



Central Tablelands Water County Council

Response to the Local Government Independent Review Panel Paper

"Better, Stronger Local Government – The Case for Sustainable Change" November 2012

March 2013



Central Tablelands Water – Administration Office - Blayney



Mission and Vision

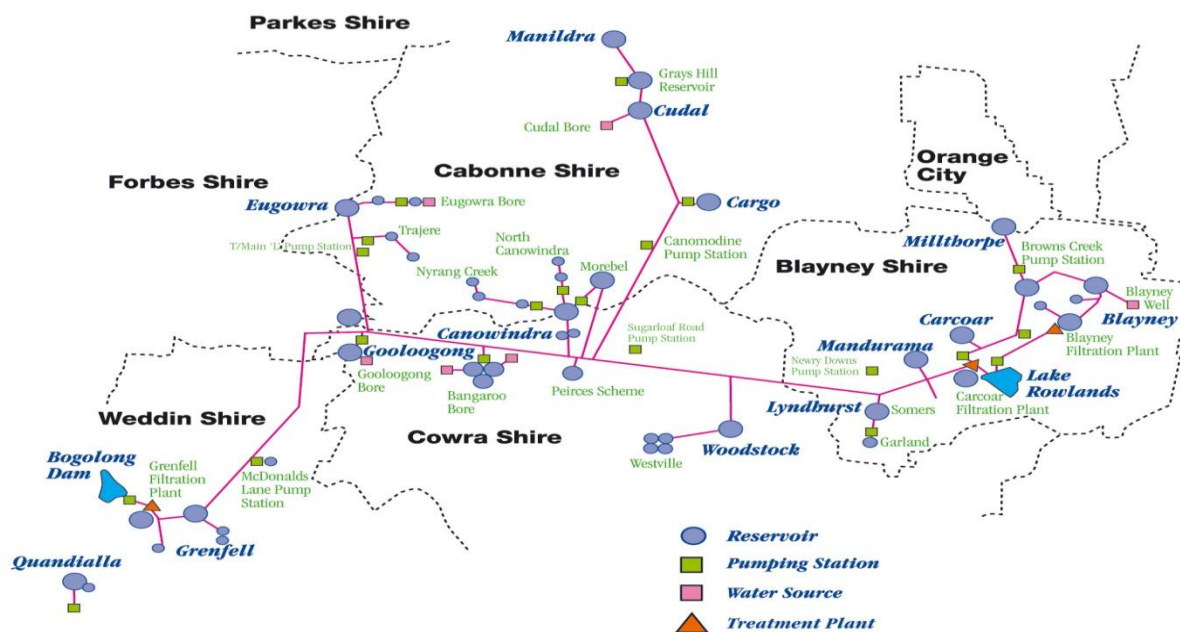
The mission of Central Tablelands Water is:

- Central Tablelands Water will develop a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level.

Furthermore, its stated vision is:

- Central Tablelands Water sees its future as a Regional Water Authority, independent of other agencies. It sees itself as a responsible member of the communities it serves, aiding the development of the region. It will continue to develop further sources of water and continue to supply an economical and acceptable water supply to its customers, and it will do so in an ecologically sustainable manner. Central Tablelands Water will continue to evolve its method of operations to incorporate a sound commercial focus. It will do so without compromising on the services it provides, becoming more efficient and maintaining prices at a reasonable level.

Central Tablelands Water – Water Supply Area & System Layout





Summary

The position of Central Tablelands Water (**CTW**), as endorsed by its Councillors, is that so far as local government reform generally is concerned:

- there is a pressing need for change, particularly in the areas identified by the Panel;
- a shared services organisation, structured as a County Council, will best deliver economies while preserving local identity,

and that specifically in relation to the provision of water and sewerage services in regional urban areas:

- to achieve the required scale, regional water utilities need to be aggregated into regional bodies but remain under local government control;
- CTW as a specialist water utility already serving four local government areas is ideally placed as the vehicle to provide water and sewerage services to regional urban communities in and proximate to the Lachlan catchment.

We elaborate on these points below.

