinking-water supply have a responsibility to ensure that backflow prevention is in place to ensure no water can flow back from their home or building into the rural agricultural drinking-water supply's supply line.

Information on the type and location of backflow prevention provided by the house or building owner should be given to the water supplier to enable the supplier to judge if the network is adequately protected.

### **2.3.3 Responsibility for ensuring the water quality of a rural agricultural drinking-water supply**

Rural agricultural water that is used for human drinking, domestic or food preparation purposes must not exceed the maximum acceptable values in the Water Quality Standards set out in section 2 of the *Drinking-water Standards for New Zealand*. This responsibility may be fulfilled by the rural agricultural drinking-water supplier, or the building owners, or by any collective of these, as set out in the water safety plan for the supply. The water safety plan may incorporate or refer to contracts or agreements which set out the parties' responsibilities.

It is recommended, where practical, that a customer/shareholder register should be developed as part of the water safety plan.

Where point-of-entry or point-of-use systems are used to treat rural agricultural drinking-water, these systems must conform to the relevant Australian/New Zealand Standard: currently AS/NZS 4348:1995 and AS/NZS 3497:1998.

---

## 3 Clarification

### 3.1 The type of water treatment system

This Guideline does not prescribe a *type* of water treatment system to ensure the drinking-water component of the supply is treated to drinking-water quality: it enables the supplier/community to decide to treat all the water on the supply or just at the household by the use of either point-of-use systems, point-of-entry systems or other suitable treatment systems.

The Ministry of Health recommends point-of-entry treatment systems over point-of-use treatment systems because of the greater public health benefits they offer. Point-of-entry systems treat all water that enters the building, thus ensuring that all water in the building is safe for human consumption, domestic and food preparation uses. By contrast, point-of-use systems are treatment systems installed at individual taps, and so do not ensure that all water in the building is appropriate for drinking-water (unless all taps have point-of-use treatment systems installed).

Point-of-use systems may also have more regular maintenance requirements, whereas point-of-entry systems are more suitable for collective maintenance by the rural agricultural drinking-water supplier, or by a contractor (should this maintenance option be chosen), who would have the necessary equipment and expertise.

### 3.2 Responsibilities and costs of rural agricultural water supply treatment and maintenance

The Rural Agricultural Drinking-water Supply Guideline allows communities to decide who is responsible for the costs of treating and maintaining a rural agricultural drinking-water supply, with the default responsibility remaining with the rural agricultural drinking-water supplier. The default position under the Guideline is that the supplier will be responsible for treating and maintaining the source water to a level that allows water to be affordably treated by individual building treatment systems to reach drinking-water quality.

Because of the unique nature of rural agricultural water supplies, they are aligned more with drinking-water self-suppliers. Self-supplies are covered primarily under the Building Act 2004, which requires all dwellings to be supplied with adequate volumes of potable water. For both types of supply, the responsibility for the final water quality is that of the building owner. Under the Rural Agricultural Drinking-water Supply Guideline, however, the supplier has a responsibility to advise the building owner of the quality of water being supplied and what extra treatment may be required by the building owner to make the water safe for drinking. When the water reaches the building, responsibility shifts to the building owner, who must comply with requirements for potable water under the Building Act 2004.

The details of the rural agricultural drinking-water supplier's responsibilities must be set out in the water safety plan required for each rural agricultural drinking-water supply. The water safety plan will outline whether these responsibilities remain solely with the rural agricultural drinking-water supplier, or whether some are held by the building owners, or any collective of these. Many rural agricultural supplies may also have these responsibilities of supplier and house owner also set out in their contract of supply which can then be referenced in the water safety plan.

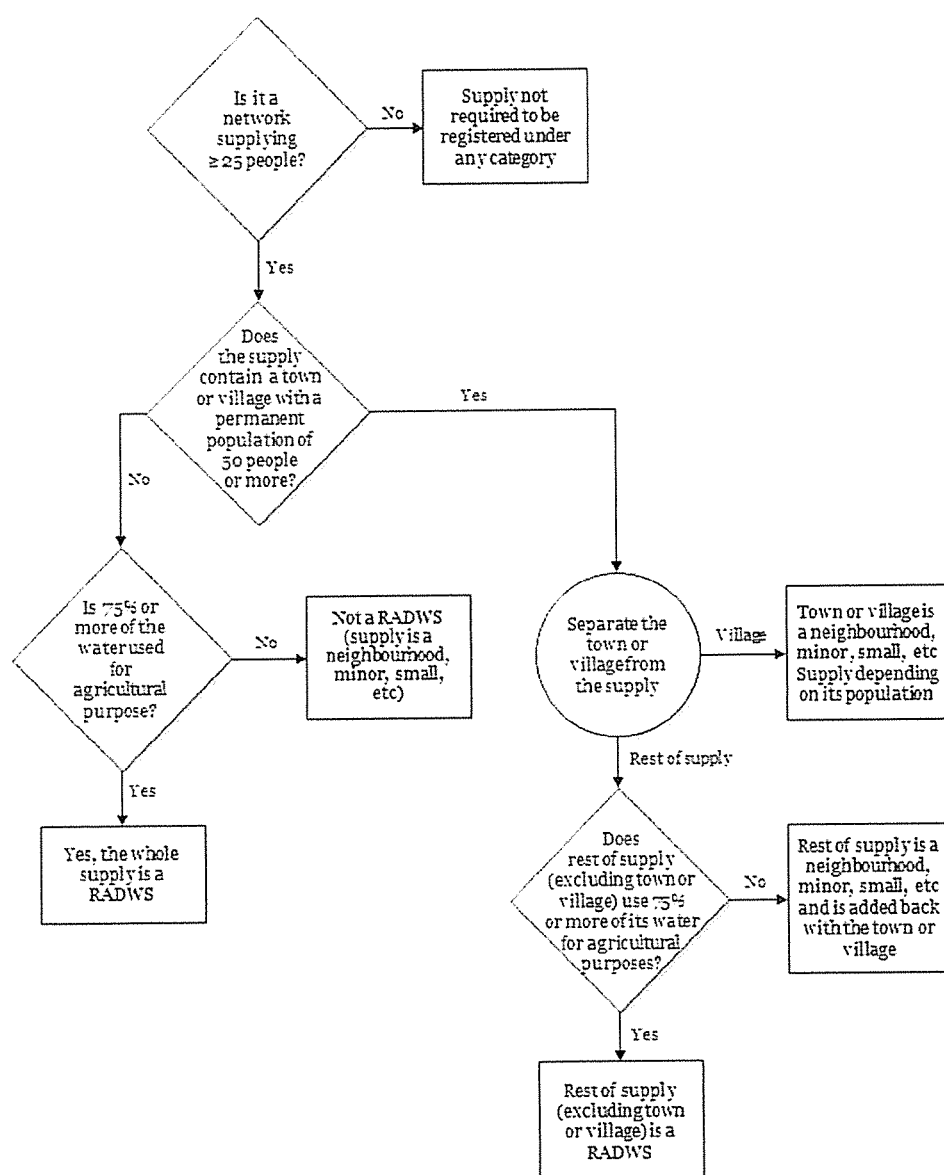
### **3.3 Monitoring water quality**

This Rural Agricultural Drinking-water Supply Guideline requires the rural agricultural drinking-water supplier to monitor the quality of water delivered to the network and to develop a water safety plan whereby:

