

## **TITLE: WASTEWATER INFRASTRUCTURE FEES AND AUGMENTATION CHARGES POLICY**

### **1. PURPOSE**

The Mount Barker District Council (Council) is committed to ensuring that the application of infrastructure fees and augmentation charges for the provision of Wastewater Services are set in a fair, transparent and consistent manner.

### **2. SCOPE**

This Policy applies to a Developer in relation to connection to Council Wastewater Services.

### **3. POLICY PRINCIPLES – OUR COMMITMENT**

The following principles will ensure that:

- Council administers the Wastewater Infrastructure Fees and Augmentation Charges in a fair, transparent and consistent manner;
- Council achieves the required funding for the increased capacity needs of Wastewater Schemes as the district population grows;
- Council will ensure intergenerational equity;
- The Wastewater Infrastructure Fees & Augmentation Charges are determined at an appropriate level to account for increases in design and construction and future Wastewater Services needs and finance costs as infrastructure investment is usually in advance of the associated revenues;
- Council complies with all regulatory requirements associated with the provision of Wastewater Services; and
- All fees and charges are in accordance with relevant Essential Services Commission of South Australia (ESCOSA) Price Determinations, the National Water Initiative (NWI) Pricing Principles (as amended) and National Competition Policy.

#### 4. DEFINITIONS

**Allotment** has the meaning given to that term in section 3 of the Planning, Development and Infrastructure Act 2016.

**Augmentation Charge/s** means an amount charged to a Developer by the Council to reflect the cost of infrastructure augmentation required to meet a specific connection request, not otherwise able to be provided by the existing Council wastewater infrastructure. An Augmentation Charge may be applied in relation to either a CWMS or a Sewer Scheme.

**Community Wastewater Management Scheme** means any septic tank effluent drainage system or scheme provided or made available by Council for the collection, treatment, storage, distribution and disposal (including by sale of recycled water) of effluent.

**Connection Unit/s** means the outcome of the determination used to calculate the total CWMS Infrastructure Fee or total Sewer Infrastructure Fee (whichever service is applicable) having regard to the Local Government Association of SA CWMS Charges Guidelines including the principle of the applicable fee relating to the forecast demand of the Development on the Wastewater Service,;

**CWMS** means the Council's Community Wastewater Management Scheme.

**CWMS Infrastructure Fee** means a fee charged to the Developer by the Council per Connection Unit for Development, expansion and upgrade associated with the provision of Wastewater Services by a Council CWMS.

**Developer** means any individual, organisation or business entity that makes application to the Council for an Allotment/Development to be connected to a Council CWMS or Sewer Scheme.

**Development** means the division of an Allotment, a change in the use of the land and/or building work.

**Operation & Maintenance** means regular ongoing day-to-day maintenance work and operational activities necessary to keep a CWMS or Sewer Scheme operating efficiently. Example: pipe cleaning, treatment of wastewater and operating costs including electricity and chemical charges.

**Renewal** means the replacement or refurbishment of an existing asset (or component) with a new asset (or component) capable of delivering the same level of service as the existing asset. This also includes investment in assets to meet changes to regulatory compliance obligations.

**Reserve Funds** means the single wastewater maintenance reserve and the single wastewater infrastructure reserve maintained by Council to ensure that all funds

received by Council are available for the effective operation, upgrade and renewal of wastewater infrastructure for the provision of Wastewater Services.

**Sewer Infrastructure Fee** means a fee charged to the Developer by the Council per Connection Unit for development, expansion and Upgrade associated with the provision of Wastewater Services by a Council Sewer Scheme.

**Sewer Scheme** means any system or scheme provided or made available by Council for the collection, treatment, storage, distribution and disposal (including by sale of recycled water) of sewage. A Sewer Scheme excludes a septic tank effluent drainage scheme but may include tankering services as an interim measure.

**Upgrade** means the enhancement of an existing asset to provide a higher level of service. Examples: increase in pipe diameter to provide capacity for increased flow rates, and may also include the extension of existing infrastructure.

**User Pays Principle** means those who use or have access to the service pay for the service.

**Wastewater Business** means the council owned and operated Wastewater Service.

**Wastewater Service/s** means the collection, treatment, storage, distribution and disposal (including by sale of recycled water) of effluent or sewage respectively, via a Council Community Wastewater Management Scheme or Sewer Scheme.

