

**EXAMINATION OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT  
REPORTS JUNE - DECEMBER 2020**

**Organisation:** Department of Planning, Industry and Environment (DPIE)  
**Date Received:** 2 June 2022

Our ref: V22/18#26

Your ref: D22/20416

Mr Greg Piper MP  
Chair, Public Accounts Committee  
Legislative Assembly  
Parliament of NSW  
Macquarie Street  
SYDNEY NSW 2000

PublicAccountsCommittee.PAC@parliament.nsw.gov.au

2 June 2022

Subject: Auditor-General's performance audit report - *Support for regional town water infrastructure* - Department of Planning and Environment (the department)

Dear Mr Piper

Thank you for your letter dated 19 May 2022 requesting further information on the department's progress on the NSW Auditor-General's seven recommendations made in the Performance Audit Report *Support for regional town water infrastructure* (September 2020).

The department continues to progress all seven recommendations as a priority through:

- Regional Water Strategies
- Town Water Risk Reduction Program
- Safe and Secure Water Program, and
- continual improvement activities across the Water Group.

The department continues to deliver these initiatives in consultation with the local water utility sector and is on track to complete all recommendations by December 2022 (refer Attachment A).

If you have any questions about the department's progress on the recommendations, please contact [REDACTED], Executive Director, Performance Division, Water Group on [REDACTED] or at: [REDACTED]

Yours sincerely

[REDACTED]

Mick Cassel  
Secretary, Department of Planning and Environment  
Encl. Summary of implementation and progress against recommendation

## Summary of implementation and progress against recommendations from the NSW Auditor-General's report Support for regional town water infrastructure - Department of Planning and Environment, Water Group

RECOMMENDATION		ACCEPTED OR REJECTED	REQUEST FROM THE PUBLIC ACCOUNTS COMMITTEE	STATUS (completed, on track, delayed) and COMMENT
1	As a matter of priority, the Department of Planning, Industry and Environment should: Develop and implement a clear policy and regulatory approach to overseeing and supporting LWUs. It should do this in consultation with the LWU sector.	Accepted	<ul style="list-style-type: none"> <li>Provide further information on the status of the draft roadmap, its publication schedule and whether timeframes outlined in the draft roadmap will be met</li> </ul>	<p>In March 2022, the Department of Planning and Environment (DPE) Water Group (the department) published our <a href="#">Consultation draft: Regulatory framework for local water utilities</a>, designed in collaboration with the local water utility (LWU) sector. The draft framework outlines a clear policy and regulatory approach to overseeing and supporting LWUs. We received submissions from over 25 stakeholders, including 18 public submissions available on our website. The department is currently considering those submissions, engaging with stakeholders on our proposed changes. We are on track to implement the new regulatory framework from 1 July 2022.</p> <p>The department published the <a href="#">final Roadmap to an improved regulatory framework for local water utilities</a> in October 2021. The department is implementing the roadmap, and actions have been delivered on time, including via publishing the draft regulatory framework in March 2022.</p>
			<ul style="list-style-type: none"> <li>Provide an update on the current progress of the Department's (Water Branch) engagement with the functions of the (former) Office of Local Government, and other LWU sector regulators, towards defining clear expectations for safe and secure water in NSW regional towns?</li> </ul>	<p>As part of the Town Water Risk Reduction Program the department convened the Local Water Utility Regulators Forum, with members from DPE Water, Office of Local Government, NSW Health, Environment Protection Authority, Natural Resources Access Regulator, Dams Safety NSW and IPART.</p> <p>The members of the forum are working together to identify actions to improve regulatory collaboration and coordination. In December 2021, the DPE Secretary endorsed the Local Water Utility Regulators Collaboration Framework, which was subsequently endorsed by IPART.</p> <p>Members of the forum are involved in the design of the department's new regulatory framework, including in agreeing a vision and objectives for the LWU sector (with other sector stakeholders), setting expectations for safe and secure water in NSW regional towns through the department's regulatory and assurance roles and other regulators' own regulatory frameworks.</p>
2	As a matter of priority, the Department of Planning, Industry	Accepted	<ul style="list-style-type: none"> <li>Provide an update on the Department's progress</li> </ul>	The department has amended the regional water strategy process to include an additional round of public consultation. The process now involves:

