

# **Drinking-water Assistance Programme**

**Criteria for Capital Assistance for  
Small Drinking-water Supplies**

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# Introduction

## The Drinking-water Assistance Programme

In May 2005 the Government announced a fund totalling \$136.9 million (exclusive of GST) to help improve drinking-water supplies in New Zealand communities: the Drinking-water Assistance Programme (Drinking-water Assistance Programme). This fund includes \$117.8 million (exclusive of GST) over 10 years for a Capital Assistance Programme and \$15.6 million (exclusive of GST) over a period of seven years for a Technical Assistance Programme.

The Drinking-water Assistance Programme will be administered by the Ministry of Health. Local authorities and community water suppliers will be able to apply to the Capital Assistance Programme for assistance to fund capital works. This document sets out the criteria and processes which will be used to determine eligibility for Capital assistance.

## The Technical Assistance Programme

This programme will provide technical assistance to small water suppliers. Any supplier serving fewer than 5000 people can participate in the Technical Assistance Programme, and there is no charge.

Participation in the Technical Assistance Programme will be a prerequisite to any application for Capital Assistance Programme funding.

The programme will provide information on how best to operate a small supply and how to manage the risks associated with providing drinking water to a community. It will also provide information on options for upgrading or improving supplies. It will help small drinking-water suppliers to make the most effective use of the equipment they already have by helping make the best use of any existing equipment.

The programme will focus on the development of public health risk management plans (PHRMPs) for water supplies. The PHRMP will help to identify any improvements that need to be done to ensure the water from the supply is safe to drink.

It will also assist water suppliers with planning the sustainability of their supplies.

The Ministry of Health has contracted with Public Health Services for 10 Drinking Water Assessors to be assigned as Technical Assistance Programme Facilitators. Their role will be to assist with setting up collaborative CAP capacity building groups to be known as Technical Assistance Programme Groups, and to provide training and resources to those groups. They will also assist water suppliers to apply for Capital Assistance Programme funding.

The Technical Assistance Programme Facilitators will have no role in assessing standards compliance or approving risk management plans for supplies serving fewer than 5000 people (supplies eligible for Technical Assistance Programme participation or Capital Assistance Programme funding). This is because there would be a conflict of interest if they were to, for example, assist with the preparation of a PHRMP and then become involved in the assessment of that PHRMP. They may perform compliance assessments and approvals for supplies serving more than 5000 people.

The Ministry of Health is developing a syllabus for the Technical Assistance Programme. Facilitators of this programme will use this syllabus as the basis for providing training and access to information for a number of aspects of small water supply management and operation.

Details of each water supplier's participation in the Technical Assistance Programme will be recorded on the Water Information New Zealand 6 (WINZ6) information database. This is a web-based application. Access will be available to Technical Assistance Programme Facilitators and water suppliers enrolled in the Technical Assistance Programme.

The Ministry of Health and the Technical Assistance Programme Facilitators are collaborating with other Government agencies in engaging communities which may wish to participate in the programme. Housing New Zealand Corporation, the New Zealand Food Safety Authority and the Ministry of Education are key partner organisations with which collaborative arrangements have been made.

The Ministry of Health is engaging a number of technical experts to provide specialist assistance to the Technical Assistance Programme Facilitators and water suppliers enrolled in the Technical Assistance Programme.

In summary, the Technical Assistance Programme will:

- register the participating drinking-water supplies in each district
- arrange Technical Assistance Programme groups of drinking-water suppliers in each district
- develop and provide training resources for small water suppliers
- help suppliers to optimise the performance of their water supply treatment and distribution system
- help suppliers to develop and implement PHRMPs
- help suppliers to develop sustainability plans for their supplies
- identify what equipment and Capital investment would be required for the supply to provide safe drinking-water.

## The Capital Assistance Programme

The Capital Assistance Programme will provide funding to community drinking-water supplies that supply less than 5000 people and meet the criteria outlined in this document. The aim is to provide funding to communities and drinking-water supplies to help them to purchase capital works, including equipment where this is needed, to ensure they have a supply that is safe. The Technical Assistance Programme will identify whether capital upgrades to the system are necessary.