Fundamental change is needed and we support it

CTW recognises that the way local government is structured and delivers its services needs to change. We welcome the opportunity to embrace that change for the benefit of our ratepayers and the communities we serve. We therefore fully support the aims of the review and acknowledge the need for more efficiencies within local government. CTW specifically encourages the Panel to pursue its ideas including in particular:

- a) better governance including Councillor professional development;
- b) encouragement of strategic thinking;
- c) encouragement of long-term sustainability, not just short-term viability; and
- d) flexibility for governance structures to be chosen that best meet the particular community needs.

In essence change in local government is needed so that there is focus on strategic thinking, better program delivery, long term sustainability, better quality representation and better value for the ratepayers' dollar.

CTW is an active partner in the very successful Wellington, Blayney, Cabonne (WBC) Strategic Alliance. Our stance is consistent with that of other member Councils. To quote from the Alliance's current submission to the IRP:

"since the start of this current review process the Alliance has remained actively engaged in the debate on the future of local government. We remain committed to providing our member Councils a cost efficient alternative model of delivery and collaboration that supports their individual sustainability and effectiveness".



Collaboration and Shared Services

CTW fully supports the WBC position on a shared services model for general purpose councils to access, for example, specialist planning, engineering, building services, IT, payroll and risk management services. CTW is more than willing to work and help develop this concept, including exploring using the County Council structure as the vehicle for delivering shared services to its Alliance member councils. With CTW already being an existing County Council, established in 1944, it is conceivable that CTW could be considered as this vehicle to set up and deliver a specialist shared services capability.

As mentioned above, the WBC Alliance is submitting a separate response to the IRP November 2012 Paper. The WBC submission outlines in excellent detail the benefits of shared services collaboration and how the model of a County Council shared service centre can be a strong partner in regional collaboration and representation. On the strength of the WBC submission, CTW does not intend to further elaborate in this regard other than to say it is 100% in support of the submission.





Aggregation of Local Water Utilities

The aggregation of local water utilities was supported in the findings of the Armstrong/Gellatly Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services in Non-Metropolitan NSW, supported again in the Infrastructure Strategy produced by Infrastructure NSW and is now included for consideration by the Local Government Independent Review Panel.

CTW supported the Armstrong/Gellatly inquiry and supports in principle the concept of separating water and sewerage from general purpose councils.

As pointed out in the Terms of Reference for the inquiry, some water utilities "*face constant challenges to plan for, and deliver, reliable, high-quality water and sewerage services*". The Terms of Reference also identified that a large percentage of the marginally viable smaller local water utilities are struggling with long-term sustainability and compliance with the Best Practice Management of Water Supply and Sewerage Guidelines.

Whilst CTW supports in principle the aggregation of local water utilities into regional based authorities, CTW strongly contends that:

- the delivery of water and sewerage services should remain under local government control; and
- by far the best structure for such regional bodies is a regional County Council possibly based on water catchment areas.

Retaining local government control under a County Council model maintains the close connection with the community for the delivery of water and sewerage services.

It can be demonstrated that there are still many communities throughout the state that do not have a reticulated potable water supply and will never be financially viable to be able to have one without government subsidy and cross subsidisation for both establishment and eventual infrastructure replacement. As well, there are communities that do have a reticulated potable water supply that is, and will continue to be, financially unviable and will only continue to exist and fund infrastructure replacements with cross subsidisation from the larger communities and further government subsidies.

There are many smaller general purpose councils that are finding it nearly impossible to meet the funding requirement necessary for infrastructure renewals and keep up-to-date with the ever-changing regulatory requirements, particularly in regards to water quality.

The County Council model, as demonstrated by the existing five water County Councils, has the ability to focus on its one function of town water supply and sewerage services and is able to deliver a high quality water supply to many towns and villages, across many local government boundaries, who would not otherwise have the benefit, or the financial viability, to ensure the provision of a service that is taken for granted by the larger viable communities.

