

ANNUAL PLAN BUDGET UPDATE - 3 WATERS

Department: 3 Waters

EXECUTIVE SUMMARY

- 1 This report provides an overview of the operating expenditure (opex) budgets for the draft 2023/24 Annual Plan year for the 3 Waters Group as shown at Attachment A. A draft funding impact statement (FIS) is shown at Attachment B. The following activities are provided for:
 - Water supply
 - Wastewater
 - Stormwater
- 2 A schedule of proposed fees and charges for the 2023/24 year is also presented at Attachment C.

RECOMMENDATIONS

That the Council:

- a) **Approves** the draft 2023/24 operating budget for the 3 Waters Group as shown/amended at Attachment A.
- b) **Approves** the draft 2023/24 fees and charges schedules for the 3 Waters Group as shown/amended at Attachment C.

OPERATING BUDGETS

- 3 In its May 2022 meeting, Council (CNL/2022/001) approved the 3 Waters Strategic Work Programme funded through Government Funding. Implementation of the programme resulted in an annual uplift in the operating budget of \$4.400 million per year in 2022/23 and 2023/24. Apart from a transfer of budget between personnel and contracted services, the draft budget for the implementation is unchanged.

Revenue

Rates

- 4 The rates contribution for the Group has increased by \$239k, 0.3%.

External Revenue

- 5 External revenue decreased by \$127k, -1.8%. The draft budget aligns water sales to historical levels which is somewhat offset by increases in backflow charges, trade waste and tankered waste revenue. Fee changes are incorporated.

Expenditure

Personnel Costs

- 6 Personnel costs have increased by \$179k, 1.6% reflecting an increase in full time equivalent (FTE) staff of 4.3, the transfer of one FTE to Transport, changes in salaries and associated costs. The increase in FTE is offset by a reduction in contracted services as noted below.

Operations and Maintenance

- 7 Operations and maintenance costs have decreased by \$743k, -5.0%. This is primarily due to:
- a) Sludge from Tahuna Wastewater Treatment Plant can now be lime treated and transferred to the Green Island Landfill, avoiding special waste capacity constraints. This reduces external disposal fees and cartage costs by \$1.099 million, partially offset by an increase in internal disposal costs of \$794k.
 - b) A reduction in contracted services of \$443k to reflect internal resourcing changes.
 - c) Plant maintenance costs across various sites increase by \$392k to better reflect the current and forecast work programme and contract increases.
 - d) Plant operations costs increase by \$373k due largely to extra shipping charges for chemicals and additional regulations around laboratory testing requirements.

Occupancy costs

- 8 Occupancy costs have increased by \$1.894 million, 15.1% mainly due to increase in rates, insurance and fuel. Note the rates expense budgets will be reviewed to reflect the new rating valuations.

Internal charges

- 9 Internal charges have increased by \$881k, 20.5% primarily due to a \$794k increase in sludge disposal fees being charged through the Green Island landfill.

Depreciation

- 10 Depreciation has been increased by \$32.630 million, 91.2% which is estimated based on the latest asset revaluation – refer additional commentary in the CEO Overview Report.

Interest

- 11 Interest expense has increased by \$3.331 million as a result of the capital expenditure programme and higher interest rate.

FEES AND CHARGES

- 12 Fees and charges for activities in the 3 Waters Group have either remained the same or have generally been increased by 3%. There are some exceptions as follows:
- e) City-wide unit rates for wastewater are calculated on a formula for trade waste charges, using budgeted volume and cost information. These unit rates are increased by between 0% and 33.3%.
 - f) Tankered waste charges have increased by 58.1% to reflect investment in waste reception and handling facilities, health & safety requirements, consent and disposal fees.
 - g) Treated water per cubic meter - Central Water Scheme Tariff for water sold by meter has increased by 4.69%.

Signatories

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Attachments

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SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities, and promotes the social economic, environmental, and cultural well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environment Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Three Waters Group activities primarily contribute to the objectives and priorities of the above strategies.

Māori Impact Statement

Council budgets impact broadly across all Dunedin communities including Māori. The Council is committed to developing ongoing relationships with Māori communities, particularly with mana whenua. Strategic projects that have significance to Māori have been identified from across the organisation and these projects will work collaboratively with the Maori Partnerships Manager to ensure beneficial outcomes for Māori are achieved.