Funding will be available to communities with a reticulated drinking-water supply and those able to demonstrate a need to establish one.

Capital Assistance Programme funding has been available from 1 July 2006.

# Which water suppliers or communities will be eligible to apply for Capital Assistance Programme funding?

Not all drinking-water supplies or communities will be eligible to apply for Capital Assistance Programme funding. Applications can be made by local authorities and communities that own and operate drinking-water supplies for the benefit of the community as a whole.

For the purposes of these criteria, a local authority drinking-water supply is a supply owned and operated by a local, regional or unitary authority. A community drinking-water supply is a supply owned and operated by a community or group of people in the interests of a wider group of people. It is a supply that is not privately owned and not operated for a profit. This definition can include sports clubs, churches, marae and other similar situations.

Communities applying for Capital Assistance Programme funding must provide a drinking-water supply to a minimum of 25 persons for 60 days of the year or for 1,500 person/days per year. For a community or local authority to be eligible for Capital Assistance Programme funding, its drinking-water supply must:

- be owned by a local authority
- be owned by a local residential community
- be owned by an incorporated society or other legal entity
- be operated on a not-for-profit basis
- provide drinking-water for a population of less than 5,000 people.

For a community or local authority to be eligible for Capital Assistance Programme funding they will need to:

- demonstrate that they would have difficulty funding capital improvements themselves
- be included on the Ministry of Health *Register of Community Drinking-water Supplies in New Zealand*
- be participating in the Technical Assistance Programme
- have prepared a PHRMP for their supply and had it approved by a drinking-water assessor
- demonstrate that their supply has been optimised
- have prepared a plan which demonstrates the ongoing sustainability of the supply.

Communities that currently do not have a reticulated drinking-water supply will be eligible to apply for Capital Assistance Programme funding to establish a supply if it can be demonstrated that there is wide community support for this and/or there is a clear public health need. It will also need to be demonstrated that there would not be an adverse effect on the community's wastewater system.

Communities whose supplies are networked (reticulated), or self-supplied buildings or groups of buildings, for example, community halls, will be eligible to apply for Capital Assistance Programme funding.

Sports clubs, churches, marae, kohanga reo or other similar bodies which are not operated for a profit, and where it can be demonstrated that there is a wide community focus to the majority of their activities, will be eligible to apply for Capital Assistance Programme funding.

For the purpose of determining eligibility, where a community has a seasonally fluctuating population, the population of the supply is considered to be the normal residential population, not the seasonal peak population.

These communities will be eligible to apply for Capital Assistance Programme funding to meet the drinking-water supply needs of all of the community, including any seasonal peaks.

Communities or drinking-water supplies which have already received funding from the Tourism Demand Subsidy Scheme for drinking-water supplies will not be eligible for Capital Assistance Programme funding.

Where an industry, for example a freezing works, is the main demand on the water supply, the percentage of funding for improving the supply provided by the Capital Assistance Programme would be dependent on the percentage of the drinking-water supplies Capacity that was used by the community. The industry would be expected to provide the balance of funding for improving the supply.

Communities in which the main demand on the supply is the provision of water for irrigation or stock watering would be eligible to apply for Capital Assistance Programme funding to upgrade the water provided for human drinking-water only. This may include point of entry devices if they are owned and maintained by the water supplier. Alternatively, Drinking-water Assistance Programme funding will be calculated for the percentage of the water from the supply that is provided for human use.

Government departments and Crown-funded organisations will not be eligible for Capital Assistance Programme funding for drinking-water supplies they own. This includes, but is not limited to, the Ministry of Education, the Department of Conservation, the Department of Corrections, District Health Boards, state-owned enterprises and crown research institutes. They can still participate in the Technical Assistance Programme.

Privately owned and commercial organisations such as home stays, restaurants, motor camps and hotels will not be eligible for Capital Assistance Programme funding.

