



01 OCT 2015

UNCLASSIFIED

To Minister for the Environment

From Director-General *[Signature]* 1/10/15.
 Deputy Director-General Planning
 A/g Executive Director, Environment *[Signature]* 30/9/15.

Subject Update on Water Sensitive Urban Design Review, Priority Project 2: Alternative management and funding models for sustainable maintenance of water sensitive urban design assets

Critical Date In the normal course of business

Critical Reason N/A

Purpose

1. To inform you of the progress of Priority Project 2 from the Water Sensitive Urban Design Review, namely, *"Alternative management and funding models for sustainable maintenance of water sensitive urban design assets"*.

Background

2. On 1 August 2014, you released the ACT Government Water Sensitive Urban Design Review Report ('WSUD Review Report'). The report provides a summary of the findings and recommendations of the review into Water Sensitive Urban Design (WSUD) in the ACT.
3. Ministerial Brief 15/10805 (Attachment A) provided you information on Priority Project 2: *"Alternative management and funding models for sustainable maintenance of water sensitive urban design assets"* ('Alternative Management and Funding Models') which required that "EPD, TAMS and CMTEDD work together to investigate alternative management and funding models for sustainable maintenance of WSUD assets, informed by cost-benefit analysis".
4. On 7 July 2014, Cabinet agreed that the Minister for Planning take carriage of Priority Project 2: *"Alternative management and funding models"* and consider it in conjunction with cost pressures as per Cabinet Decision (14/122). Cabinet however requested that you bring back to Cabinet an information paper, to further inform Cabinet about the issues.
5. EPD has commissioned Marsden Jacob Associates to provide a study regarding alternative funding and management models for sustainable maintenance of WSUD assets / stormwater water quality infrastructure.

Issues**Cabinet Process (15/180)**

6. Ministerial Brief 15/10805 originally proposed a Cabinet date of 20 October 2015 for

Performance Assessment

DUE DATE:/...../..... DATE RECEIVED:...../...../.....

SATISFACTORY ☐UNSATISFACTORY ☐

According to criteria specified in ACT Government Policy Performance Measures

Signature / .../...

the Cabinet Information Paper.

7. As part of the ACT WSUD Review and Cabinet decision 14/122, Cabinet agreed to consider the development of a green infrastructure policy (now referred to as the Living Infrastructure Strategy).

8. The Living Infrastructure Strategy will now be considered by the Urban Renewal Sub-committee of Cabinet on 3 November 2015.

9. As this project relates to the ACT WSUD Review and has linkages with the Living Infrastructure Strategy, it is now proposed for both to be considered at the same Economic and Urban Renewal Sub-committee meeting on 3 November. The Basin Priority Project – Canberra Clean Water which also has links to the operation and maintenance funding is due to be considered by Cabinet on the same day.

10. As the project proposes a number of administrative and funding changes it is advised that to comply with Cabinet decision 14/122, following consideration of the Draft Report by the Economic and Urban Renewal Sub-committee of Cabinet, the Final Report should be subsequently considered by full Cabinet.

Preliminary draft report by Marsden Jacob

11. Marsden Jacob submitted a preliminary draft report (26 July 2015) on the Alternative Management and Funding Models project which was circulated to the Directors-General Water Group, cross directorate Executives and Officers for comment.

12. A cross directorate working session (10 August 2015) was held to discuss the preliminary findings and the consultant's data sources and some of the discrepancies with the current TAMS asset databases.

13. As a result the consultant received further feedback and input and was able to reconcile this information to inform a reissue of the preliminary draft report (September 2015).

Current arrangements - funding

14. Stakeholder consultation and research on the current management arrangements indicated there are a number of issues with the lifecycle of WSUD Infrastructure. The ACT Government's WSUD Review report (2014) identified a number of issues relating to the WSUD lifecycle.

