

2014 Triennial Assessment-Urban Water Futures

SUBMISSION

December 2013



CENTRAL NSW
COUNCILS



Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

www.centroc.com.au

5 December 2013

Reference: kk:mm 31213
Enquiries: Ms M Macpherson; 0427 451 085

Ms Kerry Olssen
Acting Chief Executive Officer
National Water Commission
Via email: submission@nwc.gov.au

Dear Ms Olssen,

Re: 2014 Triennial Assessment-Urban Water Futures

I write on behalf of the Central NSW Councils (Centroc) Water Utilities Alliance in response to a request for submissions to the National Water Commission's 2014 Triennial Assessment.

Thank you for the opportunity to provide comments specifically on the strengths, challenges and opportunities in the Local Government context and for granting an extension for this submission.

Centroc is a large and long standing voluntary association of councils of varying sizes ranging from populations of around 2,500 to populations of close to 40,000. It has received national recognition for its work in delivering measurable benefits to the members it serves. This recognition includes commentary and awards at the State and National levels, for example, the Productivity Commission and most recently the Minister for Local Government for NSW, The Hon Don Page. Most importantly, it is valued by its members.



Central NSW Councils (Centroc) comprises the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young and Central Tablelands Water.

It has two objectives, one around advocacy and the other around supporting members operations.

The Centroc Board is made up of the 30 Mayors, elected representatives and General Managers of its member Councils who determine priorities for the region. These priorities are then progressed via sponsoring Councils.

Centroc Water Utilities Alliance (CWUA)

The Centroc Water Utilities Alliance (CWUA) was collaboratively conceived in 2009 with voluntary participation to proactively address the issues raised in the “Independent Report into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan New South Wales”, by Armstrong and Gellatly.



The CWUA works collaboratively to ensure efficient and cost effective compliance based delivery of critical water and sewer services across our region. Our local government water utilities are best practice compliant and water quality in the region is of a very high standard.

The Alliance sits within the Infrastructure Group of Centroc and reports to the Board via the General Managers Advisory Committee and has been established under S 355(d) of the NSW Local Government Act (1993).

The key objectives of the CWUA include:

1. deliver cost savings and other efficiencies;
2. grow staff skills and ensure workforce are adequately trained for compliance based service delivery;
3. support members in assuring sustainable workforce;
4. promote Local Government as the agency of choice delivering water utilities management in regional NSW and further afield;
5. advise the Centroc Board regarding Water Utilities Management;
6. deliver full compliance with Best Practice requirements;
7. implement Regional Best Practice strategies;
8. support Councils as they manage their water utilities assets; and
9. promote the CWUA as an example of Councils working collaboratively.

Successes to date include:

Operating since 2009, to date the CWUA has:

- Created working groups and sub-committees including an operators group, a steering committee for energy efficiency programming and a workforce development group working collaboratively with HR in the region;
- Attracted over \$3m of grant funding for programming;
- Been recognised by the Productivity Commission;
- In collaboration with the Department of Health, developed and rolled out training in water sampling;
- Completed regional plans in IWCM, Drought and Demand Management;
- Completed a Training Mentoring Workforce Resource Sharing and Procurement Plan;
- Developed and implemented the CWUA Mentoring Plan;
- Undertaken regional procurement activities in:
 - Asset Revaluation
 - Smoke Testing
 - CCTV
 - Best Practice Programming;

- Near completed a regional program of Strategic Business Planning;
- Collectively, saved members over \$400k;
- Held an event showcasing and further developing opportunities for alliance based collaborations of water utilities attracting state wide attention; and
- Had success in working with the State on rationalising the compliance burden.

For more advice on Centroc programming and priorities, please go to our website at www.centroc.com.au/publications

Response regarding 2014 Triennial Assessment - Urban Water Futures

Efficient and effective service delivery

As the water and sewer suppliers to communities in the Central NSW region, Central NSW Councils have sought to address the challenges associated with the size of their organisations, capacity to deliver services and affordability by adopting an Alliance model.

The Centroc Water Utilities Alliance (CWUA) advocate that the collaborative Alliance initiatives of Local Government owned and managed water utilities serve as the model for appropriate governance and management of the water sector, not only in NSW but elsewhere in Australia, facilitating effective joint planning, resource sharing and most importantly the efficient and cost effective delivery of quality drinking water in regional areas. The Alliance provides demonstrable cost savings and efficiencies through:

- Collaborative approach to best practice
- Sharing resources, knowledge and ideas
- Collaborative procurement
- Training and mentoring programming.

Since its formation in 2009 the CWUA has achieved saving in excess of \$400k for its members in the joint procurement of best practice management plans and asset management services. The Alliance has also been successful in attracting over \$3m in Federal grant funding including up to \$2.8m for its Nexus between Water and Energy Program which will reduce energy consumption at the region's water and sewerage treatment plants and achieve cost savings for member Councils and their communities.