Sustainability

The Annual Plan is not proposing any changes to that provided for in the 10 year plan. Major issues and implications for sustainability are discussed and considered in the 50 year Infrastructure Strategy and financial resilience is discussed in the Financial Strategy of the current 10 year plan 2021-31.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

This report provides a draft budget for the 3 Waters Group for inclusion in the draft 2023/24 Annual Plan.

Financial considerations

Financial considerations are detailed in the report.

Significance

The 10 year plan 2021-31 budgets were considered significant in terms of the Council's Significance and Engagement Policy, and were consulted on. Variations to those budgets as discussed in this report are not considered significant in terms of the policy.

Engagement – external

There has been no external engagement in updating the draft budget for the 3 Waters Group.

SUMMARY OF CONSIDERATIONS***Engagement - internal***

Staff and managers from across council have been involved in the development of the draft budget.

Risks: Legal / Health and Safety etc.

There are no identified risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

Projects identified in Community Board Plans were considered in the development of the budgets for the 10 year plan, and Community Boards were consulted at this time. Community Boards will have an opportunity to present on the draft 2023/24 Annual Plan.

3 Waters

Income Statement

for the Year Ended 30 June 2024

Actual		Budget	Draft Budget	Budget Inc	Budget Inc
2021-22		2022-23	2023-24	(Dec)	(Dec)
\$000		\$000	\$000	\$000	%
Revenue					
66,198	Rates revenue	70,501	70,740	239	0.3%
-	- Rates penalties	-	-	-	-
6,162	External revenue	6,909	6,782	(127)	-1.8%
3,693	Grants and subsidies operating	4,441	4,441	-	0.0%
6,911	Grants and subsidies capital	-	-	-	-
2,055	Development contributions	2,504	2,559	55	2.2%
5,200	Vested assets	1,424	1,424	-	0.0%
-	- Internal revenue	-	-	-	-
90,219	Total revenue	85,779	85,946	167	0.2%
Expenditure					
8,739	Personnel costs	11,283	11,462	179	1.6%
11,802	Operations & maintenance	14,867	14,124	(743)	-5.0%
11,549	Occupancy costs	12,502	14,396	1,894	15.1%
4,824	Consumables & general	1,474	1,547	73	5.0%
-	- Grants & subsidies	-	-	-	-
4,917	Internal charges	4,293	5,174	881	20.5%
34,016	Depreciation	35,774	68,404	32,630	91.2%
3,235	Interest	4,260	7,591	3,331	78.2%
79,082	Total expenditure	84,453	122,698	38,245	45.3%
11,137	Net surplus/(deficit)	1,326	(36,752)	(38,078)	-2871.6%

3 Waters

Funding Impact Statement

for the Year Ended 30 June 2024

	Draft Budget 2023/24 \$000
Sources of operating funding	
General rates, uniform annual general charge, rates penalties	-
Targeted rates	70,740
Subsidies and grants for operating purposes	4,441
Fees and charges	6,782
Internal charges and overheads recovered	-
Interest and dividends from investments	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-
Total operating funding (A)	81,963
Applications of operating funding	
Payments to staff and suppliers	41,529
Finance costs	7,591
Internal charges and overheads applied	5,174
Other operating funding applications	-
Total application of operating funding (B)	54,294
Surplus/(deficit) of operating funding (A-B)	27,669
Sources of capital funding	
Subsidies and grants for renewals expenditure	-
Subsidies and grants for other capital expenditure	-
Development and financial contributions	2,559
Increase/(decrease) in debt	14,630
Gross proceeds from sale of assets	-
Lump sum contributions	-
Other dedicated capital funding	-
Total sources of capital funding (C)	17,189
Application of capital funding	
Capital expenditure	
- to meet additional demand	10,833
- to improve the level of service	8,697
- to replace existing assets	25,328
Increase/(decrease) in reserves	-
Increase/(decrease) in investment (DCHL)	-
Increase/(decrease) of other investments	-
Total application of capital funding (D)	44,858
Surplus/(deficit) of capital funding (C-D)	(27,669)
Funding balance ((A-B)+(C-D))	-

