

# Town Water Risk Reduction Program

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Stakeholder Advisory Panel meeting #20

21 September 2022

# Acknowledgement of country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.



# What we will cover today

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# Safety reflection

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# Administrative matters and declarations of conflicts of interest

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# Declarations of interest

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- **Cr Bill West** – Cowra Shire Council – TWRRP IWCM Pilot
- **Ms Jenny Bennett** – Central NSW JO – Regional approach to local water utility through IP&R - strategic planning pilot project
- **Dr Annalisa Contos** – Atom Consulting – Griffith City Council IWCM pilot, Incident and emergency management project; Strategic planning guidance for understanding other key risks and challenges

Actions arising from  
previous meeting

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# Actions arising from previous meeting

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- **Action 19.1** Panel members to confirm with Nanda Altavilla if they want to be invited to the next Focus Group meeting on skills and training - **Complete**
- **Action 19.2** Panel members provide feedback to Glen Colley on the draft Town Water Risk Reduction Program evaluation - **Complete**

# Dam Safety pilot evaluation- update

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# Dam Safety pilot – overview and purpose



- **Participants:** Clarence Valley, Orange City, and Tamworth Regional Councils.
- **Purpose:** For WaterNSW to identify and develop strategies and specific, achievable time-based plans to improve regional local water utility dam safety compliance and asset risk management performance.
- Specifically, WaterNSW is using its dam safety expertise and established relationships with consultants and technical experts within the dam industry to:
  - build a deeper understanding of each local water utility’s current dam safety maturity and factors contributing to this current state
  - develop improvement plans to lift compliance and ongoing performance
  - provide preliminary costs for improvement plans based on low, medium, and high levels of local water utility performance
  - use aggregated data from the maturity audit to develop a potential State-wide model.

# Dam Safety pilot – overview and purpose

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## The pilot will help inform:

- DPE Water's understanding of the options available to lift the dam safety compliance and performance of regional local water utilities,
- WaterNSW's understanding of whether the needs of local water utilities and the identified improvement plans align with the businesses competencies/capabilities and make WaterNSW a logical delivery partner.

# Dam Safety pilot - deliverables

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- WaterNSW will deliver for each participating council:
  - a maturity assessment (summary) report and
  - an Improvement Plan outlining recommended key priorities for the councils to consider, including estimates on what each would cost to deliver.
- At the time of evaluation (late August 2022), Improvement Plans were still being finalised. Key findings presented later in this presentation will be reviewed in consultation with the pilot councils following delivery of the Improvement Plans by WaterNSW.

# Evaluation - overview

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- Took place over two weeks in mid - late August 2022
- Included interviews with staff from the three pilot councils and WaterNSW Dam Safety team.
- Focus was similar to the evaluation undertaken by Aither for the overall TWRRP:
  - appropriateness of pilot design
  - efficiency in delivery
  - effectiveness in delivering actions/outputs
  - effectiveness in achievement of outcomes.

# Evaluation – key findings

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- All participating councils agreed that the WaterNSW dam safety pilot was worthwhile and would recommend that it continues in a form that incorporates pilot learnings.
- The pilot has successfully built increased dam safety capacity in the participating councils, through:
  - improved understanding of dam safety risks,
  - agreed strategies for councils to address their risks and non-compliances with dam safety regulations, and
  - by increasing utilities' decision-makers' understanding of dam safety risks.

# Evaluation – key findings

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- All participating councils said that:
  - the pilot was delivered well and exceeded their expectations, and
  - a future program would benefit from more time in some stages of the program, (e.g. discussions about documenting and finalising improvement plans).
- Following the pilot WaterNSW has a much better understanding of councils' dam safety performance gaps, competing priorities and resourcing limits to inform more efficient design and delivery of a more wide-ranging potential support program.
- The councils who participated in the pilot may not be representative of all local water utilities, demographically. This may mean that there are some additional challenges to be addressed in the delivery of a future program to councils of a different size and/or capability.

# Evaluation – next steps

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- Pilot councils and WaterNSW to review evaluation report findings following completion of Improvement Plans - mid September.
- Aither to review TWRRP evaluation process (quality assurance) – late September.
- Evaluation report to inform recommendations to Government – early October.

# Operations - update

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# Strategic planning pilots - update

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# Strategic planning pilots - update

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## Recap:

- In mid 2021, the TWRRP called for expressions of interest to co-design components of the new framework.
- The intention of the pilot projects was to explore alternate approaches to regulating, facilitating and supporting local water utilities strategic planning for urban water services.
- Learnings from the projects will feed into the development and implementation process for the new regulatory framework.
- The pilot projects are varied. Some focus on components of their specific integrated water cycle management processes, often within the IWCM framework. Other pilots are exploring integration, collaboration and regionalisation.

