

Economic and Urban Renewal Sub-Committee of
Cabinet

15/443

ACT Basin Priority Project – Canberra Clean Water

Minister for the Environment, Simon Corbell MLA

Received Cab Office | 1 October 2015

Key Issues:

- Proposed water quality improvements - Ranked by multi-criteria analysis (MCA) to maximise water quality outcomes and adjusted to address equity and innovation opportunity.
- Funding the ACT \$8.5 million contribution, as well as ongoing operation and maintenance of new infrastructure.
- Proposed governance arrangements for Phase 2.

Discussion Points:

Water quality – Outcomes of Investigations

Assessment of water quality across each of the priority catchments (of Lake Tuggeranong, Yarralumla Creek, Upper Molonglo, Lower Molonglo and Riverview/West Belconnen, Fyshwick) has confirmed that increasing pollutant loads in runoff remains a key water quality issue for the ACT. This is resulting in:

- excessive nutrients (phosphorous and nitrogen) draining into waterways from urban stormwater systems leading to eutrophication and creating the necessary conditions for algal bloom out breaks; and
- the accumulation of sediments (containing nutrients) in aquatic systems as a result of soil erosion leading to degrading physical water properties as well as altered biochemical conditions.

Key issues in the Murrumbidgee River have been identified as high turbidity and moderate nutrient levels, resulting in frequent blue-green algal blooms during spring and summer.

Attachment A provides a summary of the initial outcomes of water quality assessment. Event data continues to be collected within the catchments. This allows for a robust quantification of water quality process and will be completed by December 2015.

Water quality improvements

A multi-criteria analysis (MCA) of discrete water quality infrastructure options has been performed to arrive at a preliminary ranking of infrastructure options. The MCA considers weighted criteria for water quality improvement, environmental impacts, social values, and life cycle costing. A 'base case' of the catchment pollutant load was developed against which the impact of each option has been measured. The base case scenario provided an understanding of the 'do-nothing' scenario and was the common comparison point of all proposed improvement interventions. This process has allowed for all options across the 6 catchments to be compared and ranked.

Options that have performed well in the initial run of the MCA include bioretention systems, wetlands and ponds, stormwater re-use, vegetated swales and creek naturalisation.

The list of ranked options provides a spread of assets across the six catchments that balances innovative though potentially higher risk options and more robust, lower cost but lower yielding options. This enables emerging stormwater practices (such as bio-retention systems) which have the potential to significantly improve water quality with a smaller footprint and provide opportunities for a greater return to government from increased land availability.

A list of ranked options is at Attachment B. Attachment B also provides details of asset performance (nutrient and sediment removal) along with financials (CAPEX, OPEX, and cumulative CAPEX) of the ranked options.

Attachment C provides a statistical analysis of short-listed options. It examined the higher ranked options (against budget thresholds of \$78 million and \$151 million) alongside asset performance and financials. The analysis demonstrates that MCA has successfully identified cost effective options which deliver against water quality, ecology and environment, social and liveability, constraints and deliverability criteria.

A departmental official will provide a short presentation on the rationale for selection of ranked options at the Sub-Committee meeting. Sub-Committee views on the list will assist in refining the shortlisted options to be presented to Cabinet for endorsement on 3 November 2015.

Draft supplementary report

A draft supplementary report is currently being prepared. It will detail the outcomes of investigations undertaken as part of the Basin Priority Project (BPP), the proposed intervention/improvement options at a catchment scale, the cost benefit and cost effectiveness of the options, and their ability to achieve water quality outcomes. It will also provide a summary of the outcomes of community engagement, and proposed governance arrangements for Phase 2. The draft report must be provided to the Commonwealth by 3 December 2015.

The Sub-Committee had previously been advised that the draft report would form part of the 3 November 2015 submission to Cabinet. However the process of ranking options has been more complex than expected. It is proposed that the 3 November 2015 Cabinet submission seek agreement to key project outcomes including a list of ranked options to be presented to the Commonwealth and a commitment to the ongoing funding of the operation and maintenance of agreed projects.

Given timeframes for delivery of the draft report to the Commonwealth there is unlikely to be adequate time for the draft report to be considered by Cabinet – either as part of the normal Cabinet process or as an out of-session paper. It is proposed that once finalised, the draft report will be agreed by Minister Corbell before submission to the Commonwealth.

Funding issues

\$8.5 million ACT contribution for the BPP

The BPP brief to this Committee on 18 August 2015 identified Commonwealth requirements for the ACT 10% contribution to the project.

In agreeing to fund infrastructure, the Commonwealth has indicated that it will accept the ACT Government commitment to provide 10% of the total project expenditure contribution and recognise that it does not need to be budget approved at the time the supplementary report is submitted. However, the project will be regularly audited against funding commitments made in the revised project schedule for Phase 2.

