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9 January 2024

The Hon. Stephen Lawrence MLC

Chair

Joint Select Committee on Protecting Local Water Utilities from Privatisation

By email: [waterutilities@parliament.nsw.gov.au](mailto:waterutilities@parliament.nsw.gov.au)

Dear Chair

Thank you for the opportunity for representatives of Local Government NSW (LGNSW) to appear before the Joint Select Committee on Protecting Local Water Utilities from Privatisation. Please see below responses to:

- Questions on notice for Cr Darriea Turley AM
- Questions on notice for Mr David Reynolds
- Supplementary questions.

#### Questions on notice for Cr Darriea Turley AM

1. **The Hon. WES FANG:** *Because it would seem to me that it would be unusual that Labor would seek to protect one part of the State's water assets, the part that was covering Sydney metropolitan and the outer metropolitan areas, but totally exclude—or not include, I should say, probably is a better description—the assets that were outside the rural, regional and remote water assets. When it was brought to their attention that they weren't included by my good friend Steph Cooke, they refused to include them in the bill. It seems to be that, every time I ask this question in the hearing today, nobody actually had consultation with the Minister about the protection of the metropolitan assets prior to her bringing the bill. Was there any consultation with your organisation at all or with your members in relation to that aspect of the bill?*

#### LGNSW response

LGNSW was not consulted on the original Constitution Amendment (Sydney Water and Hunter Water) Bill 2023, which dealt with State owned and operated water assets. As the original Bill reflected the intent of publicly voiced pre-

election commitments, LGNSW was not surprised that it was introduced in its original form.

2. **The Hon. WES FANG:** *No. There was, I guess, a narrative that was commenced during the debate, that, even though there hadn't been a great deal of consultation in relation to the protection of Sydney Water, Hunter Water and the like, we couldn't adopt the amendments that were moved by Steph Cooke because there may have been unintended consequences that we hadn't considered. That was the reason that was given for not providing protection to rural, regional and remote communities and their water assets by the Labor Government. But nobody can actually seem to identify here what those unintended consequences might've been. Has anybody raised with you what those unintended consequences might've been?*

#### **LGNSW response**

On 23 May 2023 the Minister for Water alerted LGNSW to Opposition amendments to the Bill which would have brought local government owned and operated water assets within the scope of the Bill. On 24 May 2023 LGNSW contacted the office of the Shadow Minister for Water to discuss these Opposition amendments and expressed LGNSW's concern regarding potential unintended consequences. LGNSW was clear in communicating that while we supported the intent of moves to protect local ownership of local water utilities (LWUs), the speed with which the Bill and subsequent amendments were brought forward for debate left insufficient time for consultation with councils and their LWUs to ensure unintended consequences are avoided.

Many LWUs already outsource activities to the private sector to deliver certain water-related functions, especially when faced with capacity and operational challenges. LGNSW acknowledges the need for legal protections, but advocates for a balanced approach that preserves the flexibility for LWUs to engage private sector service suppliers when such outsourcing is deemed necessary. It is important that protective legislation does not inadvertently exclude engagement of private contractors or impede the flexibility of councils and their LWUs to make decisions in the best interests of their communities.

Further, some LWUs have more complex arrangements for their water supply functions, including partnerships, joint ventures, and arrangements with non-government entities for water supply functions. These non-government entities include mines, private power stations and Local Aboriginal Land Councils, and involve arrangements for the LWU to use the water supply assets owned either wholly, or jointly, by these non-government entities.

LWUs operate under different legislation to Sydney and Hunter Water and there was need to establish whether there were any unintended consequences that may emerge from this.

Finally, some LWU agreements may require periodic renegotiation of these agreements with private entities, it is important that any legislation, including grandfathering provisions, provided for this renegotiation to occur.

### Questions on notice for Mr David Reynolds

1. Ms STEPH COOKE: *With respect to protecting local water utilities from privatisation through legislative change, there has been a lot of discussion today about potential unintended consequences—also by your own organisation. Can you please articulate what those potential unintended consequences are?*

[Please note that this response mirrors the above response to The Hon. Wes Fang MLC.]

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Finally, some LWU agreements may require periodic renegotiation of these agreements with private entities, it is important that any legislation, including grandfathering provisions, provided for this renegotiation to occur.

**2. Ms STEPH COOKE: *Have you identified any ways that [the Safe and Secure Water Program] might be able to be improved into the future for the benefit of your members?***

Local Government is appreciative of the funding provided under the Safe and Secure Water Program and its predecessor program, the Country Towns Water Supply and Sewerage Program. These programs have been critical in delivering reticulated water and sewerage infrastructure, water security, community resilience, LWU capacity and delivering positive health and environmental outcomes. The continuance of funding programs is imperative.

The Safe and Secure Water Program would be immediately improved by a new commitment of at least \$1 billion of funding over the next five years. The 2017 program allocation of \$1 billion is fully expended.