# Strategic planning pilots - update



Focus Area	Council / LWU involved	Difference	Current status / Learning
<p>Co-design and test different and flexible approaches to regulating local water utility strategic planning</p> <ul style="list-style-type: none"> <li>• Council led process</li> <li>• Testing approaches to facilitate more outcomes focused and flexible regulation of strategic planning</li> </ul>	Cowra Shire Council	Test a more flexible approach to address scenario and options analysis in a much more streamlined way.	<ul style="list-style-type: none"> <li>• Final IWCM options and scenario analysis currently underway.</li> <li>• Detailed IWCM issues paper requirements resulted in delays, impacting start of options analysis.</li> </ul>
	Griffith City Council	Streamlined IWCM strategy relevant to local community/ council needs	<ul style="list-style-type: none"> <li>• Funding deed signed in July.</li> <li>• Kick off meetings in August/September.</li> <li>• Multistage concurrence process delayed commencement.</li> </ul>
	DPE, Shoalhaven Water & Bega Valley Shire Council	User perspective exercise for asset management, financial planning and pricing needs	<ul style="list-style-type: none"> <li>• DPE Water survey &amp; council staff workshop in June.</li> <li>• Draft report distributed for comment in September.</li> <li>• Learnings regarding asset management approach to inform regulatory and assurance framework implementation.</li> </ul>

# Strategic planning pilots - update

Focus Area	Council / LWU involved	Difference	Current status / Learning
<p>Co-design and test regional approaches to strategic planning</p> <ul style="list-style-type: none"> <li>Regional town water strategies</li> <li>Testing approaches to facilitate more outcomes focused and flexible regulation of strategic planning</li> </ul>	Central NSW JO	Co-design through a workshop with Central NSW JO councils, DPIE Water and NSW Health, an overview of what a regional approach to strategic planning could look like	<ul style="list-style-type: none"> <li>Report approved by JO Chair in early September.</li> <li>Final report on TWRRP webpage by end of September.</li> <li>Has informed IP&amp;R guidance and will inform implementation of regulatory and assurance framework.</li> </ul>
	Namoi JO (as part of the development of the JO led regional town water strategy)	<ul style="list-style-type: none"> <li>Test more outcomes-focused and flexible expectations on demand analysis</li> <li>Case study for the development of updated secure yield analysis guidance, including how to apply regional water strategy' modelling</li> <li>Also testing new approach to secure yield analysis.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> <li>Contributed to draft guidance material on secure yield analysis and regional water strategy</li> <li>Contributed to development of guidance on demand analysis</li> </ul>

# Strategic planning pilots - update

Focus Area	Council / LWU involved	Difference	Current status / Learning
<p>Test new approaches to secure yield analysis</p> <ul style="list-style-type: none"> <li>• Use climate data and models from Regional Water Strategies</li> <li>• Trialing interim guidance for secure yield analysis for town water scheme on regulated river systems</li> <li>• Trialing guidance document – Groundwater investigations for existing water schemes</li> </ul>	<p>Cabonne, Orange and Central Tablelands Water</p>	<p>Secure yield analyses for subregional town water strategic plan. Regulated river systems &amp; existing groundwater</p>	<ul style="list-style-type: none"> <li>• Scope redefined following release of new interim guidance</li> <li>• Draft SSWP funding deed imminent</li> <li>• Multi stage concurrence process issues to inform regulatory and assurance framework implementation</li> </ul>
	<p>Narromine Council</p>	<p>Water security options Existing groundwater and new alternate regulated river system</p>	<ul style="list-style-type: none"> <li>• Scope redefined and RFQs issued following consultation with Water Utilities Branch.</li> <li>• Multi stage concurrence process issues to inform regulatory and assurance framework implementation</li> </ul>

# Strategic Planning pilot projects - update

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## **Pilot project learnings:**

- Opportunities to inform the scoping and assessment of strategic planning under the outcomes based approach of the Regulatory and Assurance framework and the Safe and Secure Water Program (SSWP).
- Strategic planning funding is not always building capacity in councils.
  - Generally councils engage consultants to undertake strategic planning.
  - Limited skills development, council technical staff may be underutilised.
- Better coordination between DPE Water teams (e.g. Water Utilities Branch, Regional Water Strategies teams) in project management can lead to enhanced collaboration on strategic planning projects and improve outcomes.

- **How do we feed the learnings from the pilots into the regulatory improvement process?**
  - In implementing the new regulatory framework and enhancing the department's advisory role – e.g. informing the development of internal assessment processes.
  - Safe and Secure Water Program guidance – defining what information local water utilities need to know, and how this is communicated to them.