Many general purpose councils, operating as local water utilities, refuse, or do not have the political will, to implement responsible best practice pricing and Section 64 developer charges and, as a result, do not have, and are not building, the reserves necessary to carry out the replacement and upgrade of their ageing infrastructure. They are continuing to rely on the expectation of non-existing government subsidies to fund the replacement of worn out infrastructure or necessary upgrades due to growth. As well, some general purpose councils,



due to their multi functionality, do not necessarily provide the water and sewerage functions with a focus that they deserve and consequently some communities are suffering with a less than adequate water supply.

An aggregated entity servicing regional towns, villages and communities which have a natural geographical connection with each other (such as a catchment) would be:

- more qualified to deal with specialised problems of water supply than the general purpose councils carrying out multi-purpose activities;
- in a better position to recruit and retain qualified personnel and usually have a number of each technical classification available, thus obviating undue disturbance by any staff changes;
- more efficient and economical in the distribution of water, in particular because of the benefits of an interconnected network in providing water security to each of its separate communities.

As previously stated, CTW is firmly of the view that, if there is to be a change to the institutional and regulatory arrangements for the delivery of water and sewerage services, the County Council model is best suited and recommended as it offers the efficiency, reliability, affordability and safety that the Armstrong/Gellatly Inquiry was charged to identify.

One of the objectives within the Terms of Reference for the Inquiry was to focus on "Whole-of-Community Outcomes". CTW would contend that the County Council model is best suited to achieve this objective as it retains the service delivery of water and sewerage within local government, which has always been identified as the government closest to the people. A County Council, with community representation from elected councillors of constituent councils, can best identify and be conversant with the needs and expectations of the communities represented.

As well, with representation on the "Board" from constituent councils, the County Council can be aware of the growth and potential developments of each local government area under its control and plan extensions and upgrades appropriately.



Village of Carcoar



Town of Grenfell



Role of Central Tablelands Water in reform

If aggregation of local water utilities is under serious consideration, CTW, as an existing County Council, stands willing to be responsible for the operation and management of water and sewerage in our region. With CTW being an existing legal form as well as an actual existing successfully operating entity, there would be no need for a new legal form or entity to be created, relevant local government industrial awards will continue to apply and staff transferring to the existing County Council entity would transfer without any loss of leave entitlements or break in service.

Aggregation of local water utilities on a regional scale, based broadly on the Lachlan catchment, would provide economies of scale and with approximately 41,500 consumers and \$46 million in revenue would enable appropriate training and skills development and access to specialist skills and finance resources.

An enlargement of the area of operation of CTW is not a new idea. As far back as 1961 it was proposed to

“alter the boundaries of the Central Tablelands County Council District by adding thereto the municipalities of Cowra, Parkes and Forbes”.