## **5. ROLES & RESPONSIBILITIES**

### **Council:**

- Consider and adopt the Policy
- Monitor and review the Wastewater Infrastructure Fees and Augmentation Charges Policy.

### **Chief Executive Officer:**

- Ensure there are appropriate systems in place to implement this policy.
- Is delegated to approve a Sewer Infrastructure Fee if a Developer has an existing wastewater commitment deed and secures additional land and seeks similar terms and conditions for the provision of a Wastewater Service by a Council Sewer Scheme.

### **Head of Wastewater**

- Implement the Wastewater Infrastructure Fees and Augmentation Charges Policy.
- Ensure that the Policy and the fees and charges have regard to and are compliant with ESCOSA Pricing Principles, NWI Pricing Principles and National Competition Policy; and

- Ensure compliance and reporting obligations to agencies such as ESCOSA are met;
- Monitor the effectiveness of this Policy and recommend required changes to ensure the Policy remains effective.

**Manager Finance:**

- Responsible for having appropriate accounting systems to record the relevant fees and charges, maintain and update Reserve Funds for the revenue received including pursuant to this Policy;
- Meet all legislative requirements for the accounting of funds raised by the wastewater fees and charges, to the satisfaction of internal and external audit.

**Wastewater Staff and Finance Staff:**

- Communicate and implement this Policy;

## **6. POLICY STATEMENT**

### **6.1 Infrastructure Fees**

When a Developer connects a Development to a Council CWMS or a Sewer Scheme, Council applies a Developer contribution, called the CWMS Infrastructure Fee or Sewer Infrastructure Fee.

This fee is to fund the cost of both the required extension of the network (trunk mains) and the impact on Council treatment and disposal costs arising from the connection of the new Allotment(s) to the existing Council infrastructure required for the provision of Wastewater Services (including associated costs). The funds are applied to either CWMS or a Sewer Scheme as determined by the type of scheme servicing the Allotment/Development. This fee is aligned with the ESCOSA Price Determination and the NWI Pricing Principles, (Principles for urban water tariffs, Principles 8, 9 and 10).

#### **6.1.1 Where the infrastructure fee applies:**

- In all areas that have a CWMS or a Sewer Scheme available and where any new Allotments are created, or
- any existing Allotments not connected to the scheme are to be connected, or
- are required to be connected (includes any new Allotment created through the subdivision of any existing Allotment) and/or
- when Development is undertaken.

#### **6.1.2 When the infrastructure fee is applied:**

- The applicable fee will be applied to the Developer on application to the Council for an Allotment or Development to be connected to CWMS or Sewer Scheme.
- A further CWMS Infrastructure Fee or Sewer Infrastructure Fee will be applied when approval is sought for any subsequent Development of an existing Allotment.

**6.1.3 How the infrastructure fee is determined:** The cost of a single Connection Unit for use in calculation of the CWMS Infrastructure Fee or Sewer Infrastructure Fee is determined annually by Council reflective of the average cost of connection to achieve full cost recovery in the long term and is published in the Council “Register of Fees and Charges” pursuant to section 188 of the Local Government Act 1999 which is publicly available.

The average cost of connection is calculated to achieve full cost recovery in the long term with reference to the full costs set out in the long term financial modelling for wastewater. The modelling includes assumptions regarding the forecast timing of revenue and expenditure and costs. This modelling is reviewed and updated annually. The review process includes formal consideration by the Council’s Audit and Risk Committee.

**Determination of a site specific infrastructure fee:** The preferred approach\* (see Explanatory Note below) other than for a straight-forward division of an Allotment into two Allotments, is to establish a site specific Sewer Infrastructure Fee that reflects the estimated cost to Council to provide a Wastewater Service for the particular Development. That estimated cost will be impacted by a variety of circumstances including the location and topography implications associated with the proposed Development.

\* Explanatory Note: To prepare such cost estimates is a significant undertaking in terms of resources and time given the total number of Development sites. Council is not yet in a position to deliver estimated costs for all Development sites. That is an objective for Council which will take time to achieve.