Communities with a deprivation index of 3 or less will not be eligible for Capital Assistance Programme funding. The deprivation index uses New Zealand census data to provide a score of the advantage or disadvantage of geographic meshblock areas. Meshblock areas equate to groupings of approximately 100 to 150 people. The deprivation index meshblocks for each community are available from the Technical Assistance Programme Facilitators.

Communities or drinking-water supplies will not be eligible to apply to have Capital Assistance Programme funding provided retrospectively for capital improvements already undertaken.

Whether the supply is a networked supply administered under the Health Act 1956 or a self-supplied community purpose building or buildings administered under the Building Act 2004 will have no bearing on the supply's eligibility to apply for Capital Assistance Programme funding.

Capital Assistance Programme funding will not be available for drinking-water supplies to individual domestic dwellings.

# What can Capital Assistance Programme funding applications be made for?

Water suppliers or communities can apply for Capital Assistance Programme funding for capital works, including drinking-water supply equipment identified as necessary to manage risks highlighted by the supply PHRMP.

This may include:

- raw-water-source works for the extraction of ground, surface or rain water
- reticulation of water from the point of extraction to a treatment plant
- pre-treatment settling or storage equipment
- treatment plant and water storage equipment
- an upgrade or new installation of distribution reticulation systems (to the point of property boundaries)
- the amalgamation of two or more small water supplies
- operational monitoring equipment
- compliance monitoring equipment
- remote monitoring or alarm equipment
- buildings and other drinking-water supply equipment identified as necessary by the supply PHRMP.

Capital Assistance Programme funding applications can also be made for the following:

- training to enable operation of the plant
- assessments of the security status of ground water
- sampling or analysis of raw or treated water to establish the nature of any treatment required to make the water safe for drinking
- fees of professional advisors for technical or design assistance for capital works (in special circumstances)
- operational expenditure of the water supply (in special circumstances).

Local authorities will be required to fund any fees for professional advisors involved in the specific design of a water supply or associated equipment. Local authorities which can demonstrate a need may, however, apply to the Drinking-water Assistance Programme office for assistance with funding a percentage of the fees for professional advisors.

Where a community owns a drinking-water supply, or a community wishes to establish a new supply and they require professional advisors for a feasibility study or specific design for the supply or associated equipment, an application may be made to the Capital Assistance Programme fund for part of the professional advisor's fees.

Communities with a deprivation index or deprivation assessment (see section 5) of 9 or 10 that can demonstrate that operational costs would be a barrier to upgrading their water supply may make an application for operational expenditure. Operational expenditure may be funded for a period of up to three years at a diminishing rate negotiated with the Drinking-water Assistance Programme office. Operational funding will be provided only in exceptional circumstances.

Capital Assistance Programme funding will not be provided for capital renewals or capital maintenance works not essential for providing safe drinking-water.