- the water quality, as delivered to the network (at a point representative of the water being supplied to all the buildings), is monitored at least three-monthly so that appropriate water treatment units can be obtained to make the water safe for drinking, and
- warnings can be given by the rural agricultural drinking-water suppliers when the water supplied to buildings goes outside the treatment capability of the buildings' treatment units, allowing residents to take appropriate short-term action to ensure the water they are drinking is safe.

# Appendix 1: Decision tree

## Determining if a water supply is a RADWS



# *Appendix 5*



## Omatane Rural Water Supply Management Sub-Committee<sup>60</sup>

Establishment	Delegations
Established pursuant to the Local Government Act 2002.	In accordance with and subject to the provisions of Council's Rural Water Supply Policy (RWSP) which should be read in conjunction with the delegated authority described below:
<i>Field of Activity:</i> All matters pertaining to management of the Omatane Rural Water.	To consider applications for the supply of water and to set conditions for such supply. (RWSP Clause 3)
<i>Membership:</i>	
One member of the Taihape Ward of Council.	To approve the form on which applications for the supply of water must be made.
One member from each property participating in the Scheme.	To fix the fee payable for connection.
Chairperson elected by the Committee.	The Committee has sole discretion with respect to the connection of new consumers. (RWSP Clause 2.2)
<i>Current membership</i>	To approve consumer applications for a change in the supply of water and to fix an application fee for such change. (RWSP Clause 3.3 and 3.4)
Mr L Bird	
Mr N Gregory	
Mr L Kelly	To approve agreements for the supply of water between owners of subdivided property within the Scheme. (RWSP Clause 6.1)
Mr A McKay	
Mr J Platts	
Mr J Taylor	To decide the criteria for determining scheme participant's quantity of supply for the whole or part of a participating property and to recommend the capital contribution payable. (RWSP Clause 6.2)
Mr A Ramsay	
Cr Ruth Rainey– Council representative <sup>61</sup>	
His Worship the Mayor, Andy Watson – <i>ex officio</i> <sup>62</sup>	To decide whether water may be piped from a scheme participating property to a non participating property. (RWSP Clause 6.3)
<i>Meeting Frequency</i> Annually	To grant relief from payment for water supplied with respect to notice received from an owner or occupier that the supply of water is no longer required. (RWSP Clause 6.4)

<sup>60</sup> Resolved Minute number 09/RDC/075, 26 February 2009

<sup>61</sup> Resolved Minute Number 13/RDC/273, 31 October 2013

<sup>62</sup> Resolved Minute Number 13/RDC/273, 31 October 2013

	<p>To recommend the charge or charges which may be levied for the cost of construction, maintenance, and operation of the Scheme including the interest and capital repayment costs of any loan raised for construction. (RWSP Clause 7.1)</p> <p>To disconnect any supply from an unsuitable primary tank.</p> <p>To decide whether a property owner is liable for the cost of lowering a pipe where the owner has reduced the cover over the pipe.</p> <p>To cut off the supply to a property until satisfactory repairs have been made to leaks within the Scheme. (RWSP Clause 5.1)</p> <p>To recommend that the supply of water be stopped or disconnected where any person refuses or fails to pay any charge for which that person is liable.</p> <p>To recommend the delay the strict observance of any provision of the Rural Water Supply Policy 2009 if the Committee is of the opinion that full compliance would needlessly or injuriously affect a business or cause great loss or inconvenience.</p> <p>To recommend the charges to be levied for each year ending on the same date as the financial year of the Council. (RWSP Clause 7.1)</p> <p>To grant a permit for entry into the catchment area in the immediate vicinity of the intake structure, and to impose conditions on that permit.</p> <p>To direct the disposal of any animal carcass within the catchment area above the intake structure</p>
--	--

# *Appendix 6*

# TRANSFER OF A 'RURAL AGRICULTURAL DRINKING WATER SUPPLY'

*SN Stewart*

*Water and Waste Services, Dunedin City Council*

---

## ABSTRACT

The Rocklands Rural Water Supply (RRWS) scheme is the largest of Dunedin's water schemes by geographic area, covering almost 21,000 hectares, but servicing the smallest number of consumers of any Dunedin water scheme.

A 2007 amendment to the Health Act 1956 introduced a new category of drinking water supply into the Standards: 'Rural Agricultural Drinking Water Supply' (RADWS). The RRWS scheme fulfils the criteria of a RADWS as set out in the Act, and compliance with the Standards is required by 2016.

The substantial technological upgrade to the treatment process required to comply with the new Standards was deemed uneconomic due to the lack of reticulated electricity supply to the site. Following the agreement of the RRWS Committee, Dunedin City Council (DCC) resolved in February 2013 to go to binding referendum to transfer the water scheme to 'community' ownership as permitted under the Local Government Act (LGA) 2002. The transfer and handover were successfully completed on 13<sup>th</sup> July 2013.

With little in the way of successful precedent in the transfer of small drinking water supplies under LGA 2002, this paper outlines the process undertaken by DCC to transfer the scheme and highlights the potential benefits of such divestment for scheme members and Council alike.

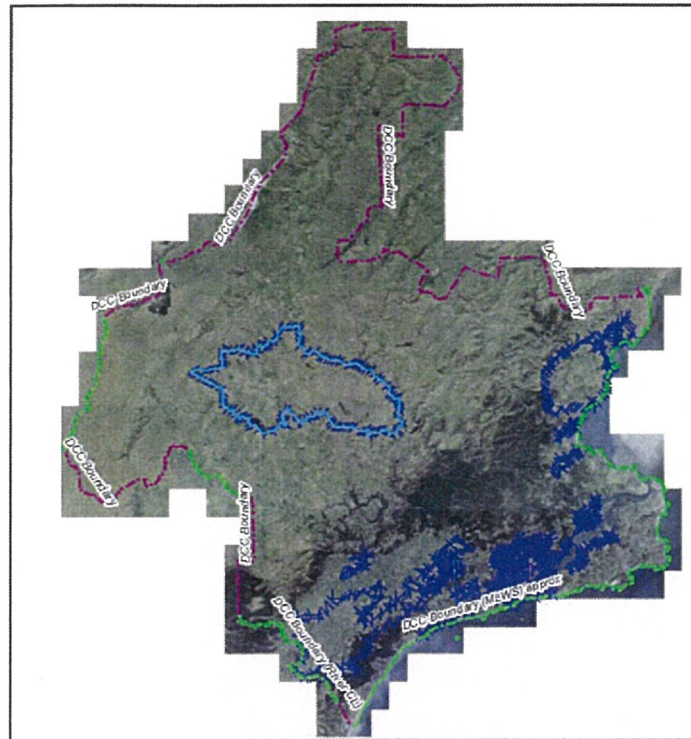
## KEYWORDS

**Rural agricultural drinking-water supply, small drinking water supplies, divestment, transfer, rural water scheme, Rocklands.**