# Strategic Planning pilot projects – evaluation

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- Aither developed a pilot evaluation framework (incl. evaluation/communication plan template and suggested evaluation questions) – tailored by TWRRP for each pilot.
- Interviews have been held for four pilots: Cowra, Griffith, Narromine and Cabonne/Orange/CTW.
- Interview still to be conducted for Namoi JO Regional Town Water Strategy.
- Staff from the department’s Local Water Utilities team and WINSW Grant Management Office who participated have been asked to complete a survey.
- Evaluation to be finalised by the end of September.

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**Note: This reflects LWU feedback only.**

- Participants were motivated by the opportunity to try a tailored approach to strategic planning but also wanted to inform the improvement of the regulatory framework – general disappointment that more progress wasn't made due to prolonged scoping.
  - For three pilots, the participants felt the scoping process had delivered a fair outcome but took too long.
  - The SSWP strategic planning funding process was not clear – interaction between WINSW and the department in relation to scoping, expected timeframes and approval should be better communicated to applicants.
  - Two pilots reported accepting departmental changes when they felt it was not in the spirit of a reduced scope, so as not to further delay/risk the pilot not going ahead.
  - All are focussed on implementation but have a high expectation that the department would not seek further changes to their scope during implementation.
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# Pricing guidelines - update

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# Pricing guidelines – update

- Draft guidance on the strategic planning assurance outcomes on sound pricing and prudent financial management are expected to be published in late September.
- The TWRRP will issue publicly the guidance as draft, inviting feedback from the sector, before finalising and issuing a final version at the end of October.
- The guidance provides comprehensive assurance expectations, including that prices:
  - recover efficient costs of providing water and sewerage services to customers
  - are structured to promote efficient investment and consumption decisions, including the efficient and sustainable provision and use of water and sewerage services
  - are fair and equitable and reasonably stable over time.
- The guidance was developed with strong input from the TWRRP pricing and financial management focus team, which includes stakeholders from across the local water utility sector.

# Pricing guidelines – update

- Key assurance expectations include:
  - A local water utility should achieve at least lower bound pricing and move to upper bound pricing where practicable, to recover its efficient costs (revenue requirement).
  - If a local water utility is unlikely to achieve full cost recovery from its' prices in the long-term, it should report the size and source of any Community Service Obligation payment or subsidy to its water or sewerage services, and consider arrangements for removing the need for an ongoing CSO over time.
  - A local water utility should establish 4-year pricing paths (periods) for its water and sewerage services, unless there is a case otherwise.
  - A local water utility should seek to ensure there is long-term price stability.

# Pricing guidelines – update

- Key assurance expectations include:
  - A local water utility should apply two-part water tariffs for all customers and two-part sewerage tariffs at least for non-residential customers, to recover its revenue requirement.
  - A local water utility should set its water usage price with reference to its Long Run Marginal Cost (LRMC) of water supply, or to recover 50-75% of its residential revenue from variable pricing (depending the local water utilities circumstances).
  - The local water utility should set its water and sewerage developer charges consistent with the methodology and procedural requirements in the Department’s developer charges guidelines, to recover its additional costs of providing water and sewerage services to new development.
  - The local water utility should establish and maintain accounting separation from the rest of the council’s operations.

# Incident and emergency management guidance - update

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# Incident and emergency management guidance - update

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- TWRRP engaged Atom Consulting and developed the Incident and Emergency Management Framework for local water utilities in 2022.
- Consultation and feedback highlighted need for further development – particularly interface between utility and NSW emergency management
- Scope of development extended to include case studies of incident responses by local water utilities, and final development workshop with focus group and those who made submissions - Oct/Nov 2022
- Further engagement with NSW Government agencies, Resilience NSW and Public Works Advisory.
- Final product aims to guide utilities in preparing and planning for incidents (including exercises) and raising response teams. Expected by end of 2022.

Other matters raised by  
Panel members

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Next meeting and a look  
ahead

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Items for noting

12

# A

## Guidance and internal process development - update

# Guidance development – Strategic planning assurance outcomes



Strategic planning assurance	Delivery	Status
<i>Strategic planning outcomes</i>		
Understanding water security	TWRRP, DPE Water Utilities team	Progressing
Understanding water quality	TWRRP and NSW Health	Progressing
Understanding environmental impacts	TWRRP and EPA	Progressing
Understanding system capacity, capability and efficiency	External service provider (Stantec/Cardno)	Progressing
Understanding other key risks and challenges	External service provider (Atom with Stantec/Cardno)	Progressing
Understanding solutions to deliver services	External service provider (Frontier Economics)	Progressing
Understanding resourcing needs	External service provider (Frontier Economics)	Progressing
Understanding service needs (customers) and revenue sources	External service provider (Frontier Economics)	Progressing
Make and implement sound strategic decisions	External service provider (Frontier Economics)	Progressing
Implement sound pricing and prudent financial management	External service provider (Frontier Economics)	Finalising for public draft
Promote integrated water cycle management	DPE Water Utilities team	Progressing

