



UNCLASSIFIED

To Minister for the Environment

From Director-General *[Signature]* 13/10/15.
A/g Executive Director, Environment

Subject 15/180 Alternative Management and Funding Models for Sustainable Operation and Maintenance of Water Sensitive Urban Design Assets

Critical Date 27 October 2015

Critical Reason The Economic and Urban Renewal Sub-Committee has this matter scheduled at its 3 November 2015 meeting.

Purpose

1. To seek your agreement to lodge the Discussion Paper to the Economic and Urban Renewal Sub-Committee of Cabinet on the 3 November 2015.

Background

2. The ACT Government's Water Sensitive Urban Design ("WSUD") Review Report (2014) recommended a number of projects including Priority Project 2: Alternative Management and Funding Models, which required *"Environment and Planning Directorate, Territory and Municipal Services and Chief Ministers, Treasury and Economic Development Directorate work together to investigate alternative management and funding models for sustainable maintenance of WSUD assets, informed by cost-benefit analysis"*.
3. Marsden Jacob Associates was commissioned by the Environment and Planning Directorate ("EPD") to provide advice on the current and alternative management and funding arrangements for WSUD assets, including the implications for the ACT Basin Priority Project ("BPP") – "Clean Water for Canberra" which will see an increase in the level of municipal water quality infrastructure assets.
4. A recent review and analysis of water quality infrastructure, undertaken as part of the BPP has indicated that a significant proportion of assets are not performing to their optimal level and as a result the ACT Government is at risk of not meeting its obligations for stormwater quantity and quality targets within the Territory Plan.
5. This Cabinet Discussion Paper (Attachment 1) provides the Economic and Urban Renewal Sub-committee of Cabinet ("Sub-committee") with options to improve the funding and management performance of WSUD assets.

Performance Assessment

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

SATISFACTORY ☐UNSATISFACTORY ☐

According to criteria specified in ACT Government Policy Performance Measures

Signature / .../....

Issues

What are key points of the Discussion Paper?

6. There is a need for significant improvements to water quality management practices within the Territory, including administrative, institutional and funding arrangements. The WSUD Review (Attachment A) identified a number of issues relating to the lifecycle of WSUD management. Some of these issues related to confusing administrative and planning arrangements across the different ACT directorates involved with WSUD assets.
7. The cost of routine operations and maintenance (O&M) of WSUD assets has become an increasingly significant issue in the Territory.
8. The Marsden Jacob's Final Draft Report (Attachment B) commissioned by EPD supports the findings of the WSUD review and provides further analysis and recommendations to support a government position.
9. The Final Draft Report identifies and assesses eight alternative options to improve current management and funding arrangements. Of these options, the introduction of a cost-reflective stormwater charge ranks first for funding, and establishing a stormwater utility within government or transferring stormwater assets to Icon Water rank equally first for improving institutional arrangements and the management of assets.
10. Other key points include:
 - a. The capital value of stormwater water quality assets in the ACT is estimated to be \$595 million.
 - b. Approximately \$2.5m was spent on operation and maintenance by TAMS in 2014, however the optimal level for O&M expenditure was estimated to be \$6.8m.
 - c. Based on the information provided, the estimated funding shortfall for 2014 is approximately \$4.2 million for that year
 - d. The optimal funding for O&M is equivalent to approximately \$43 per dwelling per year, and \$27 per dwelling per year for the funding shortfall of \$4.2m.
 - e. This estimated cost per dwelling compares favourably with other national and international examples.
 - f. Marsden Jacob's assessment against key criteria required for best practice indicated that the current management and funding arrangements in the ACT Government ranked low.
 - g. The Final Report by Marsden Jacob on Alternative Management and Funding Models will accompany a Cabinet information Paper at a later date.
11. The BPP undertook a Strategic Review and Analysis of ACT Urban Water Quality Management Infrastructure (Attachment C) in 2014. The report by Alluvium Consulting found that across the ACT, operations and maintenance activity was lacking and there were common issues of concern relating to all types of treatment systems. The report made a number of recommendations relating to the processes by which stormwater treatment systems are planned, designed, constructed, established and maintained.
12. Without effectively operated and maintained WSUD assets, the Territory will be unable to meet its obligations of stormwater quantity and water quality treatment. WSUD is fundamental to Canberra's liveability.
13. Figure 8 (Attachment D) illustrates Marsden Jacob's 'best estimate' of the necessary revenue required to fund optimal O&M activities. The right hand axis measures the funding requirement per lot. At the current time (2014/15), the optimal O&M would be \$43 per lot. Further investigations are recommended as this is a macro scale assessment.

14. The ACT Government is working on the supplementary business case for the BPP – Clean Water for Canberra, which will see up to \$85 million worth of Commonwealth funding towards the design and construction of water quality infrastructure which aims to improve the long term water quality within the ACT and Murrumbidgee River system. This will require an allocation of O&M funding and expenditure for the ACT BPP's assets to ensure the effectiveness and efficiencies of this water quality infrastructure and is a requirement of the Commonwealth in the assessment of the business case. The relative effect of this increase is shown in Figure 8 and discussed in the report.

15. The final report by Marsden Jacob on Alternative Management and Funding Models will accompany a Cabinet information Paper at a later date. The final report will provide implementation pathways for the three top options.

Financial Implications

16. Marsden Jacob Associates identified that in 2014 there was a \$4.2 million funding gap in O&M and that this funding gap will continue to increase with future Greenfield housing growth and new water quality infrastructure through the BPP.

Directorate Consultation

17. An extraordinary Directors-General Water Group (DGWG) meeting was convened on 8 July 2015. The meeting provided the Directors-General, the Emergency Services Agency Chief Officer and the Managing Director of Icon Water with a briefing on the project including the proposed Cabinet process.

18. 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.

19. 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.

20. EPD and the consultant have been engaging with key government stakeholders throughout the project's lifecycle.

21. There has been extensive consultation with the Basin Priority Project to inform the estimate of operations and maintenance requirements.

External Consultation

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

23. Consultations have been held with Icon Water regarding the project and in particular the potential option that would involve transfer of assets.

Benefits/Sensitivities

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

25. 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
- agree to lodge the attached Cabinet Discussion Paper 15/180 Alternative Management and Funding Models for Sustainable Operation and Maintenance of Water Sensitive Urban Design Assets to the Economic and Urban Renewal Sub-Committee on 3 November 2015.

NOTED/PLEASE DISCUSS

AGREED/NOT AGREED/PLEASE DISCUSS

Simon Corbell MLA 27/10/15

Minister's Comments

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