



Rous County

DSP Auditor's Report

Public Exhibition

Document Control

Revision	2	Date	27 September 2022
Auditor	Gidi Azar	0448 480 200	gidi@wateroz.com.au
Document	Rous_DSP_Audit_Rev2		

This revision supersedes previous versions.

© WaterOz 2022

CONTENTS

- 1 Introduction3**
- 1.1 Scope.....3
- 1.2 The Guidelines.....3
- 1.3 Findings3
- 1.4 Exclusions.....3
- 2 Check List4**

Public Exhibition

1 INTRODUCTION

1.1 Scope

I audited the Rous County Council (RCC) Development Servicing Plans (DSPs) listed below:

- ❑ DSP for Bulk Water Supply, Revision 2, 21Aug22.
- ❑ DSP for Retail Water Supply, Revision 2, 21Aug22.

Prepared by Hydrosphere Consulting.

Appendix 2 for each DSP contains the background document.

Additional documentation that was included in the audit are calculation spreadsheets.

1.2 The Guidelines

The audit was carried out pursuant to the requirements of the *2016 Developer Charges Guidelines for Water Supply, Sewerage and Stormwater*. These are referred to in this audit report as the Guidelines.

The Guidelines are administered by the Water Utilities Branch in the Department of Planning, Industry and Environment.

This report is the Auditor's Report referred to in the Guidelines.

1.3 Findings

I confirm that RCC addressed the items in the check list. RCC decided to include the cost of assets older than 30 years.

A detailed list of the items I reviewed, and my comments, are included in Table 1.

1.4 Exclusions

- ❑ Some check list items have not been completed yet, including the exhibition and the subsequent activities. These have obviously been excluded from the audit.
- ❑ I have not audited the reference documents where some of the data was sourced, such as the Total Asset Management Plan.

2 CHECK LIST

The Guidelines specify that the audit be carried out for conformance with the check list. The check list is included in appendix D of The Guidelines.

The check list items, and my comments, are included in Table 1. For simplicity, one table was prepared for both DSPs, Bulk and Retail. Where the conformance status is different, this was noted in the table. For list of references refer to the Guidelines.

I have used the following tagging for each of the check list items I reviewed.

- Conforms.
- Item addressed but varies from the Guidelines.
- N/A Not applicable or not checked.
- ? Recommend to check and confirm data.
- Excluded from the audit (typically, item that is still to be completed).

For some items, the audit includes the comment: Conformance assumed. This means that evidence to demonstrate conformance was not included, but there is no indication of non-conformance.

Table 1: Check List

Topic		Outcome Achieved	Auditor's comments
1	Requirement for Plan Preparation	<input checked="" type="checkbox"/> Establish whether your LWU is to (Section 2.1.1, page 6): (a) Prepare a DSP document, or (b) Request exemption	RCC prepared a DSPs.
2	Summary	<input checked="" type="checkbox"/> A. Includes statements relating to the legal basis & driver for the DSP document. <input checked="" type="checkbox"/> B. Includes the DSP areas covered and the levels of service (LOS) and summary of the total asset management plan (TAMP) associated with each DSP area for each service (eg. water supply or sewerage). <input checked="" type="checkbox"/> C. Includes a summary table showing the proposed developer charges and any cross-subsidy (resulting in an increase in the Typical Residential Bill (TRB)) for each service in each DSP area.	<p>The Bulk DSP notes that local councils levy additional charges. Propose to change to: <i>Additional developer charges for the retail component of the system are levied by the retail utility, local council or RCC.</i></p> <p>Retail: Recommend to enhance the comment that retail customers are required to pay the bulk developer charge too.</p>