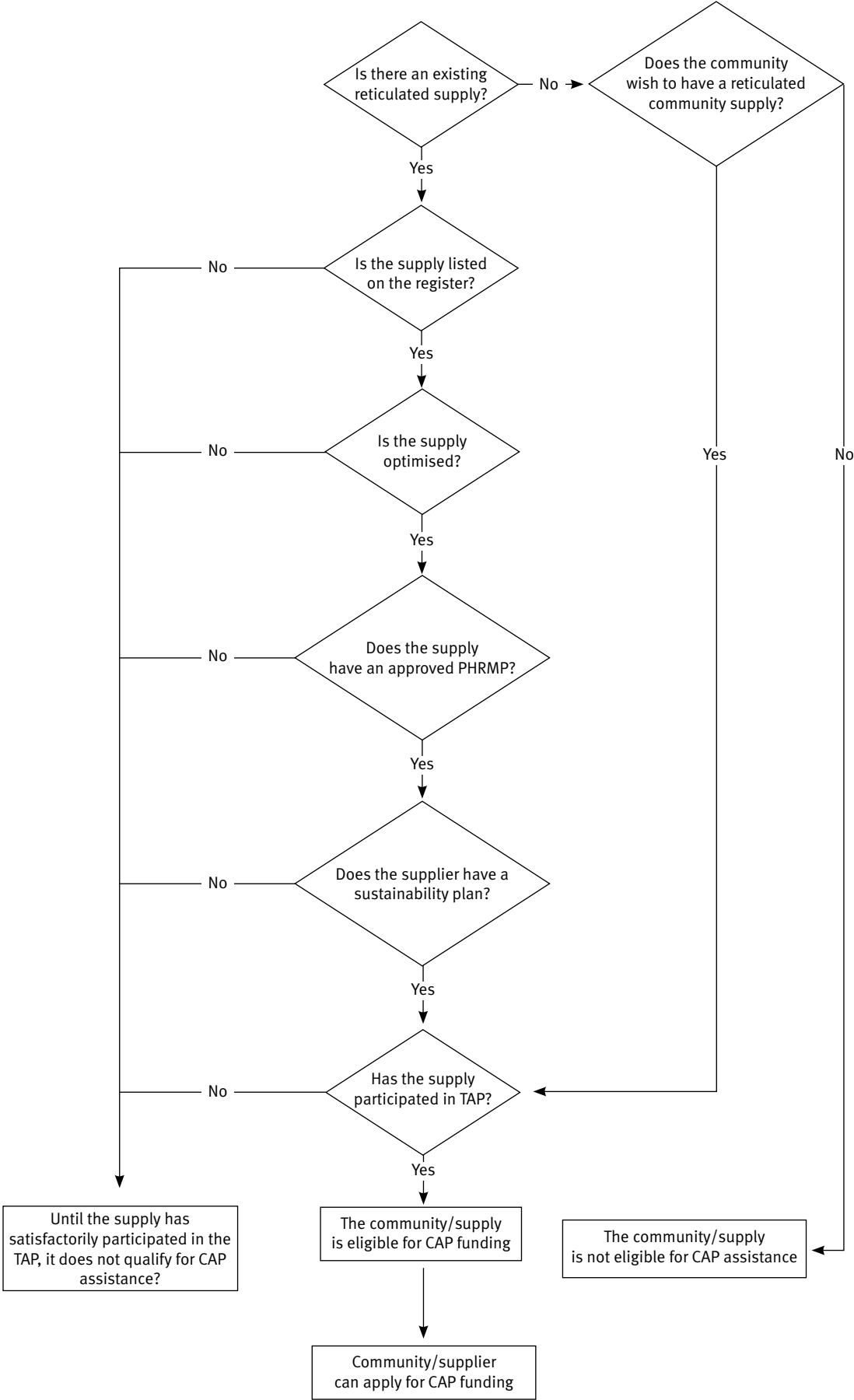
## How much funding can each eligible supply receive?

Before a water supply or community or local authority can apply for Capital Assistance Programme funding, it must demonstrate that it has participated in the Technical Assistance Programme. This is a prerequisite.

Participation in the Technical Assistance Programme will assist the water supplier to optimise the operation and management of the water supply and any equipment they already have. It will assist the water supplier to prepare a PHRMP. The PHRMP will be approved by a DWA who is not involved in any aspect of the Technical Assistance Programme. The Technical Assistance Programme will also assist the water supplier to prepare a plan which outlines how the supply will be managed and operated in a sustainable manner. A record of participation will be made in the WINZ6 database by the Technical Assistance Programme Facilitator.

The following flow chart outlines how the required prerequisites lead to a community or water supplier being eligible to apply for Capital Assistance Programme funding.

Figure 1: Capital Assistance Programme funding prerequisites



The PHRMP will determine the public health risks of the supply and include an improvement schedule which outlines works and/or equipment required to mitigate those risks. The optimal financial cost of equipment necessary to provide safe drinking water will be determined by the community or water supplier in association with the Technical Assistance Programme Facilitator, consultants and product suppliers. The Technical Assistance Programme Facilitator will review the final figure. The Drinking-water Assistance Programme office will then verify this figure.

Optimisation of a supply includes making sure that the management, operation and any equipment is functioning as well as it can. Management, operation or equipment that can be optimised will be identified in the PHRMP. Generally this will involve low-cost or no-cost improvements.

