

TRANSFER OF A ‘RURAL AGRICULTURAL DRINKING WATER SUPPLY’

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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 13th 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.

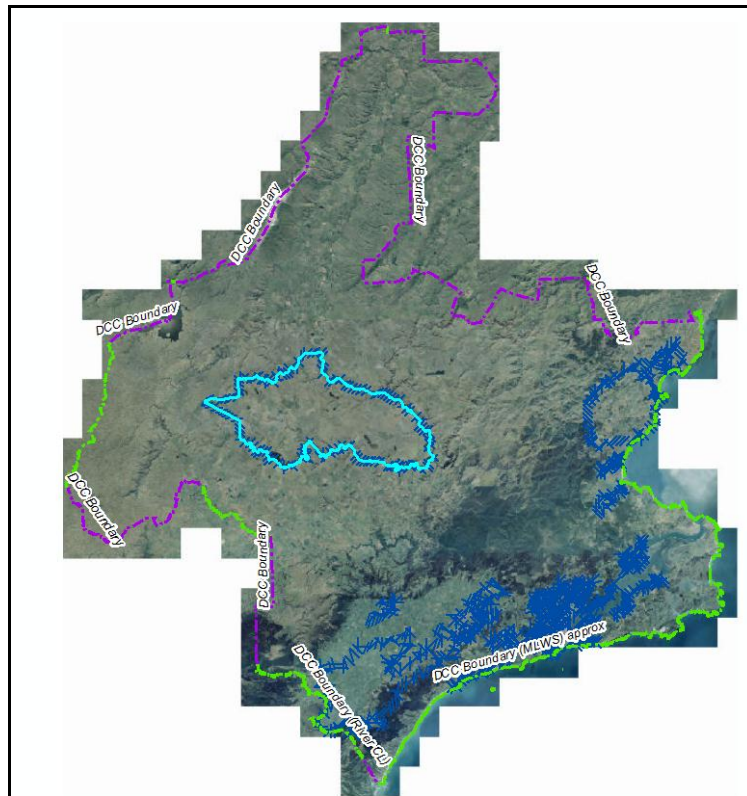
KEYWORDS

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

1 INTRODUCTION

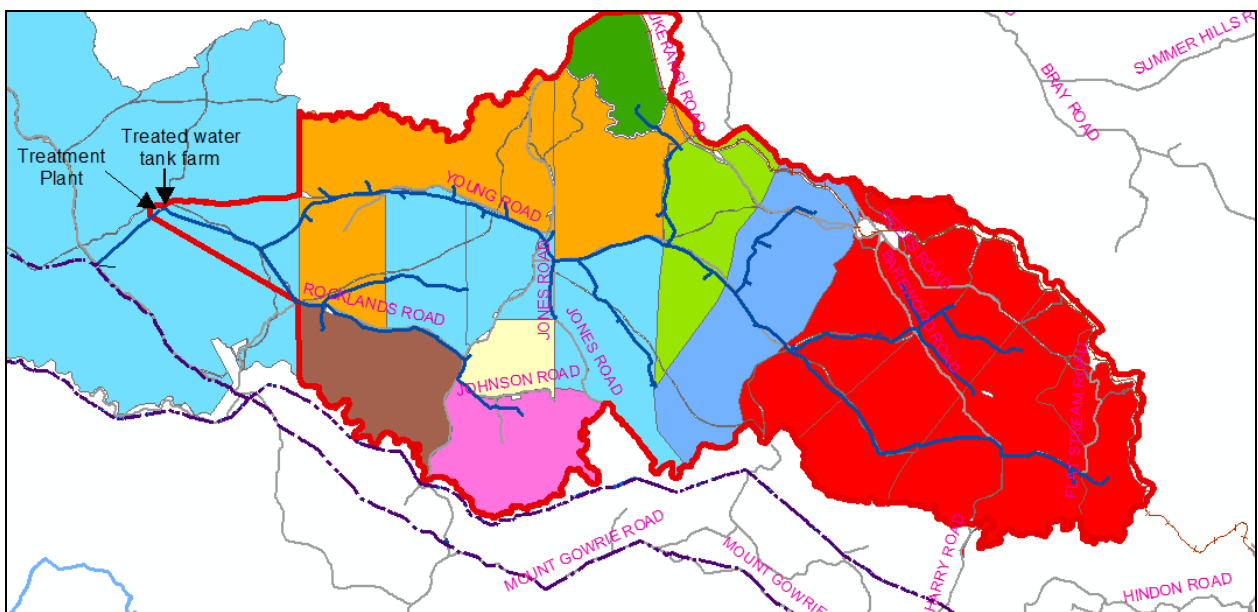
The Rocklands Rural Water Supply (RRWS) scheme is the largest of the City’s water schemes by geographic area, but the smallest by number of properties served. Installed in 1984 by the Silverpeaks County Council in conjunction with the landowners, the scheme took advantage of the Ministry of Works and 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.