LGNSW also recognises that there is scope for improvement to the funding model. LGNSW agrees with the Water Directorate in supporting a needs-based, evidence-based approach to assist socio-economically disadvantaged communities that lack access to economies of scale. It is important to generate a better balance between capital and operational support in the new model. There needs to be comprehensive consultation with local government and their communities in developing an alternative model. In the meantime a fresh commitment to the current program is required.

### **Supplementary questions**

**1. What are the benefits of regional collaboration/alliance models in providing safe, secure and efficient regional water supplies over the long-term?**

**LGNSW Response**

LGNSW supports and encourages collaboration and alliance arrangements for LWUs. Such arrangements provide opportunities for resource sharing of plant, equipment and staff. They also provide for savings in joint procurement arrangements and potential scale economies.

**2. How can funding for local water utilities be more efficiently targeted?**

**LGNSW Response**

Councils are appreciative of the funding provided under the Safe and Secure Water Program and its predecessor program, the Country Towns Water Supply and Sewerage Program. These programs have been critical in delivering reticulated water and sewerage infrastructure, water security, community resilience and positive health and environmental outcomes in regional NSW. The continuance of funding programs is imperative.

The Safe and Secure Water Program would be immediately improved by a new commitment of at least \$1 billion of funding over the next five years. The 2017 program allocation of \$1 billion is fully expended.

LGNSW also recognises that there is scope for improvement to the funding model. LGNSW agrees with the Water Directorate in supporting a needs-based, evidence-based approach to assist socio-economically disadvantaged communities that lack access to economies of scale. We agree that it is important to generate a better balance between capital and operational support in the new model. There needs to be comprehensive consultation with local government and their communities in developing an alternative model. In the meantime, a fresh commitment to the current program is required.

**3. What do you see as the most beneficial aspects of the Town Water Risk Reduction Program (TWRRP) and what aspects should be continued?**

**LGNSW Response**

The major benefit of the TWRRP was the introduction of a more collaborative approach between DPE-Water and LWUs, moving away from the one-sided relationship that had prevailed. This approach better meets the needs of LWUs in managing their businesses, avoiding duplication and reducing onerous reporting requirements. Elements, such as financial and practical support in addressing skills shortages and future skill requirements is and was a particularly welcome element of TWRRP. Other elements that should be continued include introduction of the Integrated Planning and Reporting (IP&R) framework for strategic planning and the further development of the Regulatory and Assurance Framework.

**4. How does the new Regulatory and Assurance Framework for Local Water Utilities support LWUs to address risks and strategic challenges effectively and efficiently? Are there areas where the Framework could be improved?**

#### **LGNSW Response**

The development of the Regulatory and Assurance Framework is a welcome initiative to improve strategic planning, technical assessment, approvals and performance monitoring for LWUs. It is too early to assess the performance of the new framework, particularly as there are still elements in development such as the introduction of IP&R.

#### **5. With respect to strategic water planning and its integration into the IP&R framework:**

- a. **Will LGNSW play a role in supporting councils taking part in the pilot program to trial IP&R-focussed approaches to local water utility strategic planning?**

#### **LGNSW Response**

Many councils and LWUs, such as those in the Central NSW Joint Organisation have expressed interest in using the Integrated Planning and Reporting (IP&R) framework as a vehicle for LWU strategic planning. The value of the IP&R framework is that it is a standardised and well understood approach to strategic planning and reporting is widely recognised by the local government sector. LGNSW supports trialling this approach in a pilot program.

- b. **How will the integration of strategic water planning into the IP&R framework simplify strategic planning activities and encourage uptake of strategic planning by water utilities?**

#### **LGNSW Response**

The main advantages in extending the IP&R framework to LWUs would seem to be the simplicity derived from consistency with overall council planning and council familiarity with this framework. Many councils have advised that it would be simpler than the Integrated Water Cycle Management (IWCM) framework that has been in use.

#### **6. What are examples of services that are undertaken by private contractors on behalf of publicly owned water utilities? What are the advantages of councils having flexibility to engage the private sector to provide those services when needed?**

### **LGNSW Response**

There are a wide range of services that might be engaged by LWUs and this will vary between LWUs depending on their respective needs and circumstances.

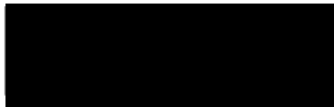
Examples could include:

- Laying of pipelines and construction of water and sewerage plant
- Construction of water storages
- Engineering design,
- Planning
- Environmental impact assessments
- Hydraulic studies
- Water and effluent testing requiring high level laboratory analysis.

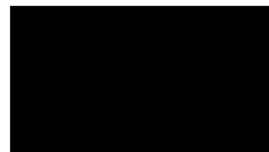
Typically, it will involve works, projects or functions that are over and above the business-as-usual activities of the LWU and the contractors will often be engaged on a short-term basis.

Thank you again for the opportunity to provide evidence to this inquiry. For further information, the committee secretariat is welcome to contact [REDACTED]

Yours sincerely

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**Cr Darriea Turley AM  
President**

A solid black rectangular box redacting the signature of Mr David Reynolds.

**Mr David Reynolds  
Chief Executive**