



DIRECTOR SHIRE SERVICES REPORT

14th February 2006

**DSS16 DEVELOPMENT SERVICING PLANS FOR
WATER AND SEWERAGE
FILE: * AMB**

SUMMARY:

Reporting on the Development Servicing Plans (DSPs) prepared for water supply and sewerage

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DESCRIPTION:

Developer charges are up-front charges levied to recover part of the infrastructure costs incurred in servicing new developments or redevelopments.

The following table summarises the developer charges currently being levied in Kempsey Shire and the proposed full-cost reflective developer charges calculated as part of the preparation of the DSPs.

Developer Charge	Typical developer Charge (2004/05 \$/ET)	Proposed Developer Charge (2005/06 \$/ET)
Water Supply	2,940	7,468
Sewerage	4,530	6,300

The proposed increase in the developer charge for water supply is significant. This indicates that Council has not been recovering the full costs of service provision for new development. The proposed increase in the developer charge for sewerage is less significant. Both proposed developer charges are the maximum that may be levied by Council.

Before the proposed charges can be implemented, Council must publicly display the draft DSPs for a period of 30 working days. The exhibition was approved by Council resolution 2005.747 and undertaken in the period 31 October to 9 December of 2005. In accordance with statutory requirements, notification of the draft DSPs exhibition was sent via post to the Urban Development

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Industry and Association (UDIA); the Housing Industry Association (HIA); to all who applied for applicable development approval in the six months prior to exhibition (84 in total); and to four additional consultants / developers who were not otherwise contacted. One submission was received and a list of the issues raised in the sole submission and Macleay Water's response is included at [Appendix D](#).

In late January, two local developers / consultants expressed concerns in verbal and written a submission to Macleay Water. The concerns and a response to each are listed below.

Developer Comments	Council Comment
Commencement date of DSPs	The commencement date would be varied to match Council's resolution
Retrospective Developer Charges and impact on current consents	It is intended that the new contribution amounts would apply to new and existing consents. This is not an unusual protocol. It is possible to give a 'grace' period where existing consents could pay up-front to 'beat the increase'. It is also possible to phase in the new charges over a maximum of a 3-year period.
Is the simplification to one Developer Charge for water and one for sewerage reflective of servicing costs / demands?	This is allowable where the requirements of the DEUS Guidelines are met. Agglomeration lessens the potential to ostracize part(s) of a Shire from development. This agglomeration already occurs for water / sewer user charges.
Typical developer charges are not reflective of the cost increase	'Typical' is not an average or a hi-lo range. It is an indication of what the 'typical' development lot within the Shire would be charged
Shire-wide developer charges are full-cost reflective	This is correct and necessary in the absence of grants for capital works that serve new development. The developer charges could be subsidized if water / sewer user prices were increased.
New charges apply to residential buildings and dual occupancies, not just subdivisions	This is correct; there has been no change from the current practice.
The increases will halt development in Kempsey and severely impact coastal growth.	Development is unlikely to be halted. It is likely that financially unsustainable

Developer Comments	Council Comment
	development will be deferred until it is more viable.

REPORT IMPLICATIONS:

▪ *Environmental*

Income derived from full cost-reflective developer charges will assist in implementing the requirements of new development. These requirements were identified as part of the capital works programme for water and sewer adopted as part of the IWCMS. The IWCMS delivers environmental benefits including:

- *Demand management, reducing water extractions from the environment, through the provision of shower retrofits, public education, and business audits; and,*
- *Improved effluent management to assist in meeting license requirements for sewerage facilities in the Shire.*
- *Provision of high quality, environmentally sustainable services to new development.*

▪ *Social*

The DSPs will ensure the cost of new infrastructure is being paid for equitably as developer charges are calculated on user-pays principles.

Levying charges lower than the proposed full cost recovery charges will mean that provision of services to new development is subsidised by existing customers through higher water and sewerage user charges. Phasing in charges will also create a cross subsidy for a potential 3 year period.

▪ *Economic (Financial)*

The operation of the water supply and sewerage services is funded by two main income streams.

- *Developer charges; and*
- *Annual bills.*

To sustainably provide water and sewerage services into the future, Council must ensure the full-cost of service provision is recovered from those that use the services. The adoption of full-cost reflective developer charges contributes towards the financially sustainable provision of these services.

Council has the option of phasing-in developer charges over a maximum period of 3 years. This option is available where new Developer Charges are significantly greater than those presently levied. However, the financial impact would need to be carefully considered against the recently adopted Macleay Water Integrated Water Cycle Management Strategy (IWCMS) and Strategic Business Plans (SBPs).

▪ *Policy or Statutory*

The preparation of DSPs is a requirement of the Department of Energy, Utilities, and Sustainability (DEUS) Best-Practice Management of Water Supply and Sewerage Guidelines. Any NSW Local Water Utility (LWU) wishing to pay a dividend from the surplus of its water supply and sewerage businesses, or gain access to NSW government funding, must demonstrate best practice management through compliance with the guidelines.

These DSPs have been prepared in accordance with the Developer Charges Guidelines for Water Supply, Sewerage and Stormwater (December 2002) issued by the Minister for Land and Water Conservation (now Minister for Energy and Utilities), pursuant to section 306 (3) of the Water Management Act 2000.

RECOMMENDATION:

- 1 That the draft Macleay Water DSP and draft Macleay Water Sewerage DSP be adopted.
- 2 That the commencement date of these DSPs be May 1, 2006.

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K J Finnie
DIRECTOR SHIRE SERVICES