



SENSITIVE: CABINET

To Minister for the Environment and Climate Change

From Director-General ✓ 31/3/16
Deputy Director-General
Executive Director, Environment

Subject 16/037 Cabinet Submission for alternative management and funding models for sustainable operation and maintenance of water sensitive urban design assets

Critical Date 7 April 2016

Critical Reason The Cabinet Submission must be lodged with the Cabinet Office by 7 April 2016, for consideration at the 26 April 2016 Cabinet meeting.

Purpose

1. To provide you with the Cabinet Submission for alternative management and funding models for sustainable operation and maintenance of water sensitive urban design assets and seek your agreement for the Exposure Draft package to be delivered to the Cabinet Office.

Background

- 2. In 2014, Cabinet agreed (14/122) to the release of the ACT Water Sensitive Urban Design (WSUD) Review Report. The review recommended that the government look at alternative management and funding models for sustainable operation and maintenance of WSUD assets, notably referred to as Priority Project 2.
- 3. The Economic Development and Urban Renewal Subcommittee of Cabinet (URSC) were presented with a discussion paper on 3 November 2015 (15/771).
- 4. Marsden Jacob Associates were commissioned by the Environment and Planning Directorate (EPD) to benchmark current ACT management and funding arrangements for WSUD assets, namely stormwater water quality assets, against national and international experiences.
- 5. The final draft report by Marsden Jacob, was presented to the URSC and provided eight options to improve current management and funding arrangements. Of these options, introduction of a cost-reflective stormwater charge ranks first for funding arrangements, and establishing a stormwater utility within government or transferring stormwater assets to Icon Water both ranks highly for improving institutional/management arrangements.

Performance Assessment

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

SATISFACTORY

UNSATISFACTORY

According to criteria specified in ACT Government Policy Performance Measures

Signature / .../....

Issues

6. The alternative management and funding model project is an emerging and complex project and the Cabinet Submission (Attachment 1) is provided to Cabinet for information. As noted at the URSC meeting in November 2015 (Attachment A) and supported by the previous Cabinet 14/122 decision, this paper builds on the information previously provided to URSC and focuses on the implementation pathways of the top three ranking options.
7. The Cabinet Submission is supported by Marsden Jacob's final report (Attachment B).

Cabinet Submission (16/037)

8. The following is an overview of the Cabinet Submission:
 - Background: Provides an overview of the ACT WSUD Review including the findings that operation and maintenance (O&M) of WSUD assets was inadequate and hence their performance targets were not being met. The finding is supported by the Strategic Review and Analysis of ACT Urban Water Quality Management Infrastructure carried out through the ACT Basin Priority Project. This information was provided to the URSC.
 - Findings to date: summary of the current situation of stormwater water quality assets. This is highlighted by a funding of a shortfall of approximately \$4.2 million in 2014 for O&M expenditure.
 - Alignment with government policy. The improvement of management and funding of WSUD assets is consistent with the ACT Government strategic priorities of Liveability and Opportunity; Growing the Economy and Urban Renewal respectively. It also is critical to meeting the water quality targets in the Territory Plan and is consistent with the ACT's obligations to the Murray Darling Basin Plan.

The draft ACT and Region Catchment Strategy (currently being considered by Government) identifies a growing population and the associated landuse change to accommodate sustainable settlement patterns as key drivers affecting the catchment over the coming decades. An improvement in the management and funding of WSUD assets is essential to mitigating the effect of these impacts.

Likewise, there is an opportunity to align management and funding of WSUD assets with the ACT Climate Change Adaptation Strategy (and the associated development of Living Infrastructure; e.g. green corridors and retention of water bodies in the landscape; to mitigate the heat island effect). The purpose of the Climate Change Adaptation Strategy is to support the community, the city and the natural environment to be more resilient to the impacts of climate change. The ACT Climate Change Adaptation Strategy will be released in 2016 post a community consultation phase.

- Alternative management and funding models options: Provides an outline of the eight options that were provided to the URSC. This section also details the implementation pathways for the top ranked options: the cost reflective stormwater charge (recommended funding option), and the setting up of a stormwater utility within government or transfer of assets to Icon Water (preferred management options). The aim of the implementation pathways is to provide a sense of the extent to which the top three options are technically feasible to implement. This section also looks at refining current arrangements as requested by Treasury.
- Improving weaknesses: Marsden Jacob also recommended four generic weaknesses that would need to be corrected irrespective of any of the options being implemented. These generic weaknesses stem from existing issues that were identified in the ACT Government's WSUD Review Report.
- Next steps: a pre-feasibility: options assessment study is now proposed to evaluate the three options in further detail to provide specific information relating to regulatory processes and the transaction costs of implementation. This study will involve ongoing engagement and discussions with Icon Water and TAMS to further explore the option that best meets the ACT Governments' strategic directions and other high level policy objectives as mentioned above in the most cost effective manner.

Financial Implications

9. There are no financial implications with this brief as the proposed Pre feasibility: options assessment study is within existing budget and was identified in the development stages of this project.

Directorate Consultation

10. Cross directorate consultation through the ACT WSUD Review working group and targeted stakeholder consultation has occurred during this project, including two cross directorate working sessions.

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

12. At the Directors-General Water Group meeting of the 8 March 2016 there was some discussion regarding expanding the scope of this study to cover stormwater assets more generally and include other catchment management issues. The feasibility of this variation will be investigated and incorporated if possible.

External Consultation

13. External consultation with Icon Water has only occurred at officer level and the Managing Director of Icon Water has been briefed on this project through the Directors-General Water Group. The external ACT WSUD Technical Panel identified the necessity of Priority Project 2 during the ACT WSUD Review.

Benefits/Sensitivities

14. Continuing to identify opportunities to improve the current management arrangements and understand how we can effectively implement alternative management and funding arrangements will have benefits for the ACT Government.

15. The work has identified some threats and weaknesses in the WSUD lifecycle practices, in particular relating to O&M, which can be perceived as a sensitive manner for asset owners. It is important to note that this work has identified opportunities for improvement.

Media Implications

16. There are no media implications with this brief as it is currently an internal matter.

Recommendation

That you:

- note the information contained in this brief; and

NOTED/PLEASE DISCUSS

- agree to lodge the Cabinet Submission (16/037) to the Cabinet Office for Exposure Draft.

AGREED/NOT AGREED/PLEASE DISCUSS

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Simon Corbell MLA/...../.....

Minister's Comments

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