The CWUA maintains that aside from the efficiencies achieved by Councils working collaboratively in supplying water to their communities there are a number of advantages and strengths associated with Local Government ownership and management of water utilities in regional NSW.

These are briefly summarised as follows:

1. Importance to Councils and their communities

Provision of water supply by Councils is a significant aspect of every regional Council's overall undertakings, often making up a quarter or more of annual budgets and employing a significant number of the workforce.

Staff in regional Councils are often multi-skilled and able to work in diverse areas like roads, drainage, water supply and sewerage, thereby effecting economies of scale and enhanced efficiencies.

Water supply and sewerage services are also an important element of the community's understanding of an involvement in Local Government as a one-stop-shop to access essential services and deal with local issues. Local water utilities also have significant flow- on effects on local and regional economies and employment.

2. Proven success in delivering safe and secure water supply to the community

This is demonstrated by the achievements in implementing best practice as well as the outcomes of the NSW Government's Inquiry into Local Water Utilities including:

- Compliance with Best Practice criteria;
- High rate of achievement with full cost recovery;
- An almost 50% reduction in annual residential water supplied over the past 18 years;
- Typical residential bills have increased by only 5% over the past 11 years;
- NSW non-metropolitan water utilities are among the highest rated performers in the Annual National Performance report.

3. Integrated Water Cycle Management

The concepts of Integrated Water Cycle Management and water sensitive urban design are essential to minimise the impacts of urban development on the overall water cycle. Local Government in regional NSW, because of the integration it provides to strategic water supply planning, water supply and sewerage provision, storm water and drainage management, strategic urban planning and land use development control is best placed to put these concepts into reality. Institutional models that result in the removal of water supply and sewerage functions from councils have the potential to severely disrupt the integration that currently exists, inevitably leading to reduced capacity to implement integrated water cycle management and water sensitive urban design.

4. Economies of Scope and Scale

Council owned and operated water utilities afford technical and managerial synergies across their organisations via the integration of engineering, asset management and corporate planning systems for water supply and sewerage, roads and transport communication, waste management and recreational services. Economies of scope also arise from the ability to effectively and efficiently coordinate strategic land use planning and land use development control with infrastructure intensive services such as water supply and sewerage services as well as private, commercial and residential investments into water solutions. Also the broad range of services provided by general purpose councils, affords the range of responsibilities required to attract highly professional staff and benefit from their skills and knowledge which would otherwise not be available.

In administrative terms, economies of scope arise from the integration of information technology services including the ability to provide one billing and customer service system for all community services (the one-stop -shop)

Large stand-alone water supply and sewerage providers may well achieve some economies of scale but cannot capture the above listed economies of scope. Benefits commonly associated with water utilities covering larger regional areas such as catchment based regional strategic water supply and demand planning and infrastructure delivery, can be readily achieved through regional alliance of councils without losing the economies of scope associated with the integration of water supply and sewerage functions and general purpose functions.

There is also the benefit of optimizing the whole-of-town energy and greenhouse gas footprint, including transportation and other systems serving the urban form –optimising water and sewerage provision in isolation can be perversely sub-optimal in the broader context of a particular urban fabric.

5. Community accountability

Local Government in NSW provides a very clear framework for accountability.

Democratically elected councilors are effectively “Board” members and are responsible for the setting of strategic direction to achieve desired whole of community outcomes, including outcomes related to water supply and sewerage provision. Maintaining water supply and sewerage services as visible and accessible local operations within Local Government also contributes to accountability within the community and provides incentives for the provision of reliable customer service and serviceability.

Structural models that remove responsibility for water supply and sewerage services from Local Government and this form of selected local representation, must necessarily address how decision makers would be accountable to the communities that are to benefit from and fund the provision of water supply and sewerage services. It is questionable whether such models can provide the appropriate incentives to ensure that decision makers integrate water supply and sewerage objectives into broader whole –of –community and sustainability outcomes.

The NSW Office of Water’s 2011-2012 Performance Monitoring Report shows regional NSW water utilities performing well in terms of national standards.