Topic		Outcome Achieved	Auditor's comments
		<input checked="" type="checkbox"/> D. Includes a statement that the DSP document will be reviewed after a period of 4 to 8 years in accordance with Reference 1.	The DSP commits to review within 5-6 years. Being a subset of the Guidelines requirement, this is not a non-conformance, but I propose to reconsider the decision not to use the period specified by the Guidelines.
3	Introduction / Administration	<input checked="" type="checkbox"/> A. Includes the 5 paragraphs from the Model DSP document (Appendix E, page 103 of Ref. 1). <input checked="" type="checkbox"/> B. Includes the time limit for payment in any developer charges determination or advice provided to developers in accordance with Section 2.5, page 9 of Reference 1. <input checked="" type="checkbox"/> C. Includes a statement to indicate whether the LWU is a member of the Electricity and Water Ombudsman (EWON) (page 11 of Reference 1).	<p>The last paragraph commencing with: <i>This DSP document supersedes....</i></p> <p>I recognise that it may need to be modified (as was done for the 4th paragraph), but the exclusion of this paragraph is a minor non-conformance.</p> <p>The time limit to be specified in the notice.</p>
4	Service Areas	<input checked="" type="checkbox"/> A. Check if service areas within the entire area of operation have been correctly identified. A service area typically comprises the area serviced by a separate water supply system, sewage treatment works, small towns/ villages or a new development area of greater than 500 lots. <input checked="" type="checkbox"/> B. Includes the basis for defining the service area boundaries. The basis/reason could be included as a note on each service area map. <input checked="" type="checkbox"/> C. Includes a map or aerial image of the service areas.	
5	Levels of Service (LOS)	<input checked="" type="checkbox"/> A. Includes the key LOS from the later of your LWU's 30-year IWCM strategy and 30-year Strategic Business Plan (SBP). <input checked="" type="checkbox"/> B. Community consultation is essential on the proposed levels of service (LOS) in order to negotiate an appropriate balance between LOS and the resulting Typical Residential Bill (section 12.4 on page 85 of Reference 3).	
6	Design Parameters	<input checked="" type="checkbox"/> A. Includes reference to the adopted 30-year Total Asset Management Plan (TAMP) and financial plan in the later of your LWU's 30-year IWCM strategy and 30-year SBP ¹⁶ .	

Topic	Outcome Achieved	Auditor's comments
	<input checked="" type="checkbox"/> B. Includes reference to specific technical manuals, standards, etc used in the sizing, design & construction of water supply and sewerage system components. These documents provide the minimum requirement guidance for cost estimation.	
7	<p>Service Area Equivalent Tenement Projection</p> <p>For each water supply service area establish the following:</p> <input checked="" type="checkbox"/> A. The number of ETs serviced by the existing assets in 1996 and at present. <input checked="" type="checkbox"/> B. The 30-year projection of ETs. <p>For each sewerage service area establish the following:</p> <p>N/A C. The number of ETs serviced by the existing assets in 1996 and at present.</p> <p>N/A D. The 30-year projection of ETs.</p>	The data source was not audited.
8	<p>Service Area Capital Charge Calculation</p> <p>For assets used in the capital charge calculation ensure the capital charge:</p> <input checked="" type="checkbox"/> A. Includes the existing and future assets required to serve a service area (page 22 of Reference 1). Future assets required within 10 years of the commencement of the DSP document must be shown and discussed in your LWU's TAMP in order to be included in the DSP document (page 23 of Reference 1). <p>N/A B. Includes future assets beyond 10 years provided the LWU has demonstrated a nexus between the relevant future assets and the development, and the LWU has detailed plans for construction of the assets.</p> <input checked="" type="checkbox"/> C. Includes renewal cost of an asset from your TAMP that is planned within the next 10 years, only if the original asset had been excluded as it is over 30 years old. <p>N/A D. In the absence of a current TAMP, may only include future assets required within 5 years (page 23 of Reference 1). That is the provisions of Items 8A to 8C above apply only if you have a current TAMP.</p> <input type="checkbox"/> E. For assets older than 30 years at the commencement of the DSP document is only included if the assets meet the requirements in section 4.3.2 of Reference 1 and approval to inclusion of the assets has been provided by DPI Water (page 23 of Reference 1). <input checked="" type="checkbox"/> F. Is based on valuation of existing assets on the basis of Modern Engineering Equivalent Replacement Asset (MEERA) cost (page 25 of Reference 1) and assigned to the correct service area for each water supply & sewerage service.	<p>TAMP is referred to.</p> <p>Assets older than 30 years have been included. This was done intentionally as RCC considers that they should be included.</p>