15. The work to date confirms and substantiates a number of the ACT WSUD Review's findings. It looks at the strategic audit of water quality infrastructure carried out through the Basin Priority Project which suggests that the ACT Government has been unprepared for the wave of new stormwater treatment assets and has not been able to implement appropriate systems and processes, guidelines and standards, budgetary measures or management responses to keep up with the influx of new assets.

16. The revised Preliminary Draft Report is provided for your information (Attachment B). Based on the assets that were scoped within this project, the capital value of stormwater water quality assets in the ACT is estimated to be ~\$595 million, and this amount is expected to increase as a result of the BPP – Canberra Clean Water project (~\$85 million), and further WSUD asset construction as a result of Greenfield housing development.

17. In relation to current arrangements, Marsden Jacobs identified many areas that they believe need to change and listed the top three as follows:

- *The ACT Government has not systematically recorded detailed operation and*

maintenance (O&M) expenditure for stormwater WQ assets. This is a problem because the adequacy, effectiveness and efficiency of funding cannot be assessed definitely without that detail

- Funding of approximately \$6.8m per year is required to operate and maintain the existing stormwater WQ asset base in the ACT in line with recent engineering advice received by the ACT Government. Over the last two years, around \$2.5m was spent each year on the O&M of stormwater WQ assets. Almost all of that was split between cleaning out Gross Pollutant Traps and operating a fleet of streetsweepers.*
- This implies a current annual funding shortfall of up to \$4.3m. But, the lack of a detailed expenditure records, and no public reporting mechanisms on how O&M funds were allocated and/or spent means that we can't be certain. One of the first reforms the ACT Government should make is to address this weakness.*

18. At a household level, the estimated revenue requirement of \$6.8m per year equates to approximately \$43 per dwelling per year, and the funding shortfall of \$4.3m per year equates to approximately \$27 per dwelling per year.

19. Marsden Jacobs have indicated that while there are a number of issues with lines of responsibility and authority, it is the funding arrangements that are the key area of weakness in the current arrangements. In this regard Marsden Jacobs recommend:

- Currently funding for O&M is from consolidated revenue, and is allocated by the ACT Government annually. When measured against widely accepted best-practice criteria for funding mechanisms, this situation scores poorly.*
- We recommend that the ACT Government move away from funding stormwater WQ asset O&M from consolidated revenue. The Australian and international examples outlined in this report show that a cost-reflective stormwater charge could be feasible in the ACT.*

Alternative management and funding options

20. A further working session (10 September 2015) was held to look at the alternative institutional/management and options proposed by Marsden Jacob. The purpose of the working session was to workshop the alternative options before the consultancy proceeded with providing implementation pathways to the ACT Government.

21. Marsden Jacob's provided an assessment framework split into two main areas: management criteria and funding criteria. They applied a similar assessment framework in looking at the current situation in order to provide a comparative assessment.

22. Eight models were put forward to the working session and also circulated to Executive Directors and Senior Managers of TAMS and CMTEDD for their advice (Options 1-4 relate to funding and 5-8 relate to institutional/management arrangements). The eight alternatives put forward by Marsden Jacobs are:

Funding Options

- Option 1 Refine current arrangements: Current arrangements for management and funding of stormwater WQ assets in the ACT is maintained, with a number of refinements to improve efficiency and accountability.*
- Option 2 Hypothecate WAC: Funding for stormwater WQ asset O&M would be sourced from a hypothecated share of the Water Abstraction Charge (WAC).*

- *Option 3 Cost-reflective stormwater charge: ACT Government introduces a stormwater charge to fund prudent and efficient expenditure on the O&M of stormwater WQ assets in the ACT.*
- *Option 4 Developer charge: Raise upfront O&M funding for newly constructed stormwater WQ assets under Estate Development Plans in the ACT.*

Institutional / Management Options

- *Option 5 Stormwater Utility: Establish a distinct stormwater department within TAMS with responsibility to approve, accept, operate, maintain and renew stormwater assets in the ACT.*
- *Option 6 Transfer stormwater assets to Icon Water: Stormwater assets transferred to the existing asset base of Icon Water, thereby permitting Icon Water to impose a stormwater charge. Icon Water responsible for O&M functions.*
- *Option 7 Long-term performance based O&M contract: ACT Government enters into a long-term O&M contract with a third party service provider.*
- *Option 8 Long-term lease of stormwater assets: ACT Government would enter into a long-term arrangement with a private sector investor, who takes ownership of the stormwater WQ assets in the ACT for the period of the lease, in return for a lump-sum payment to the ACT Government. O&M funded by annual payment to owner.*

23. The eight options have been assessed in detail against consistent criteria in the preliminary draft report, and then graded in a traffic light system approach. These are independent recommendations by Marsden Jacob.