## 1 INTRODUCTION

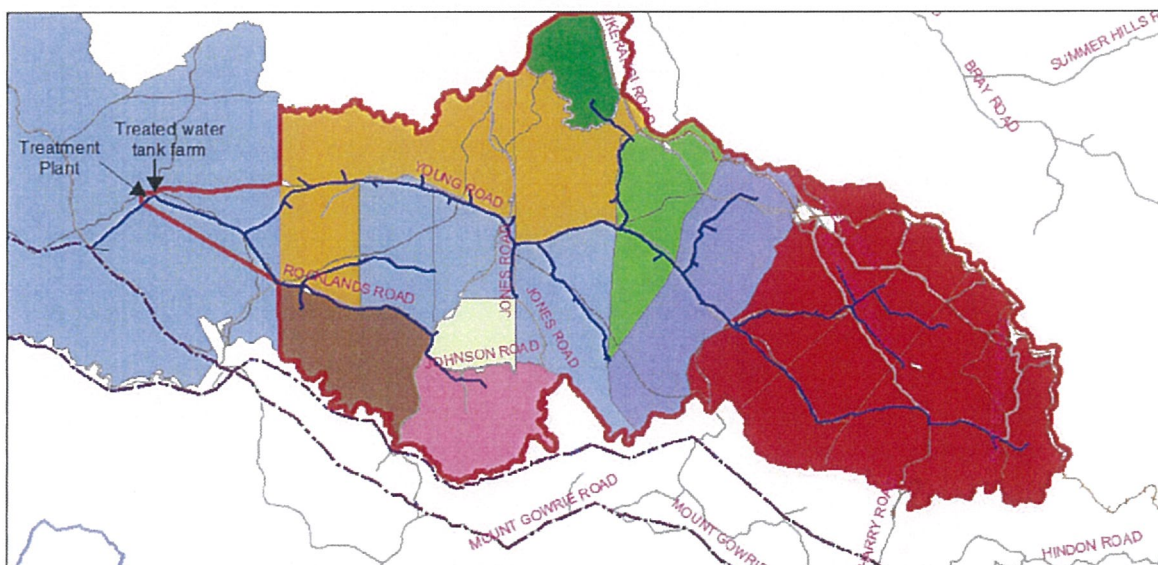
The Rocklands Rural Water Supply (RRWS) scheme is the largest of the City's water schemes by geographic area, but the smallest by number of properties served. Installed in 1984 by the Silverpeaks County Council in conjunction with the landowners, the scheme took advantage of the Ministry of Works and Development (MWD) subsidies available at the time and much 'sweat equity' of the farmers involved at the time. Legal ownership of the water scheme was passed to the Dunedin City Council (DCC) following local body amalgamation in 1989. The scheme is geographically remote, situated approximately 60 km by road from Dunedin city centre. Figure 1 shows the boundary of the RRWS scheme (light blue) in relation to the boundary of Dunedin City (outlined in pink and green). Boundaries of other water schemes within the city boundary are outlined in dark blue.

Figure 1: Rocklands Rural Water Supply Scheme Boundary



The scheme consists of a small low-tech treatment plant and approximately 80 km of pipeline connecting the treatment plant to the point of use tanks owned by individual scheme members. Figure 2 shows the location of the treatment plant and the treated water tank farm toward the western scheme boundary. Colour shading indicates the extent of land held by each of the scheme members. The scheme is completely gravity fed.

Figure 2: Rocklands Scheme Layout



The treatment plant has no reticulated electricity supply; solar panels and a small wind turbine provide electricity to telemetry equipment, with a micro-hydro unit to provide backup.



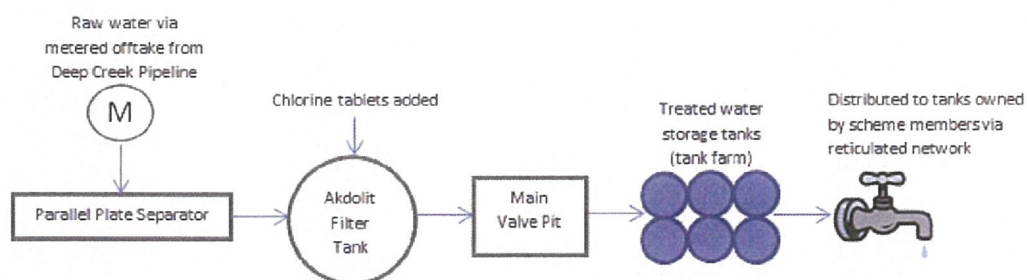
*Photograph 1: Rocklands Water Treatment Plant*



The treatment plant is capable of producing up to 426 m<sup>3</sup> per day, however only 256 units (equivalent to 256 m<sup>3</sup> per day) have been sold to date, held by nine scheme members. The water supplied by the scheme is used mainly as stock water, but also provides drinking water to up to 26 households.

A metered off-take connection from the Deep Creek pipeline provides raw water to the scheme, which then flows through a parallel plate separator (where solids are removed) and an Akdolit filter tank (where pH and alkalinity are adjusted). Chlorine tablets are added for disinfection. Treated water then flows on to the treated water storage tanks (tank farm) ready for distribution. Figure 3 is a schematic representation of the treatment process at Rocklands.

*Figure 3: Rocklands Water Treatment Process*



## 2 DRIVERS FOR TRANSFER

The 2007 amendment to the Health Act 1956 (the Act) introduced a new category of drinking water supply into the Standards: 'Rural Agricultural Drinking-Water Supply'. The Act defines a rural agricultural drinking-water supply as a:

- a. large, medium, minor, small, or neighbourhood drinking-water supply from which 75 percent or more of the water supplied
  - i. is used for the purposes of commercial agriculture; and

- ii. does not enter a dwelling house or other building in which water is drunk by people or other domestic and food preparation use occurs;
- b. but does not include a drinking-water supply using a single connection to provide water to
  - i. a town; or
  - ii. a village or other place with a permanent population of 50 people or more that is used primarily for residential purposes.