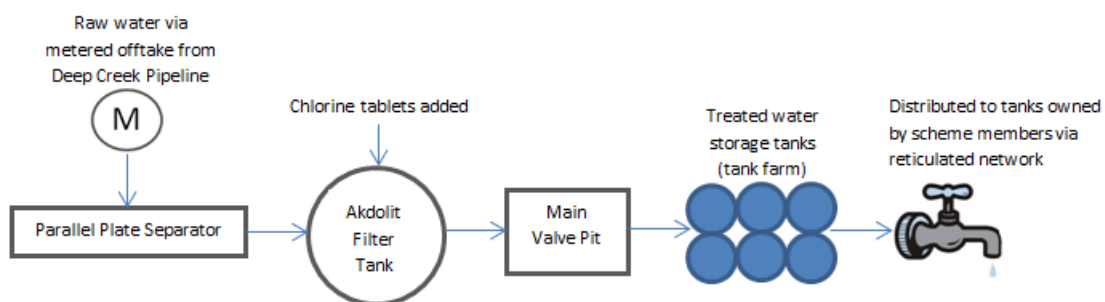
Photograph 1: Rocklands Water Treatment Plant



The treatment plant is capable of producing up to 426 m³ per day, however only 256 units (equivalent to 256 m³ 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:

- a) Formal consultation with the [RRWS Committee] on their preference of ownership be approved.
- b) The price of the transfer of ownership be set at \$1.00.
- c) 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

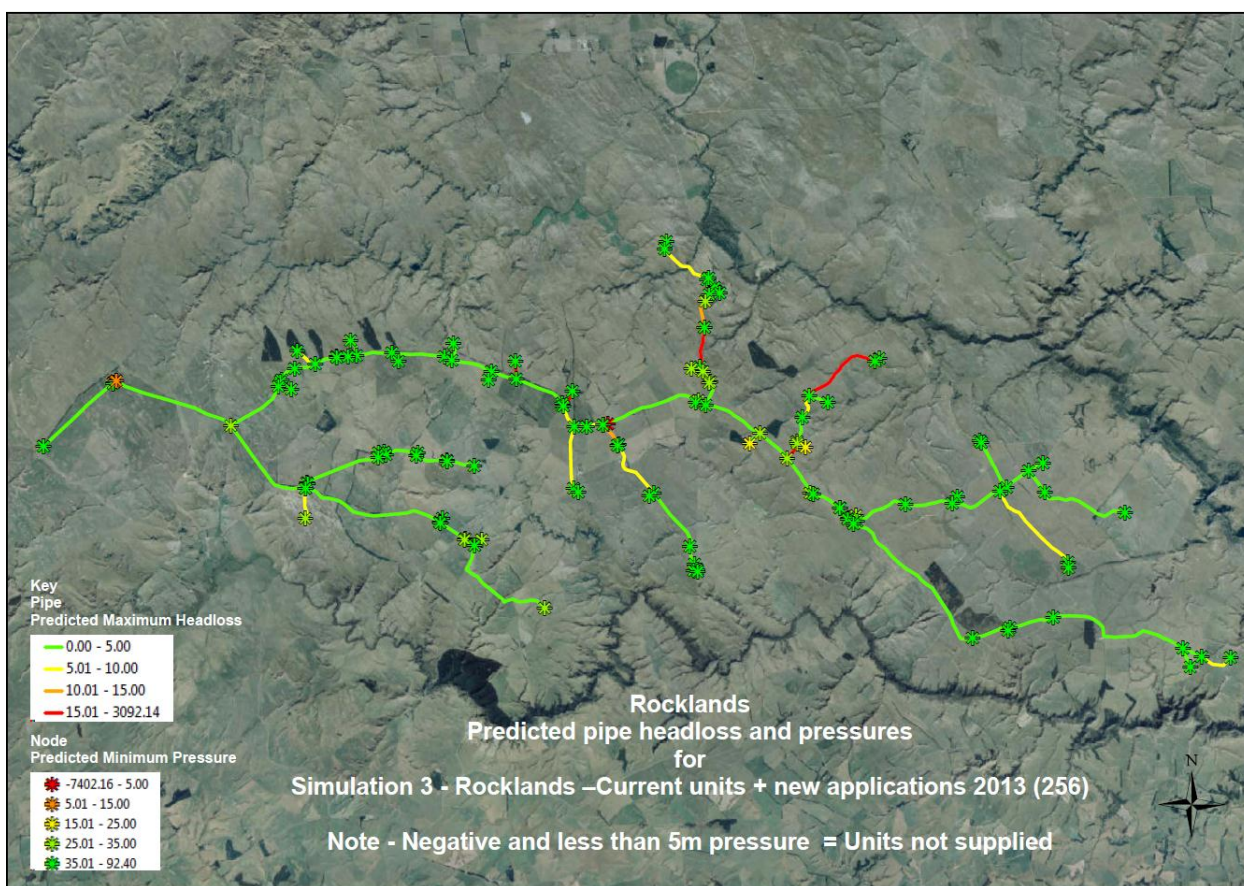
Discrepancies between older Council records (pre-1989 amalgamation) showing the scheme design capacity and current records of actual units sold caused some problems. When the scheme was designed, the farmers each estimated how many units of water they would require. For MWD funding purposes, the design 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

Description	Depreciated Replacement Value
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
Total	\$1,368,000

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 :		Public Health South (Dunedin)		
Office:		Dunedin		
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

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Local Electoral Act 2001 s. 9

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