The sustainability plan will identify all issues related to the future viability and sustainability of the water supply. This will include details of the ownership and legal structure of the water supply, the forecasted ongoing operational and maintenance procedures and costs and how these will be funded.

The community or water supplier will then make an application to the Capital Assistance Programme fund for a percentage (see table 1) of the total capital amount required for the necessary works or equipment. The percentage of the total capital amount that the Capital Assistance Programme will fund will be determined by the size of the community and the ability of the community to fund the works. The New Zealand Deprivation Index will be used to identify a community's ability to pay for improvements to its water supply. Smaller communities with a high deprivation index will receive a greater percentage of their required total capital costs than larger communities which have a lower deprivation index score. This is consistent with the intentions of the Drinking-water Assistance Programme.

Table 1 on the following page identifies the maximum amount of Capital Assistance Programme funding a water supply or community can apply for.

Many communities are fewer than 200 people and are not accurately represented on the deprivation index. Where this occurs, an alternative process for determining a deprivation score will be used. The water supplier or community can outline the circumstances of their community in writing to the Drinking-water Assistance Programme office. The Drinking-water Assistance Programme office will allocate a deprivation score from 1 to 10 using the information provided and other information on the make-up of the community, including school decile numbers, information from Housing NZ Corporation, the Ministry of Social Development and any other relevant sources of information.

When an assessment has been made, it will be communicated to the Capital Assistance Programme funding applicant in writing.

By reading down the table to the row of a population band, and across to the column of a deprivation index figure, the maximum percentage of the total cost of capital works or equipment the Capital Assistance Programme will fund can be determined.

For assessment purposes, the population considered is the normally resident population.

**Table 1: Maximum percentage of costs of capital works that the Capital Assistance Programme will fund**

Size of community served by the water supply	Deprivation index or assessment						
	4	5	6	7	8	9	10
4501–5000	15	20	40	50	55	65	70
4001–4500	15	25	45	55	60	70	80
3501–4000	15	30	50	60	65	75	85
3001–3500	20	35	55	65	70	80	90
2501–3000	25	40	60	70	75	85	90
2001–2500	30	45	65	75	80	90	90
1501–2000	35	50	70	80	85	90	95
1001–1500	40	55	75	85	90	95	95
501–1000	45	60	80	90	95	95	95
< 500	50	60	80	95	95	95	95

Supplies most likely to receive Capital Assistance Programme funding	
Supplies less likely receive Capital Assistance Programme funding	
Supplies least likely to receive Capital Assistance Programme funding	

Section 5 provides details on the application process for Capital Assistance Programme funds and how applications will be prioritised. The shading in the table gives a rough guide to the likelihood of an application being successful.

The final percentage of costs that the Drinking-water Assistance Programme will fund will be determined by the Drinking-water Assistance Programme office and approved by the Sanitary Works Technical Advisory Committee. The committee advises the Minister on applications for subsidies and, in future, on any problems that may be experienced when the Health (Drinking-water) Amendment Bill is promulgated.

Successful applications for sampling or analysis of raw or treated water, including assessments for secure status of ground water, will be funded at 100 percent.

Water suppliers and communities will be encouraged to undertake some of the works themselves if this is possible. For example, they may dig trenches for laying pipes, or install and connect storage tanks. This work may reduce the financial contribution they are required to make. This will be possible only after consultation and agreement with the Drinking-water Assistance Programme office.

In exceptional circumstances where a community has a deprivation index or assessment of 9 or 10, 100 percent of the required funding for capital works or equipment could be recommended. These situations will be considered by the Sanitary Works Technical Advisory Committee.

# Applying for Capital Assistance Programme funding

When a water supplier or community has determined that they:

- are eligible for Capital Assistance Programme funding
- have met the prerequisites for Capital Assistance Programme funding

they can apply to the Drinking-water Assistance Programme office for Capital Assistance Programme funding. Technical Assistance Programme Facilitators may assist community drinking-water suppliers with applications. Local authorities will not receive Technical Assistance Programme Facilitator assistance with applications but will be reviewed by Technical Assistance Programme Facilitators and will need to be approved by them.