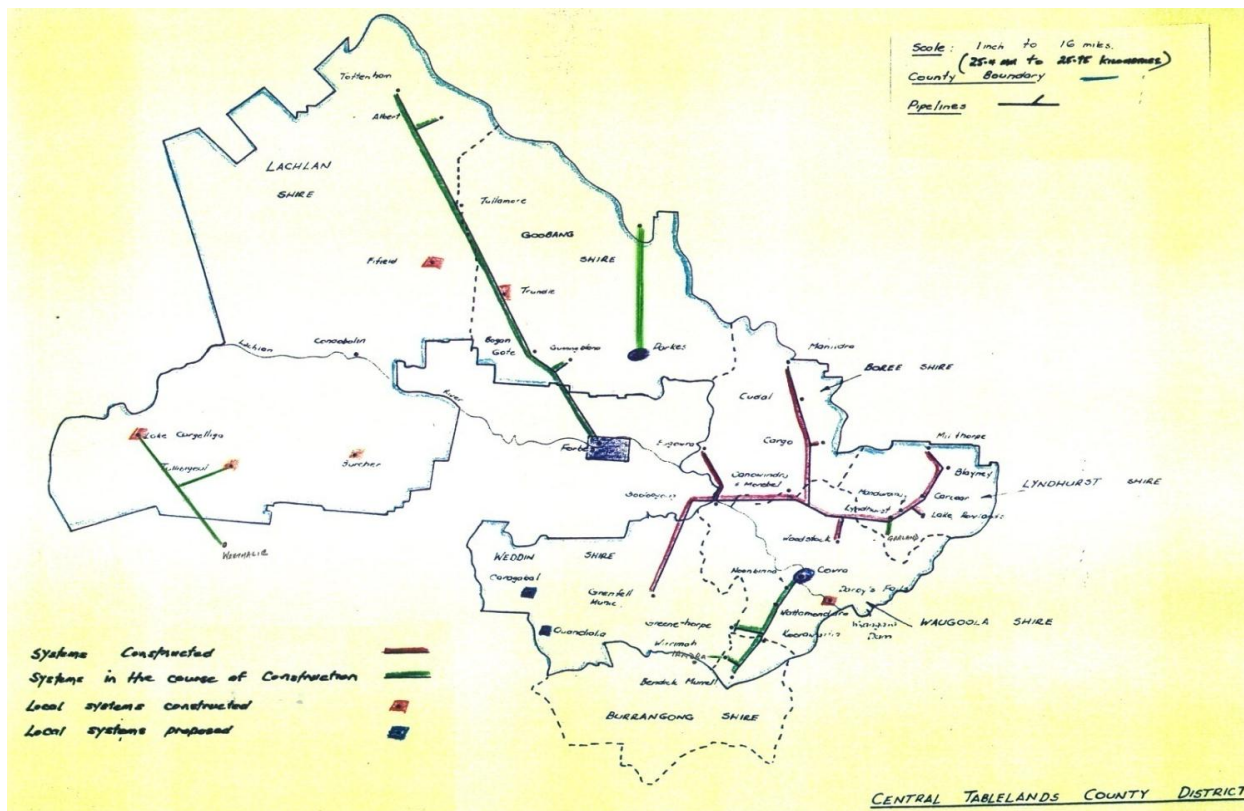
The prescribed notice of a proposal by the Central Tablelands County Council that the boundaries of the County District be altered was published in the Government Gazette of 4/11/1960. Formal objections to the proposal were lodged by Cowra, Forbes and Parkes Municipal Councils and, following consideration of the objections, the Minister referred the matter for an inquiry and report.

Commissioner Podgson, in his report on 9 August 1961, recommended that:

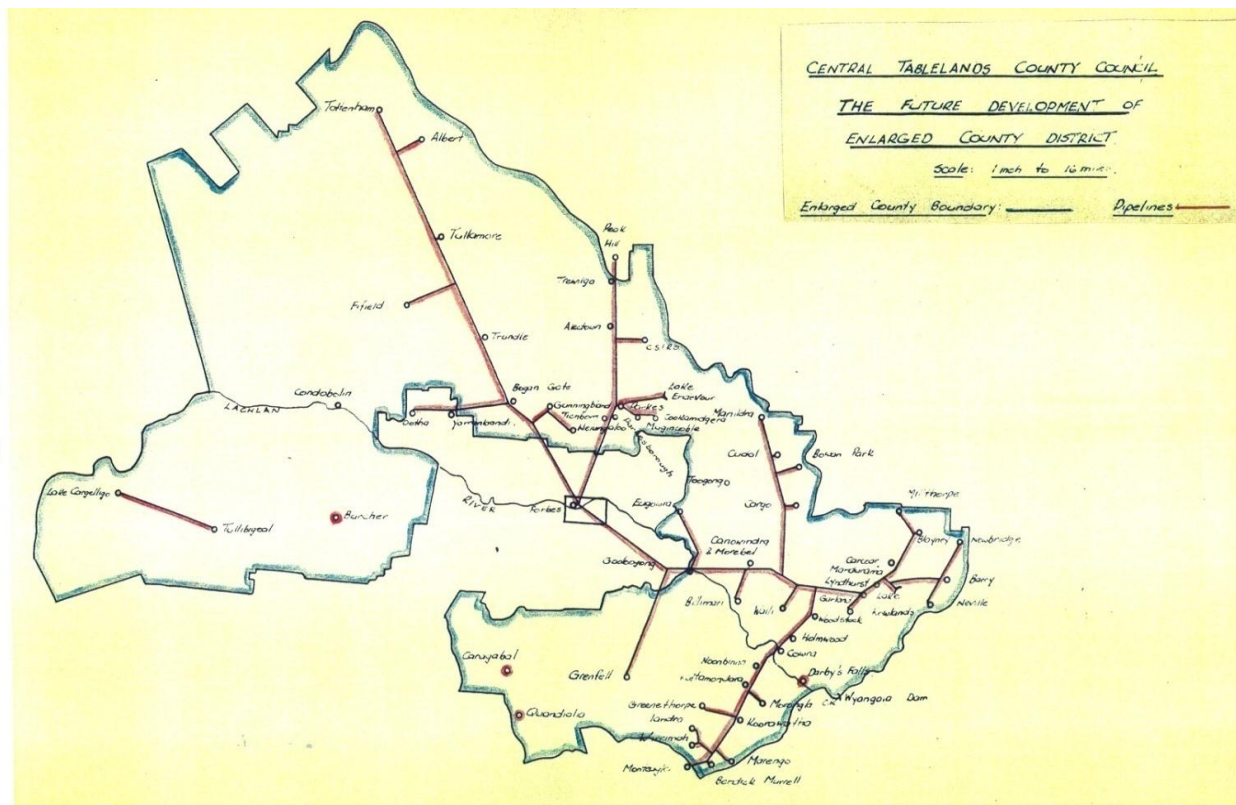
“having reviewed the evidence and relevant circumstances, that the proposal to alter the boundaries of the Central Tablelands County Council by adding thereto the Municipalities of Cowra, Forbes and Parkes be not approved.”