After a series of non-compliances with the existing drinking water standards, a permanent ‘boil water’ notice was issued in May 2009, as the treatment process could not reliably meet the standards for protozoal removal. To enable reliable achievement of the required Standards and enable the ‘boil water’ notice to be lifted, a substantial technological upgrade of the treatment plant would be required. A report from consulting engineers Opus indicated that such an upgrade would not be economically viable due to the lack of reticulated onsite electricity supply.

At the time of the transfer, preliminary advice from the Ministry of Health was that the new Standards were expected to include consideration of point of entry (POE) treatment systems, where only the water entering each dwelling would be treated, thus avoiding the cost of treating the large volume of water consumed by sheep and cattle. This advice appears to have carried through into the draft guideline document.

Whilst point of entry devices would be a relatively inexpensive compared to a significant treatment plant upgrade, the ongoing supervision of such devices would be impractical for Council to manage directly. If Council were required to manage such devices, it would likely have been contracted out due to the remoteness of the scheme; this would add potentially another layer of cost of operation that would be borne by the users.

Since the scheme’s inception, the water scheme committee has had a strong influence in the running of the scheme, both in the governance and service delivery roles. DCC, as owner, had historically also accepted the RRWS Committee’s recommendation on the rate charged for water. Scheme members were of the opinion that as the scheme was originally funded by a mix of government grants, farmers’ contributions and ‘sweat equity’, they were effectively the ‘owners’ of the scheme, even if this was not legally recognised.

A submission from the RRWS Committee to Council’s draft 2011/12 Annual Plan prompted a meeting in June 2011 between committee members and Council staff, to discuss the future management and governance of the scheme in light of the pressures to upgrade the treatment process and the costs associated with such an upgrade. It was understood that compliance with the Standards was required by 1 July 2016, or the date, on which the drinking water standards are amended to include them, whichever was later. [The MoH has since released a draft guideline document for these supplies for comment, with a three-month consultation period closing at the end of September 2013. Once adopted, compliance with the guideline will be voluntary in the initial phase while MoH trial it for suitability, with an expectation that if it provides for adequate public health protection while minimising unnecessary compliance costs, it could then be taken through the steps required for adoption as a standard.]

Furthermore, an approach had been made by the adjoining small settlement of Sutton about the possibility of extending the boundary of the scheme to enable the settlement to be supplied. The Local Government Act (LGA) 2002 and Council’s own water bylaw restricted the ability of Council to supply Sutton, and the permanent boil water notice was detrimental to Council’s Annual Plan Performance Measures. In summary, there was willingness on both sides for the scheme members to take legal ownership of the scheme.

### **3 STRUCTURE FOR CHANGE**

The members understood the drivers behind the city’s willingness to divest the scheme to avoid unnecessary capital expenditure, but also valued Councils’ continued involvement in the management of the scheme.

Legal advice was sought on the appropriate structure of ownership, including the proposal for Council to retain some equity or shares in the scheme-owning entity once formed. However the advice indicated that the continued involvement of Council in the water supply entity once transferred was not advisable. If Council were

to retain equity in the scheme the entity would be considered a “council organisation” which would invoke legal obligations relating to the management of the scheme, including monitoring and reporting requirements and legal liability under the Health Act 1956; effectively little difference from the status quo.

Advice was also sought on the most appropriate mechanism for the transfer. Whilst it was possible to divest the scheme under the LGA 1974 Section 29A, this would be a complex process. A divestment under Part 7 LGA 2002 was chosen as the more efficient method of transferring ownership of the scheme to the scheme members. A search for relevant examples to follow showed that there was little in the way of precedent of transferring a treated drinking water supply to community ownership under Part 7 LGA 2002.

Sections 131- 135 ‘Closure or Transfer of Small Water Services’ allows a water service to be transferred to ‘an entity representative of the community’ and outlines several requirements that must be met prior to such transfer proceeding. These sections of the legislation formed the basis for the transfer process and guided the development of a project plan.

The Act allows for a local government organisation to transfer a water service to ‘an entity representative of the community’ if:

- a) the scheme services 200 or fewer persons ordinarily resident (certified through a document signed by the Council’s Chief Executive), and
- b) the Medical Officer of Health (MOoH) is consulted on the proposal to transfer the scheme, and
- c) a management plan under which the scheme may be maintained and operated is developed, and
- d) assessments of ‘the ability of the entity [...] to maintain and operate the scheme’ and ‘the likely future capital and operating costs [...]’ are made, and
- e) information received in the course of (b),(c), and (d) are made publicly available in a balanced and timely manner, and
- f) the proposal is supported in a binding referendum.

## 4 TRANSFER PROCESS

A ‘project plan’ was drawn up with a timeline and proposed transfer process. Table 1 shows the actual timeline of the transfer.

*Table 1: Overview of Transfer Process*

Task	Timeframe
Council agreement in principle to divest scheme	29 November 2011
Scheme members agreement to divestment	23 May 2012
Preparation of draft management plan	October – November 2012
Consult with MOoH and incorporate recommendations into draft management plan	December 2012 – March 2013
Prepare assessment of future capital and operating costs	January/February 2013
Council resolution to divest scheme, pending binding referendum (initiating legal timeframes for referendum)	11 February 2013



Task	Timeframe
'Entity representative of the community' legally formed, directors appointed	February 2013
Assessment of 'Entity' ability to maintain and operate the scheme (including training of scheme members)	February 2013
Compiling of preliminary roll	February 2013
Public notice - roll open for public inspection (for a minimum of 28 days)	20 February 2013
Roll closes (50 days before 'Election day')	20 March 2013
Voting period (postal ballot)	17 April – 9 May 2013
Election day (not less than 78 days after public notice)	9 May 2013
Declaration of poll result	13 May 2013
Drafting of transfer agreement	June 2013
Transfer of Easements	June 2013
Uplift designations	June 2013
Ops transfer (SCADA, keys, consumables)	Late June/ Early July 2013
Transfer date Advise MOH of change of ownership Removal of assets from asset register Redirect SCADA Update water billing records	1 July 2013
Operational handover of treatment plant (see Section 4.8.3)	13 July 2013

#### 4.1 INITIATION OF TRANSFER

Following the meeting of the scheme committee and Council staff in June 2011, a report was put to the Council's Infrastructure Services Committee, outlining the history of the scheme and seeking approval to begin a process to transfer ownership of the scheme to scheme members. The Committee resolved that:

- Formal consultation with the [RRWS Committee] on their preference of ownership be approved.
- The price of the transfer of ownership be set at \$1.00.
- The assets covered under the transfer agreement include the water treatment plant, pipelines, tanks, valves, all as built plans, manuals, computer models and the full balance of the Investment fund as valued at the date of transfer.