In May 2013, the then Chief Minister agreed to progress an ACT business case for the BPP. A letter from Minister Corbell, as the then Minister for Environment and Sustainability, to the Chief Minister notes the ACT funding contribution of 10% of total project funding. Further, the letter notes that *"no actual (new) financial impact or obligation on the ACT from the Basin Priority Project's initiation is anticipated because the ACT already spends over \$22 million raised by the Water Abstraction Charge on catchment management related to works that will be offset this commitment. In addition there is direct budget funding of catchment related projects which in 2011/12 was estimated to be over \$37 million for a total of some \$59 million."*

The Commonwealth has since provided further advice on the ACT contribution. The Commonwealth will not consider 'business as usual' projects an appropriate mechanism to fund the ACT contribution, and that they expect projects to be funded inside the priority catchments.

As a consequence, the strategy of applying the Water Abstraction Charge as evidence for an ACT shared funding commitment or catchment activities funded within the ACT will not be considered at face value as satisfying the ACT contribution.

Given the above, it is proposed that the ACT contribution be funded through a combination of Waterwatch funding (\$2.3 million over 2014/15 - 2015/19 - already committed) and new capital works.

The Commonwealth has accepted ongoing funding of Waterwatch as part of the ACT contribution.

The EPD is working with EDD and TAMS to identify opportunities to align projects that can be included in the ACT contribution. These include:

- water quality improvement work (constructed pond) in conjunction with flood mitigation/spillway upgrades at Isabella Weir and Pond (EDD & EPD);
- combining the flood retention structure on Mawson playing fields with water quality bioretention system and downstream pond (EDD & EPD).
- retrofit underperforming infrastructure under the TAMS capital infrastructure budget (TAMS & EPD); and
- street sweeping optimisation for water quality improvements (TAMS & EPD).

Funding for these projects will be sought as part of the normal budget process.

Operation and maintenance of new infrastructure constructed with BPP funding
Funding received from the Commonwealth (assuming a positive assessment of the draft report) must be used specifically for design and construction. The Commonwealth have confirmed that funds are not to be used for operation and maintenance of new infrastructure.

The ACT will need to provide assurance to the Commonwealth of its commitment to maintain the assets. Detailed operation and maintenance costs (across the life of the asset) for each of the options have been identified as part of the MCA process. These have been specifically calculated to reflect ACT conditions. The Cabinet paper to be considered on 3 November 2015 will seek Cabinet agreement to fund ongoing operation and maintenance of infrastructure funded by the BPP.

Alternative management and funding models for sustainable management of water sensitive urban design

Cost of routine maintenance and operations of water sensitive urban design assets has become a significant issue in the ACT with TAMs becoming responsible for an increasing number of assets without a commensurate operation and maintenance budget. EPD, TAMS and CMTD acknowledge that there is currently a funding shortfall.

EDP is currently undertaking investigations into alternative management and funding models for sustainable management of water sensitive urban design (including water quality projects). This work has demonstrated that:

- there has been an increase in stormwater/water quality operations and maintenance funding since the adoption of the Water Sensitive Urban Design Code;
- there is a gap in the funding stormwater/water quality operation and maintenance;
- construction of additional infrastructure through the BPP and the development of greenfield suburbs will lead to an expected marginal increase to the operation and maintenance funding requirement particularly over the next 5-10 years.

The Sub-Committee is scheduled to consider a paper on alternative management and funding models for sustainable management of water sensitive urban design at its 3 November 2015 meeting.

In light of no policy decision regarding alternative funding mechanisms, as noted above, Cabinet agreement will be sought to fund ongoing operation and maintenance of infrastructure funded by the BPP.

Project Governance

An important component in delivery of Phase 2 will be establishing governance arrangements which will allow delivery against any agreed timeframes. The Commonwealth has indicated that a governance framework must be provided as part of the draft supplementary report. It is proposed that EPD remain the BPP manager/owner, however, EDD (as contract manager) and TAMS (as asset owner) will play a primary role in the proposed governance approach. Attachment D provides a summary of the proposed arrangements. These arrangements will be further refined as part of the preparation of the draft supplementary report.

Community Engagement

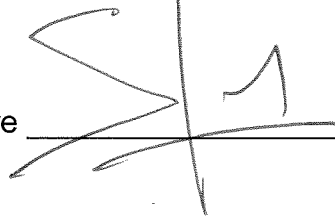
Consultation has been undertaken across government, with the BPP governance bodies (project advisory groups – community and technical; and expert panel) and broader community at various key stages of the BPP.

There has been strong support for the assessment approach and the range of intervention options identified within the catchments.

Future Action

- Progress to First Lodge.

Minister's signature



Date

22 / 9 / 18