This work is being undertaken on a solid basis by Local Government management of water utilities in NSW where:

- The Office of Water has been requiring NSW Local Water Utilities to prepare highly detailed Strategic Business Plans (SBPs) in a specified format since 1993. These SBPs require that LWUs recover all costs, including that required for current and future capital costs out to at least 20 years. In the 2011-2012 Performance Monitoring Report 92% of utilities (including all CWUA members) have sound strategic business and financial plans ensuring their long term sustainability.
- 98% of all LWUs achieved full cost recovery in 2011/2012 including all CWUA members.
- Overall implementation of the NSW Best Practice Framework is now 89% compared to 46% 7 years ago- overall implementation by CWUA members is 93%.
- 99.6% of the 20,100 microbiological sample tested in 2011-12 comply with the Australian Drinking Water Guidelines; 97% of Local Water Utilities comply including all CWUA members
- 99.6% of the 4500 chemical samples (health related) tested comply with ADWG; 98% of LWUs comply including all CWUA members
- 97% of LWUs have appropriate non-residential water charges
- 93% of LWUs have a drought management plan including all CWUA members
- 92% have a water conservation plan including all CWUA members
- 76% of LWUs have commenced an IWCM study including all CWUA members
- the median typical residential bills in NSW for water supply and sewerage is \$1090, which represents a real increase of %10 over the last 17 years and yet services provided have been of a high standard and secure.

- Residential revenue from water usage charges in NSW has increased from 20% to 69% over the past 17 years. These increased charges have sent strong pricing signals which have assisted the NSW utilities to achieve a 53% reduction in the annual residential water usage per property since 1991, which equates to a saving of 137GL per annum. It has also enabled the NSW utilities to avoid over \$1billion in capital expenditure over the last decade for augmenting headworks and treatment capacity.
- The strong pricing signals and efficient water use have enabled the NSW utilities to limit the real increase in the water supply TRB to 5% over the past 17 years. This bill is lower than all other states and the capital city utilities, except for Melbourne.
- In many instances lower prices in LWUs reflect greater efficiency of operation due to economies of scope achieved within the local government environment.

Aligning institutions and regulatory frameworks

While Local Government owned and managed water utilities provide for greater levels of alignment in water cycle management as detailed above, the CWUA has identified the need to encourage greater levels of collaboration with state government regulatory bodies including greater coordination, cooperation and resource sharing in the management of the urban water cycle as a priority to facilitate regional groupings of Councils working together. Indeed, opportunities exist for state funded programs tailored for local needs and managed regionally by local government through the CWUA.

The CWUA has been collaborating with the NSW Office of Water for the streamlining of the Best Practice Management Framework to integrate the Integrated Water Cycle Management, Strategic Business Planning and Developer Servicing Plan elements of best practice documentation requirements making the IWCMs and SBPs more useful, strategic tools for Councils.

A Memorandum of Understanding has also been proposed to strategically guide collaboration between NSW Health and the CWUA to progress best practice in drinking water quality covering issues such as:

- Recognition of the roles and responsibilities of the various stakeholders in compliance regulation and in supporting Local Water Utilities (LWUs) in delivering quality water.
- Recognition of the role of LWUs and of the CWUA with regard to process improvement at the regional level.
- Identification of objectives including areas of collaboration in the delivery of quality water in Central NSW between NSW Health and LWUs and CWUA.
- Legal framework and context including obligations under the Act and regulations.
- Agreement around preparedness to support each other in areas such as policy and training development.
- Drinking Water Quality Database usage including data monitoring and reporting.
- Lines of communication – who talks to who and circumstance for upward referral.
- Mechanisms/structures for process improvement including advice on research, technology changes to legislation, implications of case law etc.
- Joint activity – media, use of logos, grant applications, support for each other when seeking funding from elsewhere, awards, presentations on the MoU and the outcomes it has helped to deliver.

In general Alliance members welcome proposals to reduce administrative burden and costs associated with the Best Practice Plan Management Framework and other regulation of the sector

particularly where these enable better integration with Local Government Integrated Planning and Reporting processes including community consultation.

Access to capital and private sector investment

There is a continuing need to upgrade water infrastructure in regional towns to meet the ever changing national water quality and environmental standards. Also the investigation of options for the augmentation of current water storages and proposed new storages is an initiative that regions have been suggesting for decades.

In the past the State Government has contributed 50% to the cost of upgrades to local water utilities infrastructure through the Country Towns Water and Sewer Program, but with this program no longer in operation, any assistance to upgrade essential water utilities infrastructure, is highly beneficial.

In regional communities water is our most valuable resource. Investment in essential and new regional infrastructure that secures this resource is a good investment in the future of our communities. For reasons outlined above it is crucial that the sources and mechanisms for this funding does not remove the ownership or management of the water utilities from Local Government in regional communities.

Investing in people: skills and culture

Skills shortages, the ageing of the workforce, attraction and retention of staff, succession planning skills recognition, remuneration, and training to keep abreast of rapidly developing technology and compliance requirements and competition from other sectors have all been identified as challenges facing the water sector.

The need to ensure our workforce is adequately trained and meets the requirements of the National Certification Framework currently in development has long been identified as a high priority for the Alliance. With the strength of the Alliance being the high level of expertise among its members providing for mentoring opportunities, the CWUA is seeking to address workforce issues through initiatives including:

- Completion of a Training Mentoring Workforce Resource Sharing and Procurement Plan;
- Development and implementation of the CWUA Mentoring Plan; and
- A pilot Workforce Development Program.

