


SENSITIVE: CABINET

To Minister for the Environment and Climate Change

From Director-General
Executive Director, Environment *[Signature]* 16/8/16

Subject First Lodged Cabinet Submission 16/148 – Alternate Management and Funding Models for Sustainable Operations and Maintenance of Stormwater Water Quality Assets.

Critical Date 22 August 2016.

Critical Reason The Cabinet Submission is listed for Cabinet consideration on 30 August 2016. Therefore, the Cabinet Office requires the submission be lodged with them by 22 August 2016.

Purpose

1. To seek your endorsement to lodge the Alternate Management and Funding Models for Sustainable Operations and Maintenance of Stormwater Water Quality Assets submission (Attachment 1) for Cabinet consideration on 30 August 2016.

Background

2. You previously received the exposure draft Cabinet Submission for 16/148 – Alternate Management and Funding Models for Sustainable Operations and Maintenance of Stormwater Water Quality Assets and agreed to the exposure draft circulation.

Issues

3. All directorates supported the submission except Treasury. The Matrix of Directorate Comments is at Attachment 2.
4. Transport Canberra and City Services and Economic Development Directorate provided supportive comments.
5. Treasury was silent on its support or otherwise for the submission, choosing to request a revision of the recommendations and providing comment on where it was suggested the submission could be improved. A summary of issues is provided below.

Performance Assessment

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

 SATISFACTORY ☐

 UNSATISFACTORY ☐

According to criteria specified in ACT Government Policy Performance Measures

Signature / .../...

Revision of recommendations

6. Treasury considers that the Submission's recommendations should be revised to only seek agreement to the further investigation of:

- Alternative Management Option 1 - review of existing arrangements.
- Funding Option 2a/2b - alternative stormwater levy/charge.
- Alternative Management Option 2a - Stormwater Utility within ACT Government, in the form of a TCCS Business Unit only; and
- Alternative Management Option 2b - Full transfer of assets to Icon Water.

7. Treasury indicated that they did not support a statutory authority or territory owned corporation; nor did they support transfer of O&M responsibilities only to Icon Water.

8. EPD did not support the revision of the Submission recommendations, noting previous discussions with yourself about maintaining options open, and advised that when the current Prefeasibility Study is completed, a reduced number of options may be recommended for further investigation.

Additional information to support the recommendations

9. Treasury requested additional detail on any previous work completed that provided for improved system efficiencies rather than just seeking additional funding.

10. EPD added the following commentary

Whilst this Cabinet Submission focuses on Priority Project 2 of the ACT WSUD Review, it should be noted that the review identified issues relating to stormwater WQ assets, from concept to design and also with the planning and construction phases that can also add to the negative impact on operational performance. Much work has been undertaken to improve the overall efficiency of managing stormwater WQ assets on a systems basis. This has included:

- *revision of WSUD provisions in the Territory Plan to provide greater clarity in interpretation of the relevant code plus providing for innovation and flexibility in meeting WSUD targets. This includes clearer qualitative and quantitative targets allowing for ease of carrying out concept designs. Note that the draft variation will be released for public comment in later 2016.*
- *building internal capacity within the ACT Government to better understand monitoring and modelling capability to ensure that the recommended treatment provide the anticipated water quality outcome and fully consider the whole of life cycle costs of water quality assets, this includes officers being trained in the modelling software of MUSIC-link.*
- *release of the draft Municipal Infrastructure Standards (MIS) for Stormwater for practitioner comment and review, noting that a draft MIS for WSUD is currently being carried out by TCCS which will provide design standard provisions and parameters to assist practitioners in designing stormwater WQ assets.*

11. EDP also provided the following commentary to highlight the possible efficiency gains to be achieved in O&M when managed by a fit for purpose organisation.

MJA has advised EPD of current research (which will be referenced in the Prefeasibility Study currently under development) of comparative analysis between local government authorities in NSW, where stormwater is managed in conjunction with a number of other services, and stormwater utilities in Victoria where stormwater is managed by purpose built utilities such as water supply utilities. The research consistently identified efficiency gains of 15% to 21% attributed to the purpose built utility arrangement.

12. Treasury requested additional detail on previous work completed that identified the consequences of the underfunding of operation and maintenance.