Topic	Outcome Achieved	Auditor's comments
	<p> <input checked="" type="checkbox"/> G. Excludes contingencies for existing assets and includes contingencies for future assets (page 25 of Reference 1). Note that the capital cost of future assets in the TAMP should include a contingency allowance. </p> <p> <input checked="" type="checkbox"/> H. Uses the capital cost of future assets in the TAMP assigned to the correct service area for each water supply & sewerage service. </p> <p> <input checked="" type="checkbox"/> I. Is not reduced for any government grants or a similar payment towards the capital cost (page 23 of Reference 1) from the capital charge calculations. </p> <p> <input checked="" type="checkbox"/> J. Excludes reticulation assets (page 24 of Reference 1) from the capital charge calculations. </p> <p> <input type="checkbox"/> N/A K. For out-of-sequence development, where the full capital cost of the assets has been met by the developer is excluded (page 25 of Reference 1) from the capital charge calculations'. </p> <p> For LWUs with number of connected properties less than 2,000 then: </p> <p> <input type="checkbox"/> N/A J. Either the ROI Factor method⁴¹ or NPV Spreadsheet method⁴² could be used (Section 4.5, page 26 of Reference 1). </p> <p> <input type="checkbox"/> N/A K. Calculate capital charge using one method only. </p> <p> Where ROI Factor method is used: </p> <p> <input type="checkbox"/> N/A L. Calculate capital cost per ET of existing assets in each service area for each water supply & sewerage service using the MEERA cost and assessed system capacity in ETs. </p> <p> <input type="checkbox"/> N/A M. Calculate capital cost per ET of future assets (Items 8A, 8B and 8C on page 91) using capital cost in the TAMP in current dollars, in each service area for each of water supply and sewerage. </p> <p> <input type="checkbox"/> N/A O. Ensure the correct discount rates are applied for the pre and post 1996 assets. </p> <p> <input type="checkbox"/> N/A P. Includes the correct years to full take-up for each system. Provide basis for the chosen year to full take-up. </p> <p> <input type="checkbox"/> N/A Q. Calculate separately the capital charge for each water supply service area and sewerage service area and include the values for each service area as per Table 3 in the model DSP document (page 108 of Reference 1). Provide separate tables for the water supply and sewerage service. </p> <p> LWUs with number of connected properties 2,000 or more must use the NPV Spreadsheet method (Section 4.5, page 26 of Reference 1): </p>	<p>Conformance assumed.</p> <p>NPV spreadsheet method used</p>