Council enters into a legally binding wastewater commitment deed with a Developer who is proposing to undertake Development of significant scale. This provides certainty of future revenues to council to reinforce up-front capital investment. That commitment is required to be secured by the Developer which may be via a bank guarantee, insurance bond or a Wastewater Commitment Separate Rate. A site specific infrastructure fee shall (where practicable – in reference to the scale) (be determined by a council meeting resolution and applied where a Developer executes a wastewater commitment deed. This remains within the principle of full cost recovery over the long term.

The setting of a site specific infrastructure fee will have regard to the following:

- Overall cost **versus** benefit over the long term for the council Wastewater Services including economies of scale;

- Orderly development objectives;
- Improving public and environmental health services which may include transition from the provision of a CWMS to a Sewer Scheme;
- Maximising wastewater business value; and
- Any other factor considered relevant by council to the circumstances that are unique to a particular Development.

#### Where

- a Developer has already executed a wastewater commitment deed with council; and
- pursuant to that deed the Developer secures land that is additional to the land subject to the wastewater commitment deed; and
- the Developer requests that council provide a Sewer Service to the additional land on similar terms and conditions as set out in the wastewater commitment deed;
- then council shall act in good faith in considering that request from the Developer having regard to any changes in circumstances since the wastewater commitment deed was executed such as the extent of increases in capital costs.

**6.1.4 How the fee is applied:** The CWMS Infrastructure Fee and Sewer Infrastructure Fee payable will be calculated in proportion to the number of Connection Units applicable to specific land use as follows:

- **Minimum Fee:** The minimum CWMS or Sewer Infrastructure Fee to be charged for any Allotment shall be one Connection Unit.
- **Residential Dwellings:** A single residential dwelling shall be charged as one Connection Unit, which comprises a single household occupancy whether a flat, unit, semi-detached, row cottage or separate dwelling occupied or vacant.
- **Vacant Allotment:** A single vacant Allotment shall be charged the minimum fee of one Connection Unit. A vacant Allotment comprises any vacant parcel of land held under separate title, capable of sale without requiring approval for division, and is able to be connected to CWMS or a Sewer Scheme.
- **Other Land Uses:** For any land uses not identified above (examples include but are not limited to - retirement village, aged care complex, school, church, commercial, industrial, motel etc.) the number of Connection Units shall be determined by Council.

- The Council determination of the number of Connection Units is to ensure that the infrastructure fee is an equitable contribution based upon the anticipated demand on the council network arising from that particular land use. The process of determining the number of Connection Units shall include the opportunity for input from the Developer.

**6.1.5 Separate Rate:** Application of the infrastructure fee and provision of Wastewater Services may require the declaration of a Wastewater Augmentation Separate Rate by Council over third party land to enable Council to secure and subsequently recoup applicable costs (from the Developer of that land) when the third party land is developed.

**6.1.6 Use of funds:** Funds generated from the infrastructure fee will be applied to the Council Wastewater Services which comprises collection, treatment and disposal assets that are required in order to provide either a CWMS or a Sewer Scheme to several townships. Net funds not expended will be credited to the wastewater infrastructure reserve as at 30 June of each year.

## **6.2 Augmentation Charge**

Where the existing capacity of Wastewater Services cannot meet the increase in demand and a capacity upgrade is required to service new Allotment(s)/Development, a separate Augmentation Charge may be applied to recover the cost of the capacity upgrade. Augmentation charges are differentiated by geographic locations. This charge is aligned with the ESCOSA Price Determination and the NWI Pricing Principles (Principles for urban water tariffs, Principles 8, 9, 10)

In cases where CWMS or a Sewer Scheme cannot directly meet a request from a Developer for Wastewater Services, an Augmentation Charge equal to the full cost of the required upgrade or variation to CWMS or the Sewer Scheme will be applied by Council in addition to the applicable infrastructure fee or by agreement with Council, the Developer procures, funds and delivers the required infrastructure in accordance with Council's wastewater asset standards as applicable at the time..

Income from the charge is used by Council for the necessary infrastructure augmentation required to meet a specific request for the provision of Wastewater Services, not otherwise able to be provided by the existing infrastructure. Augmentation charges seek to recover revenue for all beneficiaries of the investment over time. This charge is aligned with NWI Pricing Principles, (Principles for urban water tariffs, Principles 8, 9 and 10).