13. EPD added the following commentary.

The Supplementary Report to the ACT Basin Priority Project Business Case (Feb 2016) approved by the Commonwealth, and informed by Lawrence (2012), Commissioner for the Sustainability and the Environment (2012) and Coombes and Barry (2013), identified that:

- *accumulated pollutants (nutrients and sediments) represent a threat to water quality both within the ACT, and to the Murray Darling Basin system.*
- *higher urbanisation will generate significantly greater loads of pollutants (Total Phosphorous (TP) and Total Nitrogen (TN)) that discharge into stormwater catchments*
- *poor catchment management has resulted in the accumulation of nutrients and sediments in ACT lakes, creating the necessary conditions for extensive algal blooms on an on-going basis*
- *accumulated pollutant loads could be reaching a level where ACT lakes are no longer able to act as effective nutrient traps therefore threatening water quality downstream from the ACT.*
- *there has been a considerable increase in the pollutant loads downstream of urban areas particularly in areas of urban infill (Yarralumla) and greenfield development (West Belconnen and Molonglo)*
- *urban stormwater runoff is the primary contributor of phosphorous nitrogen rich organic material to ACT lakes.*

The "Report on the State of Watercourses and Catchments of Lake Burley Griffin" (the report) by the Commissioner for Sustainability and the Environment (2012) provides justification why water quality assets require a sustainable ongoing funding stream rather than "just in time maintenance" as with some other assets.

The report concluded that the main threats to waterbodies such as Lake Burley Griffin are high concentrations of blue-green algae and faecal contamination. Nutrients are adsorbed onto the surfaces of suspended solids and removed from the water column when the particles settle to the lakebed. The nutrients are then re-mobilised (potentially) when conditions are conducive to algal growth and incidence of cyanobacteria (blue-green algae) blooms occurs.

The abovementioned reports are collectively identifying the issues that are developing as a result of the underfunding identified in paragraph 8 and suggests that once pollutants are embedded in our watercourses, they are very difficult to extract and that they are accumulating to a point that algal blooms are likely to be more frequent.

The ACT Basin Priority Project Business Case indicated a cost:benefit ratio of 1.3 to 1.5 for well functioning Water Quality assets. Furthermore the Cooperative Research Centre for Water Sensitive Cities attributes private and public benefits to:

- *increased property prices through proximity to green landscapes and increased flood protection*
- *alternate water sources such as stormwater harvesting and recycling resulting in improved water security and reduced energy costs*
- *flood management and increased corridors for flood detention and conveyance*
- *heat mitigation via retaining water in the landscape resulting in reduced energy costs for cooling and reduced heat stress*
- *improved air and water quality and terrestrial and aquatic biodiversity.*

Strong Support of strengthening current arrangements.

14. Treasury expressed strong support for improving current arrangements and was insistent that this should be the first step in a reform process.

15. EPD responded by advising Treasury that the Marsden Jacobs Associates (MJA) work assessed current performance against national and international standards and was assessed as low to medium in all criteria. If current practice could be improved to industry standard then optimal outcomes could be expected. The MJA assessment determined that the corporate governance provisions of transparency in cost determination and accountable performance reporting that are a requirement for improvement did not exist and therefore the probability of these improvements being achieved would be low.

Financial Implications

16. As this brief does not provide a recommendation to implement a specific option, these are no financial implications with this brief.

17. The full financial implications will be provided to Cabinet should Cabinet agree to a specific option for implementation at a later date.

Directorate Consultation

18. Cross directorate consultation on this issue has been ongoing over a number of years. The issue was identified during cross directorate consultation for the ACT WSUD Review in 2013-2014. Cross directorate consultation (CMTEDD, TCCS and EPD) was sought in the drafting of the project scope and bi-monthly project updates. Two cross directorate working group sessions were facilitated by Marsden Jacob in August and September 2015 with targeted interviews carried out by the consultant in 2016.

19. The Directors-General Water Group has also been briefed on the progress of the project which also included presentations from the consultant (8 July 2015; 11 August 2015; 27 October 2015; 8 March 2016; and 16 June 2016).

External Consultation

20. External consultation has occurred with Icon Water and the Independent Competition and Regulatory Commission.

Benefits/Sensitivities

21. As this brief does not provide a recommendation to implement a specific option, there are no sensitivities with this brief.

Media Implications

22. There are no media implications associated with this brief.

Recommendation

23. That you:

- note the information contained in this brief;

NOTED/PLEASE DISCUSS

- agree to sign the Cabinet Submission 16/148 for lodgement with the Cabinet Office.

AGREED/NOT AGREED/PLEASE DISCUSS

Simon Corbell MLA hse 3/16

Minister's Comments

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