Topic	Outcome Achieved	Auditor's comments
	<ul style="list-style-type: none"> ✓ R. Enter on the spreadsheet the MEERA capital cost for the proportion of the assets serving post-1996 growth for each water supply service area and sewerage service area and the post-1996 growth in ETs. ✓ S. Calculate the present value of ETs and the capital cost of assets for each water supply service area and sewerage service area. ✓ T. Ensure the correct discount rate is applied for the pre and post 1996 assets ✓ U. Calculate separately the capital charge for each water supply service area and sewerage service area and include the values for each service area as per Table 3 in the model DSP document (page 108 of Reference 1). Provide a separate table for each service area. 	
9	<p>Agglomeration of Service Areas into DSP Areas</p> <p>N/A A. Agglomerate service areas where the capital charge is within 30% of the highest capital charge in order to minimise the number of water supply & sewerage DSP areas (page 42 of Reference 1). Provide separate tables for the water supply and sewerage service with details as per Table 4 in the model DSP document (page 108 of Ref. 1).</p> <p>N/A B. For utilities with less than 2000 connected properties, agglomerate additional service areas as per Section 5.2, page 44 of Reference 1.</p> <p>N/A C. Calculate the weighted average capital charge and the capital charge for each water supply & sewerage DSP area (page 44 of Reference 1). Provide separate tables for the water supply and sewerage service with details as per Table 5 in the model DSP document (page 109 of Ref 1).</p>	
10	<p>Reduction Amount Calculation</p> <p>For LWUs with number of connected properties less than 2,000 then:</p> <p>N/A A. Either the Simplified NPV⁴⁴ of Annual Bills Method or NPV of Annual Bills Method⁴⁵ could be used (Section 6.2, page 50 of Reference 1).</p> <p>N/A B. Calculate the reduction amount using one method only.</p> <p>Where the NPV of Annual Bills Method⁴⁴ is used:</p> <p>N/A C. Ensure accurate values of current annual bill per ET (footnote 29 on page 47 of Reference 1) and the current OMA cost per ET are used to calculate the Reduction Amount.</p> <p>N/A D. Provide separate tables for the water supply and sewerage service with details as per Table 6 in the model DSP document (page 110 of Reference 1).</p> <p>N/A E. Check the NPV calculations are correct.</p> <p>LWUs with number of connected properties 2,000 or more must use the NPV of Annual Bills method:</p>	

Topic	Outcome Achieved	Auditor's comments
	<ul style="list-style-type: none"> ✓ F. Use accurate values of current annual bill per ET and the current OMA cost per ET to calculate the Reduction Amount (page 47 of Reference 1). ✓ G. Base the OMA cost on the most efficient and lowest cost means of providing the service (page 46 of Reference 1). ✓ H. Ensure correct value of ETs is used for utility-wide reduction amount calculation. N/A I. Provide separate tables for the water supply and sewerage service with details as per Table 6 in the model DSP document (page 110 of Reference 1). Utilities with a number of annual water supply or sewerage tariffs should calculate a reduction amount for each tariff area and report the details of analysis as per Table 6 in the model DSP document (page 110 of Reference 1). ✓ J. Check the NPV calculations are correct. ✓ K. Calculate appropriate reduction amount adjustments for differential tariff or OMA cost (page 51 of Reference 1). 	<p>Annual bill and net income are 2022 forecast. These are lower than 2021 actuals.</p> <p>Conformance assumed.</p> <p>No sewerage</p> <p>No information is provided on differential tariff and OMA costs, and no differential reduction amount is calculated.</p>
11	<p>Developer Charge Calculation</p> <ul style="list-style-type: none"> ✓ A. Subtract the reduction amount from the capital charge for each water supply & sewerage DSP area to obtain the calculated developer charge for each DSP area (page 52 of Reference 1). LWUs may not levy a higher developer charge than the calculated value for each DSP area (page 52 of Reference 1). ✓ B. Adjust the calculated developer charge for DSP areas with different OMA cost or different tariff (page 51 of Reference 1). ✓ C. Avoid a high level of cross-subsidy and disclose any cross-subsidies in the DSP document and on your LWU's website. N/A D. The utility may elect to cap the developer charges for small villages in order to maintain affordability and to avoid 'stranded' assets in such villages. N/A E. LWUs may also cap developer charges for other areas to maintain affordability, subject to adopting a commercial developer charge which recovers a significant proportion of the capital cost of the infrastructure. N/A F. Outline the rationale for cross-subsidy if proposed (sections 7.1 & 7.2, pages 52 & 53 of Reference 1). Includes details as per section 7.7 in the model DSP document. 	<p>Refer 10K above</p> <p>No cross subsidy.</p> <p>No cross subsidy</p>

