



ACT

Government

Environment and Planning

SENSITIVE: CABINET

CABINET BRIEFING FOR MEETING ON 30 August 2016

SUBMISSION NO: 16/148

Name: Alternative management and funding models for sustainable operation and maintenance of stormwater water quality (WQ) assets

What is it about?

The Submission seeks endorsement for further investigation into alternative management and funding models for sustainable operation and maintenance of stormwater WQ assets, namely:

- Two alternative management options being setting up a stormwater utility (or business unit) within government, or transferring assets and management responsibilities to Icon Water.
- Preferred funding option of a cost reflective stormwater charge or levy.

The Submission also looks at refining current arrangements.

The Submission is supported with a number of documents and also recommends Cabinet agree to consider a qualitative and quantitative assessment and comparison (as far as existing information allows) of the current options and a process for implementation of a preferred option. It further recommends that the key principles for guiding a final decision on the preferred option should include governance and accountability arrangements.

What are key points of the Submission?

- **Background information:** This includes a summary of the issues and the current work to date (Attachment A: The Final Report of the Alternative Management and Funding Models of Stormwater Water Quality Assets by Marsden Jacob Associates, 2016a).
- **Findings to date:** The current situation of stormwater water quality assets; a lifecycle analysis of case study issues; the need for change management using examples from other jurisdictions (Attachment B: Summary table of example issues related to the lifecycle of stormwater quality and quantity assets).
- **Alternative management and funding options:** Overview of the eight options considered.
- **Pre-feasibility Study:** Study that also has Marsden Jacob Associates currently carrying out this work. To assist in finalising the study an Options Paper was prepared and circulated to key stakeholders including TCCS, Icon Water and the ICRC (Attachment C: Schematic diagram of options).

SENSITIVE: CABINET

- **Consultation feedback: Summary of Positions:** Consultation feedback from key stakeholders is provided in a Summary of Positions paper by Marsden Jacob Associates. It provides specific details of information to be covered in the pre-feasibility study (Attachment D: Summary of Positions, Marsden Jacob Associate, 2016b and Attachment E: Response from Icon Water, June 2016).
- **Refine current arrangements:** Looks at suggestions of improving the current arrangements but notes feedback from industry has been critical of government and requesting major reform.
- **Improving current weaknesses:** Four recommendations have been made on improving generic weaknesses should any option be chosen.
- Triple Bottom Line Assessment (TBL) Framework is provided at Attachment F.

Issues

- The Submission provides a summary of the issues with the current arrangements for management and funding and looks at the bigger impacts. These are further addressed in the Lifecycle Analysis of Case Study Issues (Attachment B) and TBL Framework (Attachment F).
- Marsden Jacob Associates (2016a) estimated the capital value of stormwater water quality (WQ) assets in the ACT to be \$595 million, with approximately \$2.5m/yr spent on operation and maintenance by TCCS in 2014. The optimal level for Operation and Maintenance (O&M) expenditure was estimated to be \$6.8m/yr. Based on the information provided, the estimated funding shortfall for 2014 was approximately \$4.2 million.
- Marsden Jacob's assessment indicated that the ACT Government's current stormwater management and funding arrangements ranked mostly low against the key criteria required for best practice.
- Liveability and opportunity, urban renewal and growing the economy are government priorities that interrelate to this work. Poor and/or infrequent O&M practices result in poor water quality in our waterbodies leading to a number of lake closures due to blue-green algae blooms. Poorly or infrequently maintained stormwater WQ assets which have a stormwater retention and detention function can lead to unintended perverse outcomes such as nuisance flooding, especially in our urban renewal areas, when systems have the potential to overflow due to gross pollutants and more intense rainfall events.
- WSUD is fundamental to Canberra's liveability. Without appropriate O&M through a sustainable funding regime and an appropriate institutional management model, potential exists for detrimental impacts to water bodies, nuisance flooding, hotter urban environments (impacting on those vulnerable in our society due to the increased in impervious surfaces) and less open space areas to recreate in our consolidated urban environments.

Implications for EPD

- Development must satisfy WSUD targets that are captured in the Territory Plan. A large amount of infrastructure has been built to comply with these targets, however without optimal O&M funding and expenditure, assets are performing poorly and unable to meet the targets or the greater total water cycle management objectives.
- Improved management and funding of stormwater WQ assets is also consistent with the ACT Government strategic priorities of Liveability and opportunity; Growing the economy and Urban Renewal respectively and is consistent with the ACT's obligations under the Murray Darling Basin Plan.
- Without optimal O&M funding and expenditure, particularly relating to the ACT Basin Priority Project (BPP), water quality infrastructure may not meet its overall objective to improve the long term water quality within the ACT and Murrumbidgee River system.
- Requiring development to consider WSUD targets has environmental, social and economic benefits and being unable to operate and maintain assets effectively is contrary to these objectives.

Recommendation

That Cabinet:

1. I recommend Cabinet note:

- a) The work carried out to date on the alternative management and funding models for sustainable operation and maintenance (O&M) of stormwater water quality (WQ) assets.

2. I recommend Cabinet agree to:

- a) Further investigations for the introduction of a cost-reflective stormwater levy/charge for improving long term funding arrangements.
- b) Further investigations for improving the institutional arrangements for managing stormwater quality assets (review of existing arrangements; stormwater utility within the ACT in the form of an internal business unit; and full transfer of assets to Icon Water).
- c) Finalise a qualitative and quantitative assessment and comparison (as far as existing information allows) of the current options under consideration and a process for implementation of a preferred option.
- d) The key principles for guiding a final decision on the preferred option should include governance and accountability arrangements that encourage a strong commitment to managing water quality assets for their longer term optimal performance and allow for accurate tracking and evaluation of the costs and benefits of asset management.