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<p>and Environment should: Address Coordination, timing and LWU sector engagement risks to integrating state-wide regional water planning with investments in town water infrastructure and risk reduction. This should include: Coordinating the development and continuous improvement of regional water strategies with current evidence of town water risks and investment priorities; ensuring consultations on regional water strategies provide adequate and transparent opportunities for LWUs' input about town water risks and proposals to resolve these; providing LWUs with timely access to its climate risk and water availability data and modelling approaches, as these become available.</p>		<p>towards finalising the twelve regional water strategies and releasing climate and water availability data to the LWU sector?</p>	<ul style="list-style-type: none"> <li>○ Publishing a draft regional water strategy with a long list of options</li> <li>○ Publishing a consultation paper with the shortlisted options</li> <li>○ Final regional water strategy and implementation plan.</li> </ul> <p>Progress on each region:</p> <ul style="list-style-type: none"> <li>○ Draft Western, Murray and Murrumbidgee regional water strategies have now been published, meaning that draft strategies for the entire state have been completed.</li> <li>○ A consultation paper with the shortlisted options has been published for: Border Rivers, Gwydir, North Coast and South Coast. Publication of the shortlisted options for the Far North Coast has been delayed, based on the advice of local councils and recognition of the more urgent priorities of local stakeholders following recent flooding.</li> <li>○ Options shortlisting and analysis is underway for the Namoi, Macquarie and Lachlan regions.</li> </ul> <p>The department is providing LWUs with access to its climate risk data on a trial basis to test the data. This trial includes the provision of data to Rous County Council and Namoi Councils Joint Organisation.</p> <p>The trial is contributing to the design, development and enhancement of public facing guidance for LWUs who are undertaking water security planning. This guidance will enable LWUs to best use the climate and water availability data when it is published for all water systems.</p> <p>Climate risk analysis for LWU systems is being conducted for the Lachlan, Macquarie and Namoi regions. Councils are providing advice on the assumptions being used to analyse water security risks. The final analysis will be shared with all councils.</p> <p>The department is continuing to work on a data sharing platform to enable its climate risk analysis to be shared publicly. A version of the data sharing platform is currently being piloted.</p>

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		<ul style="list-style-type: none"> <li>Clarify what is meant by the 'next version' of these strategies?</li> </ul>	<p>The draft regional water strategies included a long list of options that could help address water related challenges in the region.</p> <p>A range of stakeholders, in addition to LWUs, have requested to be more involved in the shortlisting and prioritisation of options. To address this, we will do a second round of consultation before final decisions are made on the prioritisation of options.</p> <p>The 'next version' will include a shortlist of actions. The department's process to get to the short list includes more specific analysis on town water security risks and what options could go towards addressing these risks. LWUs will have opportunities to provide input into the next version before they are published. This process helps to make sure the regional level strategic plan is integrated with local level planning.</p> <p>The strategies will be finalised after this second round of consultation.</p>
		<ul style="list-style-type: none"> <li>Provide further information about mechanisms to coordinate/ integrate town water infrastructure priorities, and how this relates to evidence of town water risks, and the role of the recently established Water Infrastructure NSW (as referred to in Department's response)?</li> </ul>	<p>LWU strategic planning should consider regional water strategy outputs and vice-versa. The department is working closely with LWUs, councils and Joint Organisations on the development of the regional water strategies to ensure that councils have ample opportunity to input and provide direction to the planning outcomes and priorities.</p> <p>Water Infrastructure NSW, as part of the department, is responsible for leading the development and delivery of key government water infrastructure programs and projects across the state. Water Infrastructure NSW also provide support to LWUs that are seeking Commonwealth Government funding from the National Water Grid Fund for projects that meet the criteria set out in the National Water Grid Investment Framework. Since Water Infrastructure NSW was established, seven projects led by LWUs have received funding from the National Water Grid Fund, totalling over \$90 million. Over 40 LWUs have received co-funding from the Safe and Secure Water Program for their LWU strategic planning (IWCM Strategy) or regional town water strategy.</p>