Applications for funding can be made under the following categories:

- capital works
- equipment
- training
- sampling or monitoring
- fees of professional advisors
- operational expenditure for a defined transitional period.

Application forms are available from the Technical Assistance Programme Facilitators.

All applications must include the following information:

- contact details of the applicant
- WINZ codes for the supply
- background information about the supply including history
- demographics and deprivation index for the community
- details of the management and responsibility for operation of the supply
- details of the ownership and governance arrangements for the supply
- details of any community consultation
- size of the community the water supply provides water for
- details of the water source
- details of any existing treatment equipment
- sampling/monitoring results
- the supply PHRMP
- the supply optimisation plan
- the supply sustainability plan
- details of the items for which funding is sought
- any supporting documents for the application
- estimates or quotes provided by product or service suppliers

- design reports (if consultants used) including plans and estimates
- information on the options considered for the capital works or equipment, the reasons it was selected and why it is considered to be the most cost effective
- details of how the water supplier would meet their share of the costs
- any further information required by the Drinking-water Assistance Programme office.

When an application for Capital Assistance Programme funding is received by the Drinking-water Assistance Programme office, a request will be made to the Technical Assistance Programme Facilitator for a report on the supply and the application.

The report will demonstrate how the supply meets the Capital Assistance Programme eligibility criteria and prerequisites. The report must outline the outcome of the supply's participation in the Technical Assistance Programme and comment on the optimisation plan, PHRMP and sustainability plan. It will also outline how the proposed application, if successful, would contribute to the provision of a safe drinking-water supply.

The application and Technical Assistance Programme Facilitator's report will then be reviewed by the Drinking-water Assistance Programme office. They will make a recommendation to the Sanitary Works Technical Advisory Committee about whether the application should be funded.

The committee will then make a funding recommendation to the Minister.

There will be two application periods each year. The first from 1 July until 30 September, and the second from 1 January to 31 March. After the close of applications on 30 September and 31 March there will be a three-month period when applications will be processed and further information sought from the applicant by the Drinking-water Assistance Programme office if required. The total amount of Capital Assistance Programme funding for each financial year will be split evenly between the two application periods and allocated at the end of each processing period.

For the 2006–2007 year applications will be received from 1 February 2007 until 31 May 2007.

All applications will be ranked so that the most deserving are funded first. Each application will be given a ranking score by the Drinking-water Assistance Programme office when it is received. The ranking score will be calculated by giving each application a mark out of 10 for each of the categories: ability to pay, supply size and public health risks of the supply. The marks from each of the categories will be added to provide a total ranking score.

Ability to pay will be calculated by using the deprivation index or deprivation assessment of the supply. For example, a deprivation index or assessment of seven will gain seven marks. The supply size marks will be calculated from table 2 below and public health risks of the supply will be calculated from table 3.

**Table 2: Calculation of supply size marks**

Community size	Marks
4000 – 5000	1
3500 – 3999	2
3000 – 3499	3
2500 – 2999	4
2000 – 2499	5
1500 – 1999	6
1000 – 1499	7
500 – 1000	8
101 – 499	9
Less than 100	10

**Table 3: Calculation of marks for risks to health**

Risks to health present in supply	Marks
Drinking-water supply is adequate and well managed	0
Water supply has treatment and major risks are managed. However, the supply does not have adequate management procedures (eg, operating/maintenance procedures and records, sampling/monitoring programme, and contingency plans)	1
Water supply is a roof-water supply	2
Water supply has treatment and major risks are managed, however there is no raw water quality management (eg, fenced-off abstraction points, pre-treatment, infiltration galleries)	3
Water supply has treatment and major risks are managed, however, the operator has not received adequate training	4
Water supply has treatment but is unable to maintain constant and sufficient pressure and flow in the distribution system	5
Water supply has treatment and major risks are managed but requires monitoring or alarm equipment	6
Water supply does not have a efficient protozoa removal/inactivation processes but does have effective bacterial disinfection	7
Water supply has effective protozoa inactivation/removal but does not have an efficient bacteria inactivation/disinfection process	8
Water supply has a low risk source and no effective treatment	9
Water supply has high risk source and no effective treatment	10

The calculation will be made as follows:

deprivation index or assessment + community size marks + risks to health marks = ranking score.