24. At the working session, there was support for exploring the preferred options from the cross directorate working session (EPD, TAMS and CMTEDD – including Treasury). There was supporting correspondence from TAMS and EDD and no response from Treasury.

25. As a result three options have been recommended by Marsden Jacob's as their preferred options including:

Funding option:

Option 3 - Cost reflective stormwater charge, and

Institutional / Management option

Option 5 - Stormwater utility, OR

Option 6 - Transfer stormwater assets to Icon Water.

26. The preferred options are being further researched and information will be provided on potential implementation in the ACT context.

27. A meeting has also been convened between the EPD Director-General and Managing Director of Icon Water to provide advice on the "transfer of stormwater assets to Icon Water option" in the final report and will take place in early October.

28. Given the timeframe for the Cabinet Discussion Paper at the Economic and Urban Renewal Sub-committee of Cabinet on 3 November 2015 it was considered timely to provide you an update on the progress of the project.

29. Should any issues arise from the EPD and Icon Water meeting you will be immediately briefed.

Sub-Committee of Cabinet Discussion Paper update

30. During the Cabinet Submission process for the ACT WSUD Review (14/122), Treasury provided specific comments that this work would be a Cabinet Information Paper.
31. Cabinet requested the information paper to address the cost pressures of government and detail the substance of the proposed further work relating to the assessment of alternative funding management and funding models for maintenance of WSUD assets.
32. The body of work that will be for discussion at the Economic and Urban Renewal Sub-committee of Cabinet will include:
- a. A brief background and introduction to the ACT Government's WSUD Review and other supporting projects from the Basin Priority Project such as the water quality infrastructure audit. Discussion of cost pressures experienced by the ACT Government. Summarise the key points from the SWOT analysis on the current WSUD arrangements;
 - b. Establish the cost benefit analysis values of efficient WSUD infrastructure;
 - c. Provide a brief background and information on alternate management and funding models; and
 - d. Identify opportunities in the way forward including existing arrangements and possible alternatives including advice on implementation process.

Financial Implications

33. This brief has no financial implications. However, subject to the Sub-Committee consideration, the work has potential positive management and funding implications relating to the operation and maintenance of WSUD.

Directorate Consultation

34. An extraordinary Directors-General Water Group (DGWG) meeting was convened on 8 July 2015. The Executives met to specifically discuss this project. The meeting provided the Directors-General, the Emergency Services Agency Chief Officer and Managing Director of Icon Water a briefing on the project including the Cabinet process.
35. A further briefing was provided to the DGWG on 11 August 2015, and a briefing is proposed for the upcoming DGWG on 27 October 2015.
36. Two cross-directorate working sessions with CMTEDD, TAMS and EPD have been held. A significant amount of cost data input and corporate knowledge has been provided by TAMS.
37. EPD and the consultant have been consulting with key government stakeholders throughout the project's lifecycle.
38. There has been extensive consultation with the Basin Priority Project as this work will provide a macro assessment on additional assets to be constructed in amongst the existing asset database.

External Consultation

39. External consultation has occurred in the past with an external ACT Technical Panel of industry experts in writing the WSUD review.

Benefits/Sensitivities

40. Benefits include identifying opportunities to improve the current management arrangements and understanding how we can effectively implement alternative management

and funding arrangements. The work is expected to identify some threats and weaknesses which may be perceived as a sensitive matter; however it will also identify opportunities for improvement.