**6.2.1 Where the charge applies:** Once it has been established that an increase in infrastructure capacity is required the cost will be applied

to the full area serviced or to be serviced by the relevant CWMS or a Sewer Scheme and where:

- new Allotments are created;
- Development on an existing Allotment not connected (vacant Allotment) to the scheme is to be connected;
- Development on an existing Allotment (via a subdivision to create additional Allotments) is required to be connected, including new Allotments created through the subdivision of existing allotments; or
- Development is not able to be serviced by existing Council infrastructure.

A key principle is establishing the beneficiary of any augmentation. If for example the beneficiary would be a single Development site then full cost recovery of the augmentation cost is to occur from the Developer of that site. If for example a new trunk main (replacement) is required that would benefit an entire township (existing plus future growth) then that should be fully funded by council (by the Wastewater Business via renewal plus upgrading with the latter component to be funded from revenue from the infrastructure fee as per clause 6.1 above).

**6.2.2 When the Charge is applied:** Details of the works required and the Augmentation Charge will be determined by the Council and provided to the Developer on request for an Allotment to be connected to CWMS or a Sewer Scheme. The Augmentation Charge is applied in addition to the infrastructure fee.

**6.2.3 How the charge is determined and applied:** The Augmentation Charge will be determined and applied to the Developer on a user pays basis, as a charge equal to the full cost of the upgrade required to Council's infrastructure, and attributable to the specific request for the provision of Wastewater Services, not otherwise able to be provided by the existing Council infrastructure.

The Augmentation Charge is based upon the forecast/estimated number of Connection Units in the area, the projected timing of development, the cost of delivering the infrastructure required, a reasonable rate of return, overheads and an assessment of any impact to existing customers.

Where the augmentation will involve infrastructure that will service other than the Developer's Allotment(s), the 'beneficiary pays' principle will be applied by Council for the purposes of apportioning costs and therefore Augmentation Charges between all Developers who will benefit.



The apportionment of an Augmentation Charges by Council between Developers may involve the declaration of a Wastewater Augmentation Separate Rate by Council over third party land to enable Council to secure and subsequently recoup costs incurred from a Developer when the third party land is developed, and apply the 'beneficiary pays' principle.

**6.2.4 Use of the funds:** Funds generated from Augmentation Charges will be used for the specific augmentation works only, and are not for the provision of additional collection networks, subject to Clause 6.2.5.

**6.2.5 Council Initiated Upgrade:** If the Council decides to upgrade infrastructure beyond that required for the specific Wastewater Service request (i.e. to provide capacity for future growth) the Council will fund the additional (over and above the requirement for the subject Development) upgrade cost, and recoup this additional cost through application of an Augmentation Charges to subsequent developments on a 'beneficiary pays' basis. Security for the additional Council initiated upgrade may require the declaration of a Wastewater Augmentation Separate Rate by Council over the third party land.

**6.2.6 Review of Augmentation Charge:** Due to the time taken for the impacted Development sites to proceed, augmentation charges over some land parcels may be active for extended periods of time and may require periodical review of the amount of the augmentation charge. This may include an assessment of the infrastructure requirements for each area based on updated growth i.e. density and timing. This review will ensure that the charge remains cost reflective and aligns with the requirements of the NWI Pricing Principle 9.

### **6.3 Operation & Maintenance**

For the purposes of clarity, infrastructure fees and Augmentation Charges will not be used to fund CWMS or a Sewer Scheme Operation & Maintenance and Renewal (when renewal is simply like for like, as opposed to renewal that includes an upgrade to increase capacity in which case the upgrade portion of the cost can be met from infrastructure fees and/or Augmentation Charges).

Operation and maintenance costs are provided for by the Council's Annual Service Charges for wastewater i.e. for CWMS and Sewer. Annual Service Charges are aligned with the National Water Initiative Pricing Principles as amended (Principles for urban water tariffs).

## **7. GENERAL**

**7.1 Annual Adjustment to Fees:** The CWMS Infrastructure Fee and Sewer Infrastructure Fee will be reviewed and adjusted by Council annually at each 1<sup>st</sup> July having regard to movement in service delivery costs, market conditions, current and proposed regulatory changes and any other factors reasonably deemed by Council to warrant consideration from the perspective of impacting on the principle of achieving full cost recovery in the long term. This will be informed by financial modelling for wastewater to be undertaken and regularly reviewed by Council.