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3	By 31 October 2021, the Department of Planning, Industry and Environment should: Design and commence implementation of an outcomes-focused approach to its oversight and support of LWUs' Integrated Water Cycle Management (IWCM) planning, supported by: a) clear definitions, assessment criteria, procedures and timeframes for the assessment of IWCM planning instruments. b) accurate data to monitor and publicly report on IWCM planning and implementation status. c) assistance to LWUs to procure value-for-money IWCM planning services, including enabling joint or regional approaches.	Accepted	<ul style="list-style-type: none"> <li>Provide further clarification regarding how the Department is providing sufficient support to LWUs.</li> </ul>	Since the Auditor General's recommendations were made, the department has boosted the number of staff that are dedicated to the support of LWUs. These resources have been allocated to the DPE Water Regional Water Utilities team. This expanded team provides a dedicated point of contact for the LWUs seeking support.
			<ul style="list-style-type: none"> <li>Provide further clarification regarding how the Department is: managing risks under its existing regulatory regime (e.g., ensuring clear and timely assessments of IWCM plans) until it finalises and starts to implement the reformed approach?</li> </ul>	<p>Since the Auditor General's recommendations were made, the department has also boosted the resources dedicated to the review (and technical support) of LWU strategic planning. This boost in resources has seen an increase in the number of local water strategic planning activities being reviewed and endorsed by the department. This increase in the number of LWUs strategic plans being reviewed or finalised is reported publicly via a dashboard on the department's website:  <a href="https://www.industry.nsw.gov.au/water/water-utilities/best-practice-mgmt/iwcm/planning-status">https://www.industry.nsw.gov.au/water/water-utilities/best-practice-mgmt/iwcm/planning-status</a>.</p> <p>Through the Town Water Risk Reduction Program, the department is piloting a variety of alternate and flexible approaches to LWU strategic planning. These pilots are currently active and will progressively feed insights into the new approach for assurance of LWU strategic planning and department's guidance, systems, and processes.</p> <p>The department has also recently developed a transition plan for its assurance of LWU strategic planning. The department is in the process of communicating this transition plan and implications of this plan to LWUs. A central principle of the transitional plan is "no disadvantage" to LWUs currently undertaking strategic planning under the former framework.</p>
4	By October 2021, the Department of Planning, Industry and Environment should: Improve the administration and transparency of its LWU oversight, support and funding activities. At a minimum, the	Accepted	<ul style="list-style-type: none"> <li>Provide specific information about what improvements to transparency and accountability the Department has delivered to date, and what activities are planned?</li> </ul>	<p>Since the Auditor General's recommendations were made, the department has prepared new guidance to support LWU strategic planning and operations. This includes improvements to guidance provided to LWUs on water access and use licencing and approvals as well as guidance on water security planning undertaken by LWUs.</p> <p>The department has also improved the public reporting of regulatory activities including a register of progress made to LWU strategic planning</p>