Water supplies which do not fit into the categories exactly will be given a best-fit match by the Drinking-water Assistance Programme office.

All applications received in each application period will be processed during the following three-month processing period. All applications will be ranked from the highest scoring to the lowest. The funding for the application period will be allocated to the applications from the highest scoring to the lowest until all of the funding available for that application period is allocated. The Drinking-water Assistance Programme office will then make recommendations to

the Sanitary Works Technical Advisory Committee to fund those applications which have had funds allocated to them.

The Sanitary Works Technical Advisory Committee will make a final recommendation which applications will be funded.

Water suppliers may make more than one application for Capital Assistance Programme funding regardless of the outcome of any previous application.

Any applications which do not receive funding during each application and processing period will automatically be considered for funding in the following period.

All Capital Assistance Programme funding applications will be acknowledged in writing to the applicant upon receipt by the Drinking-water Assistance Programme office. Applicants will be advised in writing of the ranking score calculated for their application when this is completed. Applicants will be advised in writing of the recommendations of the Sanitary Works Technical Advisory Committee and Minister's decision regarding their application.

## Provision of Capital Assistance Programme funds

If an application for Capital Assistance Programme funding is approved, the funding will be provided in one of the following ways:

If the applicant is a local authority, the Ministry of Health will enter into an agreement with the local authority and provide funds for some or all of the specific items listed in the application. The local authority will organise for the works or activities to be undertaken and oversee them. The local authority will report progress to the Drinking-water Assistance Programme office at agreed times and provide the Drinking-water Assistance Programme office with a report on the works or activities upon their completion.

If the applicant is a community supply, one of the following arrangements will be used.

- Arrangement 1. The Ministry of Health will enter into an agreement with the community water supplier and fund for some or all of the specific items listed in the application. The water supplier will organise for the works or activities to be undertaken and oversee them. The water supplier will report progress to the Drinking-water Assistance Programme office at agreed times and provide the Drinking-water Assistance Programme office with a report on the works or activities upon their completion.
- Arrangement 2. The community water supplier and/or the Drinking-water Assistance Programme office will identify a suitable provider of equipment or a service and enter into an agreement with the provider. The Drinking-water Assistance Programme office and the water supplier will organise and oversee the works or activities to be undertaken.
- Arrangement 3. The Drinking-water Assistance Programme office will identify a suitable provider of equipment or a service and enter into an agreement with the provider. The Drinking-water Assistance Programme office will organise and oversee the works or activities to be undertaken.

When the agreed works or services are completed, the Technical Assistance Programme Facilitator will undertake a review and report to the Ministry.

Successful applications from water suppliers will have agreed funds reserved for up to two years, during which time resource consents (where required) would be secured. If resource consents cannot be secured in this time, the applicant must apply in writing to the Drinking-water Assistance Programme office for an extension to the reserve period.

## **Requirements applying to water supplies receiving Capital Assistance Programme funding**

All water suppliers receiving Capital Assistance Programme funding must demonstrate that the facilities or infrastructure purchased with Capital Assistance Programme funding will be properly maintained and will continue to be used to benefit the community for a minimum period of 10 years.

For local authority supplies, this is inherent in the legislation governing their operation (LGA 2002).

Community-owned supplies will need to demonstrate that they have sound governance arrangements. One possible arrangement is for the water supply to be an incorporated society, with appropriate termination procedures specified in the society's rules (Incorporated Societies Act 1908, section 6(1)(k)).

Governance arrangements will be detailed in Capital Assistance Programme funding applications and assessed by the Drinking-water Assistance Programme office.

An agreement will be signed specifying how protection of the government's investment would be demonstrated to the Ministry.