- d) The transfer agreement include provision for the Council to have first option to buy back the scheme at a future date.

Agreement in principle to the transfer had been gained from Council. Agreement in principle was formally sought from the scheme members, and at its AGM of May 2012, the RRWS Committee voted unanimously to:

“...privatise and transfer the ownership and assets to the members of the [RRWS Scheme] as documented in the recommendations and motions of the report to the Infrastructure Services Committee at their meeting on 29 November 2011.”

Thus the process to transfer ownership could begin in earnest.

## **4.2 DRAFT MANAGEMENT PLAN**

A draft management plan was developed to meet the requirements of LGA 2002 Section 135, which specifies that a water service may only be transferred under Section 131 if the local government organisation has first developed a ‘draft management plan under which the entity representative of the community would maintain and operate the water service’.

The Act contains little in the way of guidance on what should be included in the draft management plan, so the plan was based on a basic asset/activity management plan structure. The final draft plan included the following information:

- Introduction and background to the transfer process
- Overview of the scheme and description of the treatment process
- Discussion on existing levels of service
- Sections on risk assessment and capacity
- Overview of operations and maintenance approach
- Recommended training for operators
- Projected future capital works programme
- Project future financial requirements

The draft plan also relied heavily on a separate work instruction / operations manual developed by operations staff and a draft Public Health Risk Management Plan (PHRMP) developed several years earlier by consultants on behalf of DCC. Included in the draft management plan was an ‘assessment of likely future capital and operating costs’ of the new entity to maintain and operate the service in future, to fulfil the requirements of Section 135(c) of the Act.

## **4.3 MEDICAL OFFICER OF HEALTH CONSULTATION**

Consultation with the MOoH focused on content of the draft management plan. A copy of the draft plan was supplied to the MOoH and the Drinking Water Assessor prior to a face-to-face meeting to discuss the proposal to transfer the scheme. Feedback from the MOoH noted the importance of the scheme members maintaining the necessary skill to run the treatment plant and having sufficient numbers of trained staff to do so, and the importance of considering new technologies for treatment as they become available. The MOoH further recommended that DCC staff be available for technical support for scheme members running the scheme for six months after the transfer date, and that the DCC seek a signed agreement from the scheme committee stating they are fully aware of the recommendations and proposals contained in the draft management plan for managing the scheme. As a result of the feedback from the MOoH, the training section of the draft plan was

expanded, a six-month advisory period post-transfer was agreed to and commitment on behalf of the new company to adopt the recommendations of the MOoH was included in the transfer agreement.

#### **4.4 ASSESSMENT OF 'ENTITY' ABILITY**

In addition to the development of a draft management plan and an assessment of the likely future capital and operating costs, LGA 2002 Section 135 requires that an assessment be made of the 'ability of the 'entity representative of the community' to maintain and operate the water service satisfactorily'.

To meet the requirements of LGA Section 135(c), a document, attesting to the following was signed by the DCC Water Production Manager, the Water and Waste Services Manager and the Chief Executive:

Copies of the operations manual for the scheme, the draft PHRMP, and the draft management plan were provided to the representatives of the proposed 'entity representative of the community', and

Three training sessions were completed with the representatives of the 'entity representative of the community', including a practical 'hands on' assessment of the ability of the representatives to maintain and operate the treatment plant and pipe network.

Three training sessions with scheme members were held at the treatment plant site to run through the operation of the treatment plant. The training was based on processes detailed in the operations manual, overseen by an in-house auditor familiar with ISO auditing standards and documented in an audit report. As the pipe network was already being managed by scheme members, no assessment of this aspect was required.

The treatment plant is located approximately 620 metres above sea level in an area prone to widespread snow, at times the only physical access to the treatment plant is on foot (or by horse!). To provide additional back up in times of difficult access, the manager of the farm on which the treatment plant is sited was also trained in the operation of the treatment plant (despite the farm not being serviced by the scheme).

#### **4.5 BINDING REFERENDUM**

Subsequent to the satisfactory completion of consultation with the MOoH, a report was put to full Council in February 2013 requesting approval to go to binding referendum. This report was timed to allow for any concerns raised by the MOoH to be appropriately closed off prior to the initiation of the legal process to transfer the scheme. Section 9 of the Local Electoral Act (LEA) 2001 contains specific time-frames relating to the initiation of specific processes once a local authority decides to hold a referendum.

In accordance with the LEA 2001 and LGA 2002 Section 131 (2)(d), a binding referendum was held on the proposal to transfer the scheme. Eligible voters qualified under one of two conditions: as residential electors (registered on the parliamentary electoral roll with residential address serviced by the water scheme) or as non-resident ratepayer of a property serviced by the scheme.

A preliminary roll of eligible residential electors was developed by cross-matching voter addresses on the parliamentary electoral roll (obtained from the Electoral Commission) with addresses of properties serviced by the scheme. Ratepayer electors were able to opt on the roll if they wished, with ratepayer-electors enrolment forms available at the same four locations as the preliminary roll was displayed.

The preliminary roll was open for inspection for 28 days as required under LEA 2001, with a public notice placed in the relevant local newspapers to advise the public of the upcoming poll and to advertise the roll as open for inspection. The public notice also advised that the draft management plan and associated documents (including assessments made under LGA 2002 Section 135, information received in the course of preparing the plan and the assessments, and the views of the MOoH) were available for inspection by interested parties.

The roll closed 50 business days before Election Day, with a further public notice issued advising of the closure of the roll. A voting form and brochure outlining the transfer proposal were posted to all eligible voters, with Election Day scheduled for no less than 78 days after the initial public notice. Special votes for eligible voters not already on the roll were able to be cast up to and including the date of the election. The New Zealand Society of Local Government Managers' website contains a useful 'Code of Good Practice for the Management

of Local Authority Elections and Polls 2013'. Section 6 of this document includes a generic timetable for a poll that outlines the legislative timescales within which such a poll must be completed.

In the case of a proposal to transfer a water service, 50% of the votes cast (using a 'First Past the Post' electoral system) must be in favour for the proposal to be passed. In the case of the proposed Rocklands transfer, 22 votes were cast with 21 of those votes in favour. A public notice declaring the results of the poll was published as soon as practical after the votes had been counted.

#### **4.6 'ENTITY REPRESENTATIVE OF THE COMMUNITY'**

LGA 2002 allows for the transfer of a water scheme to 'an entity representative of the community for which the service is operated' (LGA 2002 s 131(1)(b)). To enable the transfer to occur, scheme members needed to form a legal entity. Scheme members appointed independent legal counsel and an accountant to give advice on the appropriate structure of the entity.