Topic	Outcome Achieved	Auditor's comments	
	<p>N/A G. Where lower developer charges are proposed than the calculated charge then provide details of analysis as per Table 7 in the model DSP document (page 111 of Reference 1). Provide separate tables for the water supply and sewerage service.</p> <p>N/A H. Also provide details of analysis as per Table 8 in the model DSP document (page 111 of Reference 1) to show the impact of cross-subsidies on TRB. Provide separate tables for the water supply and sewerage service.</p> <p>N/A I. Include a graphical representation of the TRB based on the calculated developer charge and the developer charges proposed with cross-subsidy as per Figure 1 in the model DSP document (page 112 of Reference 1). Provide separate figures for the water supply and sewerage service.</p> <p>N/A J. Check if the proposed developer charges convey locational signals by maintaining relativity between the DSP areas (page 52 of Reference 1).</p>	<p>No cross subsidy</p> <p>No cross subsidy</p> <p>No cross subsidy</p>	
12	Draft DSP Document	<p>DSP Document Format Options:</p> <p><input checked="" type="checkbox"/> 1. A separate DSP document may be prepared for each DSP area, and for each of water supply and sewerage (page 46 of Reference 1). A LWU may publish its DSP documents as one or more volumes.</p> <p>N/A 2. Alternatively, a LWU may elect to prepare a single DSP document for each of water supply and sewerage, which is a concise documentation of the required information. If a single DSP document is prepared then the document must clearly identify the capital charge relating to each water supply or sewerage DSP area, the proposed developer charge and the cross-subsidy for each water supply or sewerage DSP area.</p> <p>DSP Document Contents:</p> <p><input checked="" type="checkbox"/> A. The contents of the DSP document must be in accordance with the guidelines (page 6 of Reference 1) and should use the Model DSP document (Appendix E on page 99 of Reference 1) as the framework.</p> <p><input checked="" type="checkbox"/> B. Include all the outcomes from items 2 to 11 on pages 89 to 94 of this Check List.</p> <p><input checked="" type="checkbox"/> C. The Background Information must contain all the critical data behind each DSP, including calculation models in Excel or similar format (page 7 of Reference 1). The Background Information must be made available to developers on request during and after the public exhibition of the Draft DSP document.</p>	<p>The bulk and retail are separate DSP areas</p> <p>Appendix 2</p>
13	Commissioning of Independent Auditor	<p><input checked="" type="checkbox"/> A. The draft DSP document must be reviewed by an Independent Auditor before the LWU publicly exhibits the DSP document (page 7 of Ref. 1).</p>	This review

Topic		Outcome Achieved	Auditor's comments
		<input checked="" type="checkbox"/> B. DPI Water approval is obtained prior to commissioning of proposed DSP Auditor. <input checked="" type="checkbox"/> C. An independent Auditor's Report is obtained confirming that the draft DSP documents have addressed each item in this Check List.	<p>Approved on 02Aug22</p> <p>This report.</p>
14	Exhibition of Draft DSP Document	<input type="checkbox"/> A. LWU must publicly exhibit the draft DSP document for at least 30 working days and makes it available on its website. <input type="checkbox"/> B. LWU must inform the industry bodies & developers at least 10 days before the start of the public exhibition of the DSP documents.	Outside the scope of the audit.
15	Final DSP Document	<input type="checkbox"/> A. Has addressed the submissions and feedback received on the draft DSP documents (page 8 of Reference 1). <input type="checkbox"/> B. In addition to the contents outlined in the draft, the final DSP document also includes a summary of the feedback received and how it has been addressed in the final DSP document. <input type="checkbox"/> C. Includes recommended developer charges for each DSP area for the water supply and sewerage services.	Outside the scope of the audit.
16	Adopt Final DSP Document	<input type="checkbox"/> A. LWU resolves to adopt final DSP document. <input type="checkbox"/> B. Disclose any cross-subsidies in your annual Operational Plan and on your LWU's website (pages 11 & 53 of Reference 1). <input type="checkbox"/> C. Provide the adopted final DSP document, auditor's report, background information, submissions received and your LWU's responses to the DPI Water Developer Charges Coordinator for registration (page 8 of Reference 1). <input type="checkbox"/> D. DSP document is registered by DPI Water.	Outside the scope of the audit.