



PARLIAMENT OF NEW SOUTH WALES

Joint Select Committee on Protecting Local Water Utilities from Privatisation

Supplementary questions: Riverina Eastern Regional Organisation of Councils

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

The Town Water Risk Reduction Program was established by the NSW Government to develop and implement a new approach of working together with Local Water Utilities (LWUs) across regional NSW. We believe that it has been successful in implementing a new approach for LWUs, as the team at TWRRP have pro-actively engaged with Local Government with the aim of co-designing solutions to issues that LWUs are facing.

The Program and associated Roadmap was developed to improve the regulatory framework, address critical skill shortages, encourage collaboration between LWUs, facilitate greater State government support, as well as investigating alternative government funding models.

The first phase of the Program was very successful resulting in the development of a new regulatory framework that was adopted in July 2022 which sought greater flexibility for LWUs to achieve key strategic objectives as well as the provision of a new Incident and Emergency management framework. Continued access and liaison with the Department has been greatly appreciated by our Member Councils.

The collaboration the TWRRP has created between State and Local Government as well as between councils has been very beneficial. It has also provided greater guidance on strategic planning.

Some of our Members have also noted improved access to training for council employees as one of the benefits derived from the Program.

REROC would support the continuance of the TWRRP as a conduit between LWUs and State regulators to ensure that continual improvement processes are delivered as identified within the new regulatory framework and that strategic focus is maintained and continues to be relevant for both the Department and LWUs. The new regulatory framework has committed to undertaking a performance review every 2 years on the associated guidance material and every 5 years of the full suite of regulatory documents. This identifies that the first review should be conducted within the current calendar year.

The operation of the TWRRP recognised the important role that LWUs play, and the need for State and Local Governments to work together to deliver quality services that meet the demands of the communities they represent. It has also underpinned a more strategic approach to the delivery of those services.

2. *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?*

Our Members agree that the new Framework provides greater transparency as to how the Department will regulate and assess an LWU's strategic outcomes. It is anticipated that it will relax some of the historically mandated requirements for LWUs that were unachievable for many as well as being very costly. We believe the reduced prescription of requirements will improve outcomes. In addition, our Members recognise the ability to consider the incorporation of the Framework into Council IP&R processes.

Some of our Members have been engaged in trying to achieve an approved IWCM for the past 5 years and are continuing to work towards a final strategy. The entire exercise is expected to stretch to 6 years and cost around \$500,000. It is hoped that the new Framework will result in more efficient outcomes.

The success of the Framework could be measured via the number of applications made under section 60 processes, what has been approved or disputed as part of the process including the time in which an application has first been made to when final approval was granted.

Goldenfields Water has advised that it recently submitted a section 60 application for a minor process change at one of its Water Treatment Plants; however, the application was not approved on the basis that full design and new asset specifications were required for review. Goldenfields Water were seeking to issue a Design and Construct (D&C) contract to the market, in order to seek a value for money outcome that does not restrict technological advances from limited design specialists. Goldenfields advises that it is unable to undertake a D&C process as the design must now be undertaken prior to issuing a construction contract rather than a total package. The failure of the section 60 process to accommodate procurement options for LWUs can significantly increase the delivery time and costs associated with major projects resulting in less efficient and effective outcomes.

Additionally, Goldenfields Water has raised concerns in relation to the guidance for dividend payments for water supply and sewerage services. Goldenfields Water does not believe the established dividend payment guides are an appropriate mechanism under the current operations of LWUs. Goldenfields has expressed concerns that the imposition of rate pegging on General Purpose (GP) councils acts as a driver for councils to seek alternative sources of revenue which could result in the distribution of dividends from underfunded LWUs.

There is currently no mechanism in the development assessment process that mandates the referral of development applications to NSW County Councils for consultation and concurrence where the proposed development may impact on the functions of a County Council. County Councils operate in the same way as Sydney Water or Hunter Water as a concurrent approval agency; however, County Councils are not supported by relevant legislation at the local government level. This means that development applications, and/or developments not requiring consent are only referred to County Councils on a discretionary basis. Given that the REROC Region is serviced by two County Councils, Goldenfields Water and Riverina Water our Members would like to see this anomaly addressed.

Our Members would also support the introduction of a mechanism within the Framework that allows for a formal request of legislative change and a dispute mechanism by which LWUs can seek support and independent review for any refusals of such requests. This process should also seek to include a timing requirement to ensure that any necessary changes that are requested are prioritised and accounted for.

3. Do you believe there are adequate measures in place to support LWUs during drought and other water supply and sewerage emergencies? What specific supports are needed to build drought resilience?

Our Members believe that thinking in this space should be expanded to address Disaster Risk Reduction overall, addressing preparation, response and recovery issues. REROC is working with the NSW Reconstruction Authority (RA) on improving Members' capacity in relation to Disaster Risk Reduction through a specifically funded project. The continued, reliable operation of LWUs both for sewerage and potable water services is imperative in any disaster situation.

While drought is not considered to be a natural disaster by RA it remains a significant issue for LWUs in regional and rural NSW. Whether it is drought or another form of disaster it is imperative that there are adequate planning approvals and funding in place to ensure risks of any shortfall in infrastructure or operating capacity are addressed.

We understand that the current risk priority mechanism under Safe & Secure funding is not adequate to address these issues or risks and does not fund operational opportunities/solutions. This funding mechanism is significantly underfunded to achieve the needs of our communities for future years and an additional mechanism is required to support LWUs with operational shortfalls.

We believe this issue is becoming critical in terms of timing to reduce the risks on communities during the next phase of emergency events.

4. For councils in your region, 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?

Our Members engage specialist contractors in the supply and installation of pumping and other infrastructure that is not readily available within council. Infrastructure breaks and repairs are usually carried out by councils in a timely manner, to ensure the lowest possible service downtime for customers.

Councils are often outsourcing technical knowledge and skills, utilising external engineering resources where needed for specialist expertise. This includes plumbing work for some councils where plumbers are not on staff. Councils are also sourcing services for water laboratory testing.

Large infrastructure projects are normally undertaken through a tendering process for major capital works construction. Increasingly, LWUs are using telemetry to improve efficiency and consequently are contracting external specialist telemetry and SCADA support teams where required, to assist in managing communications and automated control functions that cannot be fulfilled with internal resourcing.

LWUs require the flexibility to engage the private sector, as they are unable to compete with private industry for remuneration packages for maintaining internal staff, as well as removing the need to over resource operations to accommodate short periods of high capital delivery. LWUs often supplement their workforce with specialist consultants to deliver works that are not achievable internally.