As the scheme was self-funded, separate financial accounts were kept by DCC for the scheme to ensure the scheme could be managed in a transparent manner. This meant that at the time of the transfer there were ring-fenced funds (known as the 'investment account') invested in the name of the scheme, earmarked for transfer to the new entity at scheme transfer date. As the entity would have no assets until the transfer was given effect to, fees for professional services incurred in the formation of the company were billed directly to DCC, to be offset against the balance of the account. The RRWS Committee Chairman and two of the members agreed to this in writing.

Scheme members appointed a chairperson and two directors for the newly created 'Rocklands Rural Water Scheme Ltd' (RRWS Ltd) company, and drafted a shareholders agreement. This document included clauses linking the number of units of water taken to shares held, voting rights, meetings schedule, process for appointing directors, delegated authority, insurance, banking, funding of capital expenditure and a disputes resolution process.

#### **4.7 TRANSFER AGREEMENT**

A 'Sale and Purchase' agreement was drafted by Council's legal advisors in consultation with the legal counsel of the scheme members. The agreement included clauses set down by Council's Infrastructure Services Committee relating to sale price, transfer of assets and buy-back clause, as well as clauses relating to the 'as-is' condition of the assets, no warranties given relating to the capacity or capability of the scheme, and a disputes resolution clause. A clause relating to the continued supply of raw water to the scheme post-transfer was included, linking in with the date of Council's consented 'right to take' for raw water source supplying the scheme, and a commitment on the part of RRWS Ltd to adopt the recommendations of the MOoH as included in the draft management plan. Copies of the draft management plan and shareholders agreement were appended to the sale and purchase agreement for completeness.

#### **4.8 HANDOVER PROCESS**

##### **4.8.1 SCHEME KNOWLEDGE AND DATA**

Discrepancies between older Council records (pre-1989 amalgamation) showing the scheme design capacity and current records of actual units sold caused some problems. When the scheme was designed, the farmers each estimated how many units of water they would require. For MWD funding purposes, the design capacity of the scheme was required to be 1.5 times the initial estimated volume. These units were named 'initial' and 'design' units. During the planning and construction process, some landowners' requirements changed; some farmers decided the scheme was too expensive and did not purchase their units so no capital contribution was paid. Other landowners picked up the shortfall so that the scheme could proceed, purchasing more capital units than they needed. The discrepancy between 'initial' units assigned at the planning stage, and 'capital' units purchased at scheme initiation caused issues later on when the scheme was divested.

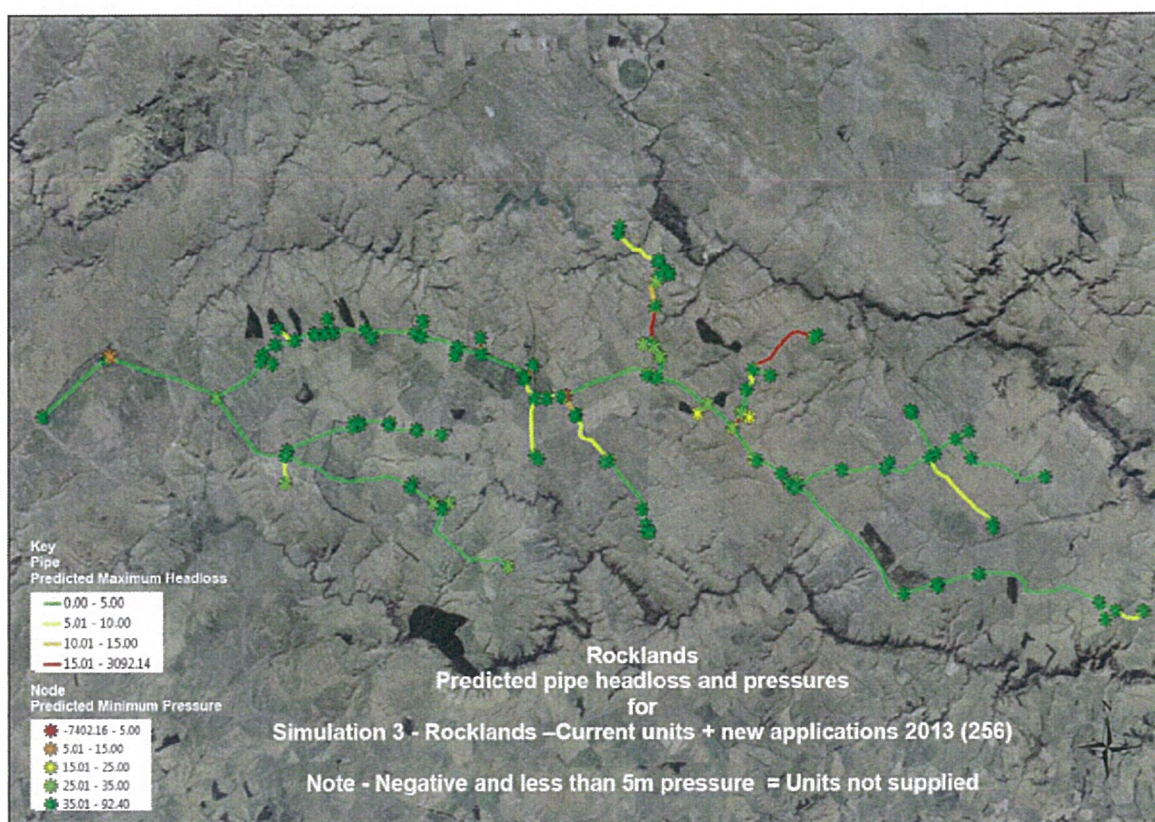
Shareholdings in RRWS Ltd were based on the number of units being taken annually. This however, did not reflect the original capital contribution that some landowners had paid. Council records were patchy at best with gaps in documentation and conflicting versions of the same document with no indication of whether they were draft versions or final documents. Agreement was sought amongst the landowners to finalise a list of 'actual'



existing units for each tank site (the number of units physically able to be taken at each tank based on restrictor size), and the 'design' units for each tank. Scheme members were given the opportunity to purchase additional water units prior to the transfer. Design units were tricky, as the original design had not been adhered to; there were tanks installed in places that were not originally designed for. Again, a 'best guess' was made based on the records available and agreement from scheme members was sought.

A hydraulic model of the scheme was developed in 2003, when some analysis was completed in an attempt to verify the number of units capable of being supplied various existing and proposed tank locations within the scheme boundary. This model was updated prior to the scheme transfer to reflect current units at transfer date. Modelling was also undertaken showing the theoretical 'design' capacity of the scheme, which indicated some deficiencies in the pipe network which would need to be rectified should scheme members wish to run the scheme at this level. A 'laypersons' guide to the model was provided to the Directors of the scheme at handover, as well as an electronic file of the modelling data able to be used by independent consultants should further modelling be required. Scenarios for 'current plus 2 units' and 'current plus 3 units' were run to provide some guidance to scheme members as to the increase per tank the network could cope with, without requiring additional modelling to be done. Figure 5 shows the outputs of one of the model scenarios completed for RRWS Ltd prior to transfer.