Media Implications

41. There are no media implications arising from this brief as this matter is an internal administrative issue.

Recommendation

That you:

- note the information contained in this brief; and

NOTED/PLEASE DISCUSS

- agree to the Final Report: Alternative Management and Funding models be considered by full Cabinet following the Economic Growth and Urban Renewal Sub-Committee of Cabinet 3 November meeting to satisfy Cabinet Decision 14/122.

AGREED/NOT AGREED/PLEASE DISCUSS

Simon Corbell MLA 25-10-15
...../...../.....

Minister's Comments

Matt Kendall
A/g Executive Director, Environment

Phone: 62057200

Action Officer: Noreen Vu/Chris Glennon
Section: Catchment Mgmt & Water Policy

Phone: 62057046



ACT

Government

Environment and Planning

MINUTE

SUBJECT: Ministerial Briefings to Minister Corbell, Gentleman and Rattenbury MLAs on Alternative Management and Funding Models for Stormwater Water Quality Assets

To: EPD Director-General *[Signature]* 1/10/15.

From: A/g Executive Director, Environment *M. Handell* 30/9/15.

Date: 25 September 2015

Purpose

To inform you of the three Ministerial Information Briefs ^{that} have been prepared for Alternative Management and Funding Models for Stormwater Water Quality Assets.

Background

Catchment Management and Water Policy have commissioned Marsden Jacob Associates to provide a study regarding alternative funding and management models for sustainable maintenance of WSUD infrastructure.

This work will be considered by Economic and Urban Renewal Sub-committee of Cabinet ('Sub-committee') on 3 November 2015.

Issues

This project has generated interest across the ACT Government. Three Ministerial briefings have been prepared to provide the three relevant Ministers with advice on the progress of the project, namely Minister for the Environment, Minister for Planning and Roads and Minister for Territory and Municipal Services. This covering minute is to provide you with a breakdown of the intent of the three briefings.

Minister for the Environment: This Ministerial Brief to Minister Corbell MLA provides him with further advice on the project including some the most up to date findings such as the shortfall in operation and maintenance (O&M) funding of up to \$4.2m. It also provides him information on the alternative approaches. As the Minister responsible for taking this paper to Cabinet, we have made him aware of Marsden Jacob's three proposed options, namely:

Funding Model

- Cost reflective stormwater charge, AND

Institutional / Management Model

- Stormwater utility, OR
- Transfer stormwater assets to Icon Water.

We have also included the latest iteration of the preliminary report for his information. We have not provided this information to the other two Ministers, as Minister Corbell MLA is responsible for this discussion paper. We also make Minister Corbell aware that you will be talking to Icon Water regarding the third recommendation and should there be any issues he will be informed immediately.

Given the nature of the recommendations (and the timing to get directorate feedback as the Sub-committee process does not have cross directorate Cabinet circulation time), the Final Draft Report will be the version that will be considered by the Sub-committee. We have requested a recommendation that the Final Report be considered by Cabinet at a later date to comply with the previous Cabinet Decision 14/122. Government Services have supported us with this approach.

Minister for Planning and Roads: This Ministerial Brief to Minister Gentleman MLA provides advice on the project including some of the most up to date findings. This includes the funding shortfall. This Ministerial Brief also speaks of the relationship to TAMS, in particular the responsibility of O&M on municipal infrastructure of stormwater water quality assets that falls within Roads ACT.

Minister for Territory and Municipal Services: This Ministerial Brief to Minister Rattenbury MLA introduces the project to the Minister. It provides him background information to the ACT WSUD Review (2014) and information on the overview of the project including what will be expected in the report. The brief goes into detail about the Sub-committee and also speaks of the relationship to TAMS, in particular the responsibility of municipal infrastructure that falls under Parks and Territory Services.

Recommendations

That you note this approach.

Name	Noreen Vu/Chris Glennon
Title	Senior Policy Officer/Manager
Branch	Catchment Management and Water Policy
Division	Environment

Date	25 September 2015
-------------	-------------------