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<p>requirements of the New South Wales' State Records Act 1998 should be met. Actions should also involve implementing: clear procedures for key decision-making points and for quality improvement and assurance processes; clear procedures that delineate the delivery of its regulatory and support activities, including to identify and resolve conflicting duties; an evidence-based approach to targeting engagement with the LWU sector; customer and outcomes-focused metrics to measure impact.</p>			<p>and the department's infrastructure approvals, made under section 60 of the <i>Local Government Act</i>.</p> <p>NSW Water Strategy (NWS) released in August 2021 includes guiding principles of Open Data and to achieve transparency and accountability.</p> <p>In March 2021, the department published the Open Data Roadmap for the department's future data release and publication, including regional water strategy data that is relevant and useful for LWU strategic planning, and is an action in the Roadmap to an improved regulatory framework for LWUs.</p> <p>The department has commenced a pilot program designed to share models, data, and model outputs with LWUs.</p> <p>The department has commenced the iterative release of Open Data sets on the SEED Portal (<a href="https://seed.nsw.gov.au">SEED.nsw.gov.au</a>) and other data sharing platforms.</p> <p>To support these activities, a new Data and Information team has been established in the Water group led by a Director for Data &amp; Information Knowledge Information and Communications Technology.</p>
		<ul style="list-style-type: none"> <li>Provide further information about what work the Department has undertaken, or plans to undertake, to improve record keeping and data collection with respect to its regulatory activities?</li> </ul>	<p>As a part of the implementation of the new regulatory and assurance framework for LWU, the department is developing external and internal guidance as well as improved processes and procedures. Appropriate records management processes and systems are core components of the department's new regulatory and assurance framework.</p> <p>Records Management responsibilities for DPE Water are led by the Senior Responsible Officer, who reports to the Chief Knowledge Officer.</p> <p>A Records Management Assessment has been completed to assess the maturity of records and information management of DPE Water under the <i>State Records Act 1998</i>, with Assessment outcomes to inform future improvements.</p>
5	Accepted	<ul style="list-style-type: none"> <li>Clarify how activities in the Town Water Risk Reduction Program will be coordinated</li> </ul>	<p>Under the Safe and Secure Water Program, the NSW Government's investments in water infrastructure projects are allocated to LWUs based on a robust, transparent, risk-based approach, for investments in water and</p>

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<p>investment prioritisation and regulatory approaches to improving town water outcomes. This should include arrangements for: coordinating LWU sector engagement with whole-of-government priorities and approaches to partnering with Local Government; promoting interagency coordination on LWU sector regulation issues across town water security, quality and environmental risks.</p>		<p>with (or support governance with respect to) the Department's other strategic water planning activities, and the NSW. Government's water infrastructure related investment, by providing:</p> <ul style="list-style-type: none"> <li>- further information about governance arrangements, including what arrangements are intended to achieve coordinated strategic water planning and investment prioritisation;</li> <li>- an update on the Department's progress on its collaboration with other regulators; and</li> <li>- further details on what strategies are in place to promote a whole-of-government approach to LWU regulation?</li> </ul>	<p>wastewater treatment, and to secure town water supplies for future droughts.</p> <p>The risk framework quantifies all risks across water security, water quality and environment (sewerage systems) and assigns a score of 1 (very low) to 5 (very high) to determine its priority.</p> <p>Available funding has been allocated to very high risks (scored 5) as a co-contribution on the basis of community affordability using a socio-economic ranking.</p> <p>LWUs can review and provide feedback on the risk assessment and request a reassessment of the risk.</p> <p>As part of the Town Water Risk Reduction Program the department convened the Local Water Utility Regulators Forum, with members from DPE Water, Office of Local Government, NSW Health, Environment Protection Authority, Natural Resources Access Regulator, Dams Safety NSW and IPART.</p> <p>The members of the forum are working together to identify actions to improve regulatory collaboration and coordination. In December 2021, the DPE Secretary endorsed the Local Water Utility Regulators Collaboration Framework, which was subsequently endorsed by IPART.</p> <p>Regulators are working together to remove duplication. For LWU performance monitoring, regulators have committed to removing duplication and inconsistencies by:</p> <ul style="list-style-type: none"> <li>- accessing information reported by LWUs to other regulators and government agencies, and</li> <li>- sharing information reported by LWUs with other regulators and government agencies.</li> </ul> <p>This sharing and access will be subject to the limitations of any personal privacy considerations or due process requirements of compliance prosecutions being undertaken by a regulator.</p>