# Guidance/internal process development – Strategic planning



Strategic planning	Delivery	Status
<i>Additional strategic planning guidance</i>		
Using the IP&R framework for local water utility strategic planning	TWRRP	Delivered
Incident and emergency management guidance for strategic planning	External service provider	Pending development after consultation on proposed incident and emergency management framework
<i>Strategic planning assurance</i>		
Strategic planning assurance – internal process	External service provider (AECOM)	Progressing

# Guidance/internal process development



Approval of works (section 60)	Delivery	Status
Approval of works (s60) - Guidance	External service provider (Arup)	Executive approval progressing
Approval of works (s60) - Internal process	External service provider (Arup)	Executive approval progressing
Approval of works (s60) – Application portal and IT system	TWRRP & Water Knowledge Division	Delivered (minimum viable product).

Other internal to support implementation	Delivery	Status
Internal quality assurance – Report for implementation	External service provider (Nous)	Delivered. Consultation close. Expected final in early September.
Internal ways of working – Report for implementation	External service provider (Nous)	Delivered

# B



## Strategic planning transition - update

# Overview of the strategic planning implementation process

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- Departmental commitment to ensure that local water utilities progressing an IWCM strategy are not disadvantaged by the new framework.
- Commencement of the strategic planning assurance process deferred until 1 December 2022 to:
  - Ensure local water utilities understand the new strategic planning approach (and where existing IWCM focussed work fits in)
  - Develop departmental guidance and procedures and revise SSWP guidelines to align with the new framework
  - Ensure communication with local water utilities about the above occurs in a consistent transparent and consistent way.

# The department's commitment

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- Engage with all local water utilities that currently have in place or are in the process of developing an IWCM strategy, including those funded under the SSWP for this purpose.
- Work with these utilities individually to develop a clear transition program.
- This will involve the offer of meetings with members of the Town Water Risk Reduction Program and Local Water Utilities teams, as well as Water Infrastructure NSW's SSWP team where necessary, to tailor transition to local circumstances.

# What the department has done so far

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- Internal regional meetings - Regional Engineers, Managers and Policy team reps, as well as a Safe and Secure Water Program (SSWP) rep - to determine where LWUs are up to in relation to strategic planning and prioritise contact.
- An internal workshop involving Directors to drive consistency across departmental teams in relation to messaging to local water utilities.
- Responding to ongoing contact from councils wanting more information.
- Working on standardising the information we provide to local water utilities, and ensuring all relevant departmental teams are involved in conversations about transition.
- Outcomes guidance is currently in development – due by the end of October (see Attachment A for further information).

# Next steps

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- By end of September - the department will contact all local water utilities currently in the SSWP strategic planning funding pipeline – “Priority A” utilities (i.e. those with an active deed or who have in-principle approval for funding) to ensure:
  - the LWU understands where their current SSWP funded IWCM strategy project fits into the new framework (whether in delivery or in scoping), and
  - the department understands how each LWU intends to progress, (and whether adjustments to existing SSWP funding agreements are required).
- By 1 December, the department will do the same for “Priority B” councils (i.e. those not in the SSWP strategic planning funding pipeline).

# Next steps

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By the end of October:

- Outcomes guidance, delivered by TWRRP
- Internal processes for strategic planning assurance process, delivered by TWRRP
- SSWP funding guidance as well as internal SSWP scoping and assessment processes, delivered by WINSW

# C

## Engagement summary

# B. TWRRP engagement summary August/September 2022



Date	Who we met with	Issues covered
23 August	Orange City Council	Potential IP&R pilot
29 August	County Council General Managers	Wide ranging discussion about issues facing county council local water utilities, including update on Town Water Risk Reduction Program activities.
29 August	WaterNSW	Monthly meeting about TWRRP/WaterNSW pilots
29 August	EPA, NSW Health	Water supply risks East Wagga borefield. TWRRP team joined by DPE Water colleagues from the Operations Division and Knowledge Division
29 August	Central NSW JO	Potential IP&R pilot
30 August	TWRRP Pricing and Financial Management Focus Team	Guidance – Pricing and Financial Management strategic planning outcome; proposed dividend methodology review.
31 August	DPE Infrastructure policy team	DA notifications for county councils

# B. TWRRP engagement summary August/September 2022



Date	Who we met with	Issues covered
1 September	LGNSW/Water Directorate/DPE Water liaison meeting	Update on Town Water Risk Reduction Program
14 September	Queensland Department of Regional Development, Manufacturing and Water	Update on Town Water Risk Reduction Program
19 September	Whitehead and Associates	Update of Onsite Sewage Management System guideline
20 September	Hay Regional Council	WaterNSW river operations pilot with Hay Regional Council Update on Town Water Risk Reduction Program

# Town Water Risk Reduction Program

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