*Figure 5: Hydraulic Model Outputs – Units Current at Transfer Date*



A complete package of documentation was handed over to the directors – copies of the draft management plan, maps, as-built plans, operations manual, draft PHRMP, drinking water standards, DCC water bylaw, health and safety information, and hydraulic modelling data. A list of suggested options for various professional services (telemetry, modelling, drinking water assessor, suppliers of consumables) was also supplied to the directors.

In accordance with recommendations from the MOoH, DCC confirmed that staff be available for technical support and advice to RRWS Ltd for a minimum of six months post-transfer.

#### 4.8.2 TRANSFER OF LAND ENCUMBRANCES

The treatment plant and tank farm/storage (physically located approximately two kilometres apart) were legally protected by individual District Plan designations as well as easements. The reticulation network was protected

by easements over the properties within the scheme boundary. The easements could be transferred in favour of the new Company; however, under the Resource Management Act 1991 only a “Requiring Authority” may hold a designation. A Requiring Authority is generally a Local or Territorial Authority or a network utility operator; specific requirements must be met for an organisation to be deemed a “Requiring Authority” under the Act. DCC is a requiring authority; RRWS Ltd is not, so the designations required lifting prior to the transfer taking effect. The uplifting was done via an ‘Resource Management (Forms, Fees, and Procedure) Regulations 2003’ Form 23 ‘Request to Uplift Designation’ signed by the General Manager Operations and a covering memo from the Project Manager to the Council’s City Planning department. Copies were sent to affected parties (landowner of the treatment plant and tank farm sites, and the RRWS Committee).

The transfer of the existing easements from favour of DCC to RRWS Ltd was a relatively straightforward process. This was handled by Council’s lawyers, using a standard format ‘Authority and Instruction’ form to Land Information New Zealand, and authorised with the Council seal (plus Mayor and Councillor signatures) and signature of two of three directors of the new company. Approval of the landowner was not required.

#### 4.8.3 PHYSICAL ASSETS

Assets transferred with the scheme included the treatment plant and the pipe network. Table 2 shows a summary of assets transferred to RRWS Ltd.

*Table 2: Summary of Assets Transferred to Rocklands Rural Water Scheme Limited*

<b>Description</b>	<b>Depreciated Replacement Value</b>
Treatment building (concrete block building, corrugated iron roof)	\$5,000
Plant at treatment building Parallel Plate Separator (renewed in 2011) Filter tank Turbidity Meter Valves (various) and pipework Misc plant (heater, compressor) Outlet meter SCADA radio Wind turbine, solar panels x 4 Weather station	\$76,000
Reticulation network ~ 100 m raw supply main ~ 80 km reticulation (medium density polyethylene, various diameters) 2 break pressure tanks 3 flow meters, ~50 valves (various)	\$1,287,000
<b>Total</b>	<b>\$1,368,000</b>

A stockpile of six-months’ supply of consumables was also handed over to scheme members to allow for a smooth transition. These were billed to the scheme accounts prior to transfer.



In the week prior to the handover, a large amount of snow fell to sea level across Dunedin and Central Otago. As the treatment plant is located 620 metres above sea level, access was restricted for several days at the peak of the event. Photograph 2 shows the extent of the snowfall in Central Otago at the date of transfer. The RRWS treatment plant is located almost 200 metres higher than the settlement of Ranfurly.

*Photograph 2: Ranfurly, Central Otago under a blanket of snow, June 2013 (source: Otago Daily Times)*



DCC continued to manage the treatment plant for a two-week period post-transfer date, to allow scheme members to focus on taking care of their stock. RRWS Ltd was billed for operating costs associated with this extended handover period.

Responsibility for the telemetry for the scheme also transferred with the scheme. DCC 'switched off' the data acquisition for the site, and the directors of the new entity liaised with a specialist contractor to confirm their ongoing monitoring requirements for the scheme.

In addition to the telemetry for the scheme, the treatment plant building also contained a repeater station used to transmit data on the performance of the raw water pipeline. This was overlooked in the initial project scoping. To maintain a clear line of demarcation, a new site for the repeater station was found and the station relocated. The meter monitoring the inflow of raw water entering the treatment plant was relocated from the treatment plant shed to nearer the off-take to enable the meter to read without access to the treatment plant.

#### **4.8.4 ADMINISTRATIVE HANDOVER**

Several administrative tasks required completion prior to the transfer. Billing for the scheme needed to be adjusted as only raw water to the scheme would be charged for - individual scheme members would be billed directly by RRWS Ltd for the treated water units. An invoice for \$1 consideration was created by DCC to ensure the sale and purchase agreement was binding and legally enforceable. Elected members (both past and present) and original scheme members were invited to a lunch held by the scheme committee to mark the transfer. Payment of the \$1.00 was ceremoniously made by the Chairman to the Project Manager, after which a receipt for payment was provided.

Photograph 3: \$1 payment for the Rocklands Rural Water Scheme from RRWS Ltd.



The MOH was formally notified of the transfer through an application to remove DCC as the named supplier for the drinking water suppliers. Water scheme assets were removed from Council's fixed asset register.

Figure 6: Updated record in the Register of Community Drinking-Water Supplies in NZ

Register of Community Drinking-Water Supplies in New Zealand				
Register of Community Drinking-Water Supplies in New Zealand Printed July 2013				
Component	Code	Name	Population	Grade
PHSP :	<b>Public Health South (Dunedin)</b>			
Office:	<b>Dunedin</b>			
COMMUNITY:	ROC001	Rocklands/Shannon/Pukerangi	33	
		Local Authority: Dunedin City Council		
		Water Authority: Rocklands Rural Water Scheme Ltd		
ZONE:	ROC001RO	Rocklands/Shannon/Pukerangi	33	U
Plant:	TP00621	Rocklands/Shannon/Pukerangi		U
Source:	S00379	>> Deep Creek, Rocklands/Shannon		

## 5 LESSONS LEARNED

From start to finish, the transfer of the RRWS scheme took just over 18 months. The most time consuming portions of the project were the drafting of the management plan and the consultation with the MOoH. As there was little guidance on what was to be included in the management plan, developing the structure and confirming what information should be included took a reasonable amount of time. This was made more straightforward with a pre-existing operations manual for the treatment plant and a draft PHRMP in place for the scheme; these two documents were valuable sources of information. Consultation with the MOoH, while not actually time consuming in itself, took a long time to complete due to conflicting workload priorities of the MOoH.