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				The department has also developed a process for LWUs to raise concerns about duplication. This process is included in the new regulatory framework.
6	By October 2021, formalise consultative arrangements with the LWU sector that better enables collaboration and at a minimum: delivers clear and consistent communications about its regulatory purpose, oversight activities and supports especially related to IWCM planning, and funding activities; ensures LWU feedback is actively sought, documented and considered in its design and delivery of regulatory approaches, planning guidelines and funding programs.	Accepted	<ul style="list-style-type: none"> <li>Provide further clarification on the status/formalisation of consultative arrangements with the LWU sector and the role of Water Infrastructure NSW in sector engagement?</li> </ul>	<p>The department's Town Water Risk Reduction Program's Stakeholder Advisory Panel includes representative from across the LWU sector to recognise and leverage the wealth of expertise within councils, LWUs, relevant government agencies and the private sector.</p> <p>The Panel meets monthly and is used to advise, help design, facilitate and refine the program and to identify broader engagement opportunities. The Panel is used by the Water Group to test our approach in other areas relevant to LWUs including, the Safe and Secure Water Program, data from regional water strategies, secure yield analysis, water efficiency and leakage programs.</p> <p>The Town Water Risk Reduction Program has also created targeted collaboration groups to design the regulatory framework, improve access to skills and training and enhance incident and emergency management. Over 50 people actively participate in the collaboration groups. These groups have regular meeting schedules, generally meeting monthly.</p> <p>The Town Water Risk Reduction Program has engaged with 85% of NSW LWUs and communicated with 100%.</p> <p>Water Infrastructure NSW engages with LWUs as part of managing grants provided under the Safe and Secure Water, Drought and Emergency Relief programs. This engagement is focussed on grants management and administration.</p> <p>In addition, CEO NSW Water Sector actively engages with LWUs on behalf of DPE Water through regular meetings with joint organisations of councils and councils and through his participation in major stakeholder meetings such as the Local Government Water Conference in Narrabri in February 2002.</p>

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			<ul style="list-style-type: none"> <li>Provide further information about what evidence (including feedback and evidence provided the LWU sector) has informed the design of current town water infrastructure funding programs?</li> </ul>	<p>The \$1 billion Safe and Secure Water Program provides NSW Government co-funding to help regional towns remove risks and issues to water quality, water security, and environment.</p> <p>Grant funding is provided to LWUs based on a robust, transparent, risk-based approach, for investments in water and wastewater treatment, and to secure town water supplies for future droughts.</p> <p>A risk framework quantifies all risks across water security, water quality and environment (sewerage systems) and assigns a score of 1 (very low) to 5 (very high) to determine its priority.</p> <p>Available funding has been allocated to very high risks (scored 5) as a co-contribution on the basis of community affordability using a socio-economic ranking.</p> <p>LWUs are able to review and provide feedback on the risk assessment and request a reassessment of the risk.</p>
7	On an ongoing basis, the Department of Planning, Industry and Environment should: - Monitor and evaluate its investments in town water risk reduction and infrastructure funding to improve transparency and enable the department to identify outcomes and the contributions of its investments towards its policy goals. This should include: maintaining accurate data on the status of Safe and Secure Water Program (SSWPv1) projects, supported by formal information sharing with Infrastructure NSW; updating	Accepted	<ul style="list-style-type: none"> <li>Provide further information on what work is underway so that the Department can monitor and evaluate investments in town water risk reduction activities and infrastructure?</li> <li>Provide further details on the funds allocated to the Safe and Secure Water Program, and whether the Department has evidence to support whether these funds are expected to be sufficient to deliver the intended outcomes?</li> </ul>	<p>The department's Safe and Secure Water Program Benefit Realisation Management Strategy and Evaluation Plan are designed to ensure that appropriate frameworks are in place to monitor and evaluate investments made under the program.</p> <p>The \$1 billion Safe and Secure Water Program provides NSW Government co-funding to help regional towns remove risks and issues to water quality, water security, and environment.</p> <p>There are almost 1,100 known water security, quality or environmental risks identified within the 92 regional councils and LWUs that the Safe and Secure Water Program supports.</p> <p>Of these risks, the Safe and Secure Water Program funding has been fully allocated to projects specifically designed to address the highest risks to help those regional towns remove significant risks and issues to water quality,</p>

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and implementing a monitoring and evaluation plan for the SSWPv2; monitoring the status and resolution of cross-LWU boundary town water risks.			water security, and environment. Projects scopes are tested to ensuring funding is sufficient to deliver the intended outcomes.  Future funding will be required, and is being sought, to support the resolution of remaining high risk water quality, water security, and environment. risks across regional NSW.