The *Training, Mentoring and Regional Resources Sharing Strategy* developed in 2011 documents workforce development issues and proposed strategies and actions to address identified skills shortages and gaps in the region's local government water industry workforce.

The pilot Workforce Development program funded through a partnership of five Alliance member Councils seeks to progress the outcomes of the 2011 Strategy by:

- Developing a 5 year Workforce Development Plan for the water employees of 5 Centroc Councils;
- Exploring options to subsidise the costs of vocational education and training; and
- (If agreed by participating councils), applying for funding from the appropriate Government bodies to facilitate the delivery of vocational education and training for the region.

A Workforce Development Plan is currently being prepared that analyses the gaps between the current and future workforce of each council and proposes strategies and actions to address these

gaps. The Plan will include the identification of appropriate vocational education and training required to build the skills of new and existing workers and will recommend funding programs that will minimise the cost of training for councils.

A customer focused sector, an engaged community

The CWUA agrees with the Commission that customer engagement in policy and service delivery is an important pathway to delivering consumer satisfaction, optimizing service offerings and planning for long term water security.

As outlined elsewhere in this submission the CWUA welcome proposals to better align the regulatory framework for the water sector particularly where it enables better integration with Local Government Integrated Planning and Reporting processes including community consultation.

The increased mandatory focus on Community Strategic Plans, workforce plans and asset management in the Local Government operating environment is a key driver with water and sewer services needing to be incorporated.

The CWUA members agree that consultation needs to be at the right time and at the right level and must have some meaning. Building a trust relationship in the community is important – we need to ensure that when we talk to them it is for “real” reasons when their feedback adds value. There is also a need for an open dialogue open about the sustainability/affordability and cost of service delivery tension.

Consultation overload is a real issue in regional communities and opportunities to align planning requirements and ensure that meaningful consultations are undertaken strategically on the delivery of essential services crucial.

Contributing to liveable communities

The quality of life and wellbeing of communities relies on the retention of services at the local level. Care needs to be undertaken where the communities served have a relationship with the entity managing programming as critical as water supply. In *Building Resilience in Rural Communities* 2008 the University of Queensland identified eleven indicators of community resilience including:

- Building Social Networks and Support
- Learning
- Positive Outlook
- Infrastructure and support services
- Leadership
- A sense of purpose
- Innovation and diversity

Clearly the retention of control over water utilities at the Local Government level will foster all of the above.

With respect to local government addressing the concept of liveability and the important role that water plays in delivering this, a cooperative agreement has just been agreed between the CWUA, the Lower Macquarie Water Utilities Alliance, the Salinity & Water Quality Alliance and the Central West and Central Tablelands Local Land Services (LLS), (collectively known as the Central NSW Integrated Water Cycle Management Consortium) as a joint partnership for membership of the

Cooperative Research Centre (CRC) for Water Sensitive Cities.

Membership of the CRC for Water Sensitive Cities provides the Alliance member Councils, direct access to cutting-edge research which seeks to address a number of key challenges to urban water reform, as identified by stakeholders, required to transform cities into liveable, resilient, sustainable and productive cities.

The CRC will assist its stakeholders to effectively address the complex inter-dependencies of the many socio-technical factors influencing water management in towns and cities of the future by employing an inter-disciplinary delivery approach. This approach will place practitioners, policy makers and regulators in inter-disciplinary teams with researchers whose expertise may be in areas such as: water engineering; urban planning; commercial and property law; urban ecology; urban climatology and global climate science; social and institutional science; organisational behaviour; change management; the water economy; risk assessment; social marketing; and community health.

This arrangement will also provide members of the Consortium opportunities to work more collaboratively at the regional level to deliver the aims, objectives and targets of each of the groups, and to engage with the researchers.

In conclusion the Alliance believes that the challenge facing the urban water sector in regional communities is resourcing, not structure. Further, to support the resilience of regional communities, retention of control over utilities such as water is critical. Economies of scope for Council operations are afforded by managing water supply and sewerage services. This, and the value our communities place on having their say where it is heard best at the politically responsive local level, suggests that the way forward is to better resource local government owned and managed water utilities.

We are confident that it is both good leadership and beneficial from a triple bottom line perspective to manage water locally – it can demonstrate the benefits of the CWUA model in dollars, environmental and social benefits. Service delivery is well priced, responsive to community, delivered in an integrated manner with storm water, sewer and water supply services provided in close consultation with planning and other Council functions as well as Catchment Management Authorities.

Once again, thank you for providing this opportunity to give thought to this issue. For further advice in regards to this submission please contact the Centroc Water Utilities Alliance Officer, Ms Meredith Macpherson on 0427 451 085.

Yours sincerely,



Cr Ken Keith

Chair

Central NSW Councils (Centroc)