Group - 3 Waters

	2022/23 fees (GST Inclusive)	2023/24 proposed (GST Inclusive)	\$ change	% change
Wastewater				
City Wide Unit Rates				
BOD5 per kg	\$0.13	\$0.13	\$0.00	0.00%
NFR/TSS per kg	\$0.24	\$0.26	\$0.02	8.30%
Volume per cubic metre	\$0.09	\$0.12	\$0.03	33.30%
Compliance Monitoring, Re-Inspection and Consent Breaches				
Annual Fee	\$188.84	\$194.50	\$5.66	3.00%
Consent Application Fee for minor discharge with pre-treatment (Category B)	\$378.74	\$390.10	\$11.36	3.00%
Consent Application Fee for significant industry and major discharges (Category A)	\$1,145.77	\$1,180.15	\$34.38	3.00%
Staff per hour	\$124.55	\$128.30	\$3.75	3.00%
Tanker Waste Charges per tonne	\$24.04	\$38.00	\$13.96	58.10%
Laboratory - variable cost	\$0.00	\$0.00	\$0.00	
Network Contributions for a Sewer Connection				
Where there has been no prior contribution to the existing network there will be a standard Network Contribution fee for all of the Dunedin City Council areas	\$5,150.00	\$5,150.00	\$0.00	0.00%
Water Supply				
Annual supply charge (meter rental)				
100mm nominal diameter - Annual supply charge (meter rental)	\$689.51	\$710.20	\$20.69	3.00%
150mm nominal diameter - Annual supply charge (meter rental)	\$991.10	\$1,020.83	\$29.73	3.00%
20mm nominal diameter - Annual supply charge (meter rental)	\$161.72	\$166.57	\$4.85	3.00%
25mm nominal diameter - Annual supply charge (meter rental)	\$207.62	\$213.85	\$6.23	3.00%
300mm nominal diameter - Annual supply charge (meter rental)	\$1,286.14	\$1,324.72	\$38.58	3.00%
30mm nominal diameter - Annual supply charge (meter rental)	\$230.57	\$237.49	\$6.92	3.00%
40mm nominal diameter - Annual supply charge (meter rental)	\$261.16	\$268.99	\$7.83	3.00%
50mm nominal diameter - Annual supply charge (meter rental)	\$528.88	\$544.75	\$15.87	3.00%
70mm Hydrant Standpipe - Annual supply charge (meter rental)	\$640.34	\$659.55	\$19.21	3.00%
80mm nominal diameter - Annual supply charge (meter rental)	\$653.45	\$673.05	\$19.60	3.00%
Re-connection Fee: Includes the removal of water restrictors installed due to non-compliance of the water bylaw	\$450.73	\$464.25	\$13.52	3.00%
Special Reading Fee	\$61.25	\$63.09	\$1.84	3.00%
Backflow Prevention Programme				
Backflow Preventer Test Fee	\$111.69	\$115.04	\$3.35	3.00%
Backflow programme – Incomplete Application Fees (hourly rate)	\$44.85	\$46.20	\$1.35	3.00%
Rescheduled Backflow Preventer Test Fee	\$63.46	\$65.36	\$1.90	3.00%
Central Water Scheme Tariff for water sold by meter				
Bulk Raw Water Tariff to: Merton, Hindon, and individual farm supplies (per cubic metre) - Central Water Scheme Tariff for water sold by meter	\$0.11	\$0.11	\$0.00	0.00%
Treated water per cubic metre - Central Water Scheme Tariff for water sold by meter	\$1.84	\$1.93	\$0.09	4.70%
Installation of New Services				
Charges for the installation of new services are determined on a case-by-case basis and are provided as a fixed price quote to applicants. Alternatively, customers can elect to undertake this work themselves at their own risk by engaging a Council Approved Water Supply Connection Installer. That installer will do all work apart from making the connection to the live water main, which will be undertaken by Council staff. A fee for making the connection will be charged.	\$0.00	\$0.00	\$0.00	

	2022/23 fees (GST Inclusive)	2023/24 proposed (GST Inclusive)	\$ change	% change
Network Contributions				
Disconnection of Water Supply - DCC contractor to excavate	\$983.45	\$1,012.95	\$29.50	3.00%
Disconnection of water supply- AWSCI to excavate	\$251.00	\$258.53	\$7.53	3.00%
Where there has been no prior contribution to the existing network there will be a standard Network Contribution fee for all of the Dunedin City Council areas	\$5,000.00	\$5,000.00	\$0.00	0.00%
New 20mm diameter domestic water connection - as quoted	\$0.00	\$0.00	\$0.00	
Commercial or extraordinary water connection - as quoted	\$0.00	\$0.00	\$0.00	
Rural Water Schemes				
Differing capital and connection charges. Please contact the Water Services Department for further information.	\$0.00	\$0.00	\$0.00	