**7.2 Option for Procurement of the Upgrade:** The Developer may choose to accept and pay the Augmentation Charge as advised by the Council (who will undertake the work), or not pay the Augmentation Charge and independently at the Developer's risk and expense seek Council approval to procure the Upgrade; the works being fit for purpose and to Council's standards being *WSA02 Code and SA Water Supplementary codes to the Water Services Association of Australia Code*. Ownership will revert to Council following certification of practical completion. Any commissioning and certification (where appropriate) is the responsibility of the Developer and that evidence to Council's satisfaction needs to be provided to the Council prior to taking ownership of the asset.

**7.3 Goods and Services Tax:** The Wastewater Infrastructure Fees and Augmentation Charges are exempt from the Goods and Services Tax in accordance with Division 81 of A New Tax System (Goods and Services Tax) Act 1999, however should GST become payable it will be added to the GST exclusive amount.

**7.4 Payment:** Wastewater Infrastructure Fees and Augmentation Charges will be due and payable within Council's thirty day trading terms on receipt of a Council tax invoice unless a Developer has executed a wastewater commitment deed in which case the tax invoice is payable within 180 days of council raising a tax invoice.

The trigger for council raising a tax invoice is when a Developer makes application for the creation of new certificates of title, or if land division is not being undertaken, when the Developer undertakes Development.

**7.5 Reserve Funds Management:**

Adequate accounting records will be maintained and financial statements will be prepared in accordance with the Australian Accounting Standards and legislative requirements from the Local Government and Water Industry Acts that will enable the monitoring of and reporting on Reserve Funds.

## **8. TRAINING/EDUCATION**

Staff involved in the application of this Policy will be provided with training to ensure that the correct and consistent application of the Policy occurs.

## **9. REVIEW**

This Policy will be reviewed 12 months following adoption as it is a significantly amended Policy and thereafter:

- every three years; or
- the frequency dictated in legislation, or
- earlier in the event of changes to legislation or related Policies and Procedures or ;

if deemed necessary by the Head of Wastewater

## **10. ACCESS TO THE POLICY**

The Policy is available for public inspection at the Customer Service Centre, at the Local Government Centre, 6 Dutton Road, Mount Barker, South Australia and on the Council's website [www.mountbarker.sa.gov.au](http://www.mountbarker.sa.gov.au).

## **10. FURTHER INFORMATION**

For further information on this Policy, please contact:

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<b>APPLICABLE LEGISLATION AND RELATED DOCUMENTS:</b>	Local Government Act 1999 Water Industry Act 2012 South Australian Public Health Act 2011 New Tax System (Goods and Services Tax) Act 1999 WSA02 Code and SA Water Supplementary codes to the WASA Recycled Water Sale Policy – Non-Residential Recycled Water Non-Residential Charter		
<b>COMMUNITY PLAN 2020-2025:</b>	Ecological Sustainability: Clean and abundant water 5.1: Continue to build on Council's reputation as a leader in wastewater management and promote recycling and reuse  Community Wellbeing Safety and Resilience CW Objective 4.4 Provide wastewater treatment services to deliver public health, environmental and economic outcomes and climate change adaptation solutions.		
<b>REVIEW CYCLE</b>	As this is a significantly amended policy, a review will be undertaken within 12 months.  Review within 12 months of new Council term  It is recognised that from time to time circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made administratively. Examples include a change to the name of a Council department, a change to the name of a State or Federal Department, and a minor update to legislation which does not have a material impact. However, any change or update which		

	materially alters this document must be by resolution of Council (if statutory) or the Chief Executive Officer (if administrative).		
<b>NEXT REVIEW DATE</b>	7 March 2023		
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VERSION 1.0	November 2021	Brian Clancey	Legal review
VERSION 2.0	January 2022	Brian Clancey	Strategic Advisory Panel and CGG review
VERSION 3.0	17 February 2022	Brian Clancey	Audit & Risk Committee Meeting changes
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	This Policy is available for inspection, during business hours at: Mount Barker District Council, Level 1, 6 Dutton Road, Mount Barker		