Sufficient budget is necessary for the successful completion of a transfer. Fees for legal advice to draft a sale and purchase agreement and to process the transfer of the easements to the new company formed the bulk of the cost to Council. Minor expenses mostly relating to the referendum (printing, postage, public notices, and processing fees) also contributed to the cost. There was no budget earmarked for this project, so costs had to be absorbed elsewhere. The total cost to Council for the process was approximately \$14,000.

In addition to legislative timeframes relating to the completion of a poll (as set out in LEA 2001), the timing of a transfer should also take into consideration practical issues such as water billing cycles, financial year-end processing, and ease of physical handover. In hindsight for the Rocklands scheme, a transfer date of 1 November may have been more appropriate, as the treatment plant was also under several feet of snow at the



transfer date. The transfer also coincided with Council's end-of-year processing, which made the tallying of final scheme expenses and calculation of investment fund balance for transfer somewhat awkward. The timing did however negate the need for part-year calculation of water rates for the affected properties.

Sufficient time must be allowed for the scheme members to appoint independent legal advisers and accountants, and to organise themselves into a legal entity with appropriate structures and documentation in place. Allowing scheme members a final opportunity to review their water unit holdings prior to transfer (with a deadline date one month prior to the transfer) was useful as it allowed Council to update the hydraulic model and scheme documentation to reflect the updated holdings and gave the new company a relatively stable base to work from in the beginning.

Asset registers are not necessarily an adequate reflection of assets held on site. Verification of assets to be transferred should be done on site wherever possible, with staff members with knowledge of the assets present to confirm which assets are to transfer with the scheme and which will be kept by the local authority. The register of assets for transfer should be reviewed with the new scheme owners prior to the transfer so both parties have a good understanding of what is being transferred and to allow for some negotiation between parties if there are differing views.

## 6 CONCLUSIONS

There was little in the way of precedent of transferring a treated drinking water supply to community ownership under Part 7 LGA 2002 when the Rocklands transfer was initiated. This paper provides a comprehensive overview of the process undertaken by DCC staff to transfer the Rocklands scheme to 'an entity representative of the community' under the Act. It is hoped that this paper may provide some guidance for those who wish to complete such a transfer in future.

## REFERENCES

*Health Act 1956*

*Health (Drinking Water) Amendment Act 2007*

*Local Electoral Act 2001 s. 9*

*Local Government Act 2002 s. 131-133, 135.*

Ministry of Health (2013). *Rural Agricultural Drinking-water Supply Guideline: Draft for consultation*. Wellington: Ministry of Health.

Society of Local Government Managers (2013). *Code of Good Practice for the Management of Local Authority Elections and Polls Part 6: Polls*. Wellington: SOLGM.

# *Appendix 7*

AN AGREEMENT made the                      day of                      1992

BETWEEN MANAWATU DISTRICT COUNCIL (hereinafter called "the Council") of the one part

AND

(hereinafter called "the Committee") of the other part

WHEREAS

1. The Council has vested in it the assets of the Kiwitea Rural Water Supply Scheme ("the Scheme") and is responsible for the Scheme's operation.
2. The Committee is a group of rate payers who are participants in the Scheme and who are elected at meetings of which all participants in the Scheme are notified and all participants present are entitled to vote.
3. The Council wishes to appoint the Committee to take responsibility for the day to day running of the Scheme on the terms more particularly specified herein

NOW THEREFORE IT IS HEREBY AGREED between the parties as follows:

1. The Committee is and shall continue to be elected at public meetings of which all participants in the Scheme are notified and all participants present are entitled to vote. The election meeting shall be held no later than the end of February immediately following the Local Body elections and the term of office shall coincide with the term of the Manawatu District Council expiring at the end of February following the completion

of a term of the Manawatu District Council. The said elections shall be controlled by a Returning Officer appointed by the Committee and approved by the Council. The Returning Officer shall not be a standing Committee member.

2. It is agreed that the Committee's rights and obligations hereunder are deemed to commence on the 1st day of October 1992. From that date the Committee shall be responsible for all day to day administration of the Scheme subject to the restrictions hereinafter set forth.
3. The Committee shall at all times maintain the appointment of a Consultant Engineer. (The initial appointment of Royds Garden is hereby approved.)
4. The Committee shall:
  - (a) At all times maintain the appointment of financial advisors approved by the Council. (The initial appointment of Greer and Wong is hereby approved.)
  - (b) With the assistance of its financial advisors, prepare
    - (i) An annual Budget; and
    - (ii) Regular reports of income and expenditure and comparisons with Budget; and
    - (iii) Annual Accounts as at the 30th June in each year
  - (c) Forward copies of the Budget and Reports to the Council for its information.

- (d) Arrange for the Annual Accounts to be audited by an Auditor approved by the Council. (The initial appointment of Coopers & Lybrand is hereby approved.)
  - (e) Supply a copy of the audited Accounts to the Council no later than the 31st October in each year.
- 
- 5. The Committee shall annually recommend to the Council a Water Scheme Levy on participants for the Scheme's operation and maintenance. Such levy is to be recommended after preparation and presentation of Budgeted Forecasts and when approved by Council the approved Water Scheme Levy shall be incorporated as part of the Council's annual rates.
  - 6. The Committee shall be responsible for sending out the Water Scheme Levy accounts and collection of same.
  - 7. When preparing the Annual Budget the Committee will take cognisance of all necessary professional advice. So as to ensure there is a regular engineering input there shall be consultation with a suitably qualified firm of engineers approved by the Council.
  - 8. The Committee will ensure compliance with all health regulations. The Committee will provide all training necessary to ensure that the person overseeing the day to day operation of the Scheme will have suitable water technology qualification and training. The Committee will also use the professional services of a qualified independent water technology engineer.
  - 9. The Council shall have right of access to inspect the Scheme provided that inspection shall only be carried out after due notice has been given to the Committee and any such inspections shall be at the Council's own expense.

10. Nothing in this Agreement shall abrogate the Council's statutory obligations to protect public health.
11. The Committee shall comply at all times with any By-laws relating to the Scheme and pending the adoption of new By-laws shall comply with the Kiwitea County Council Rural Water Supply By-law 1981 (a copy of which is annexed hereto as Schedule A) except so far as they may be amended by this Agreement.

IN WITNESS WHEREOF these presents have been executed the day and year first hereinbefore written.

THE COMMON SEAL of THE )  
MANAWATU DISTRICT COUNCIL )  
was hereunto affixed pursuant )  
to a Resolution of the Council )  
in the presence of: )

SIGNED by the said )  
  
in the presence of: )

DATED

---

1992

BETWEEN MANAWATU DISTRICT  
COUNCIL

AND

---

AGREEMENT FOR OPERATION OF  
KIWITEA WATER SCHEME

---

---

BARLTROPS  
SOLICITORS  
PO BOX 88  
DX 12704  
FEILDING NZ