



## PARLIAMENT OF NEW SOUTH WALES

### Joint Select Committee on Protecting Local Water Utilities from Privatisation

#### Answers to supplementary questions: Central NSW Joint Organisation

1. Could you please provide some information about the regional strategic planning pilot CNSWJO established under the Town Water Risk Reduction Program? What were the outcomes/learnings from the pilot?

CNSWJO undertook a pilot of a regional approach to what was Integrated Water Cycle Management planning.

We did this because we know from previous work that 30% cost savings could be made and that there are other potential benefits including capacity building and enabling regional solutions by undertaking this work regionally where water does not recognise council boundaries.

Through the Pilot the collaboration formed the view that the way forward would be for strategic planning for LWUs to become part of the Integrated Planning and Reporting (IP&R) framework mandated and regulated under the Local Government Act.

CNSWJO was asked to put in a funding submission to DPE to progress this work. The Town Water Risk Reduction Program restructured and the upshot was that the JO is funding the way forward, taking our State partners with us on the journey. It would have been much more ideal for the State to invest in this work and its progression across the industry.

The IP&R work being progressed by CNSWJO will develop among other things a toolkit for broader dissemination through NSW. This work is near completion and should see implementation into the next round of IP&R starting this calendar year.

This region would welcome an opportunity to share the findings of the work we are doing on IP&R including the cost savings and other benefits identified above.

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

It is the view of the CNSWJO Board that there should be greater effort in supporting resource constrained water utilities rather than wasting time and money on the RAF when Councils have an effective and efficient regulatory framework under the Local Government Act. Adding more regulation will not help those LWUs who struggle with resourcing the existing framework.

The DPE should actively support Councils in transitioning their strategy into IP&R, based on ISO55,000 and then leave the regulation thereof to the OLG. There is an opportunity to leverage the regulated Audit Risk and Improvement framework under the Local Government Act to deliver assurance and improvement in LWU management. DPE could offer to provide free audits to council ARI Committees on water asset management and/or strategy. This would be far more effective and efficient.

This region has concerns that despite the Auditor General's Report and the good work of the TWRRP, little if anything has changed to date in terms of the controlling overreach of some DPE

staff. Culture eats strategy and the culture of the DPE is to view Councils as needing micromanagement.

The current experience is that goal posts change, Council resourcing of these strategies grow, costs for strategies blow out. Councils in this region report that there is little if any change to the sort of management that led to the extraordinarily scathing Auditor General's Report - [Support for regional town water infrastructure | Audit Office of New South Wales \(nsw.gov.au\)](#).

Given the current situation it is likely that the Board will receive a report seeking the Auditor General to intercede again as the RAF self evaluates and there is no independent arbiter LWUs can turn to for decisions made. For in depth feedback on this region's views on the TWRRP quality assurance framework please go to [case study \(nsw.gov.au\)](#). It would be interesting to see the extent to which this light touch quality assurance is being implemented where so often this sort of work becomes shelfware.

The real-life impact of the above is Orange and Bathurst, among others, being unable to progress the water security projects to better prepare for the next drought.

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

Right from its inception, the TWRRP set out to manage LWU risks – not to seriously navel gaze at their organisation to see what needed to change in response to the Auditor General's Report.

A great deal of work was commenced during the first to years of the TWRRP. This region was on the Stakeholder Advisory Panel. The governance of the program and the engagement with Councils was good.

A number of Pilots and Subcommittees commenced work in a variety of areas. The focus of the TWRRP was the Regulatory and Assurance Framework.

Through the two years CNSWJO formed the view that it would be preferable for the existing regulation and assurance under the Local Government Act to be leveraged rather than setting up a whole new and arguably duplicative framework. Supporting regional collaboration to better enable outcomes was also supported.

The TWRRP was subsumed into the broader Department and a number of initiatives languished – including the support for IP&R. This region, like the Auditor General, is of the view that planning for LWUs is critical and sees that the work on IP&R should continue.

"The Department of Planning, Industry and Environment has not effectively supported or overseen town water infrastructure planning in regional NSW since at least 2014. It has also lacked a strategic, evidence-based approach to target investments in town water infrastructure.

A continued focus on coordinating town water planning, investments and sector engagement is needed for the department to more effectively support, plan for and fund town water infrastructure, and work with Local Water Utilities to help avoid future shortages of safe water in regional towns and cities." Auditor General 2020

Another critical area commenced under the TWRRP was the training framework for LWU staff. This must continue as it is a serious problem that for 15 years has not been resolved. CNSWJO LWUs have the best trained operators in NSW – please go to this [CASE STUDY \(nsw.gov.au\)](#) which elucidates the challenges for LWUs in NSW in accessing quality training.

4. Could you explain how a community service obligation (CSO) funding model could help to better support local water utilities?

At the moment the rating of water utilities is on an either 75:25 or 60:40 basis where the larger number is based on consumption. This is a very challenging constraint on LWUs trying to sort financial sustainability. Interesting IPART has not constrained the State-Owned Corporation Essential Energy in this way for the provision of water for Broken Hill – indeed tax payers of NSW subsidise this supply in effect as a community service obligation.

LWU self-funding is augmented by State funding through a competitive framework and torturous processes. More detail can be provided on request. This process is such a significant disincentive that LWUs particularly the least resourced do not pursue funding in a timely manner. There is a significant backlog of infrastructure needing funding.

The provision of water for the communities of NSW should adopt a community service obligation framework that gives consideration to:

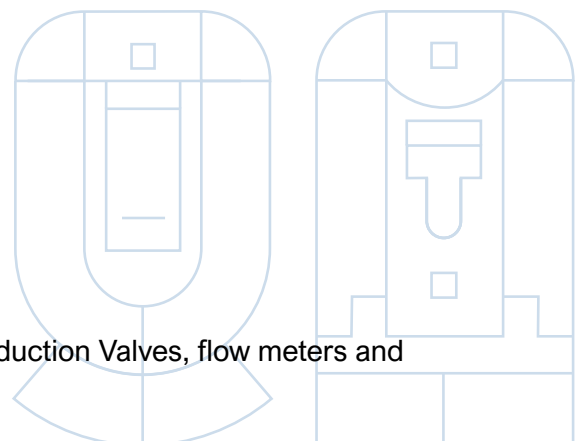
- Community needing to have control over its water supply;
- Economies of scale (or lack thereof);
- Remoteness;
- Population size;
- Secure water supply sources;
- Community ability to pay; and
- Levels of service considerations and obligations including regulation under health and the EPA.

The development of a CSO framework should include significant work with LWUs where the approach should be codesign – not bureaucrats assumptions about LWUs and ultimately creating a framework that runs the risk of not being fit for purpose. Any amount of examples can be provided of assumptions that have led to unfortunate outcomes for regional communities.

5. For councils in your region, what are some specific 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?

CNSWJO provided cost savings and other efficiencies to Councils by collaboratively procuring the following including but not limited to:

- Smoke testing
- CCTV camera use for asset assessment
- Dam surveillance
- IP&R embedment
- IWCM
- Regional Water Security Study
- Asset fair value
- Performance audits
- Save Water Alliance
- Various leak reduction devices including Pressure Reduction Valves, flow meters and monitoring equipment
- Training
- Pipe relining



For much of the above it is not cost effective and/or LWUs do not have inhouse resources to be able to deliver services at a certain point it time. Services needing private sector support vary LWU to LWU.