It was interesting to note that the loss of substantial cross-subsidies to industry and free water to municipality undertakings featured heavily in the municipalities objections. Would those objections still “hold water” in 2013?

On the following page is a map showing the County Council District as it existed in 1961 and a further map showing the enlarged boundary of the County District as proposed in 1961:

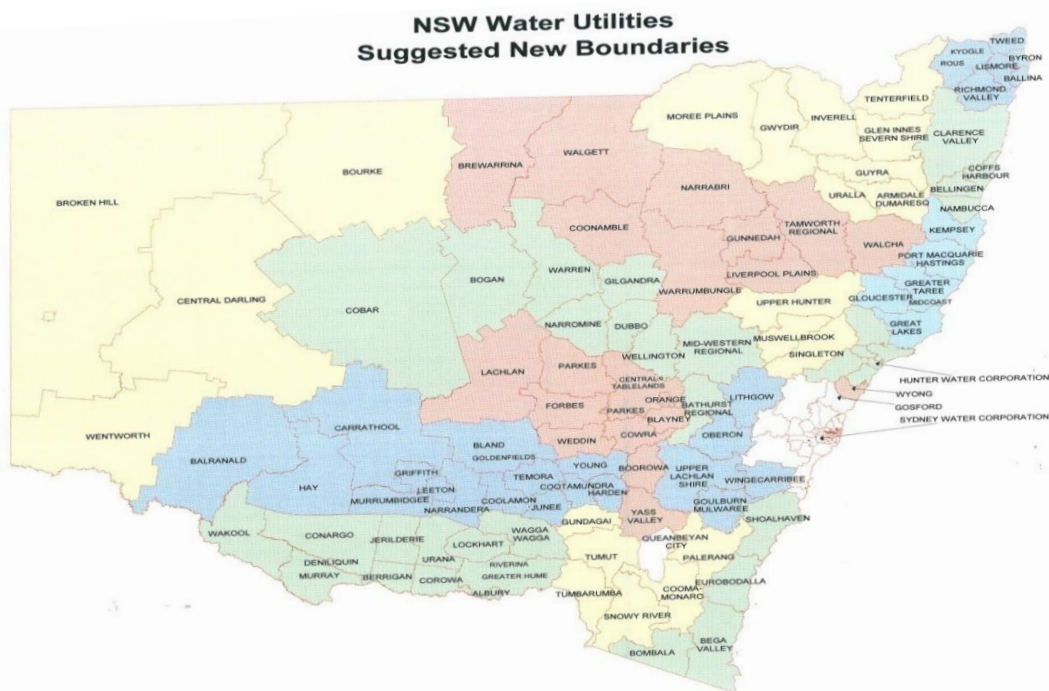
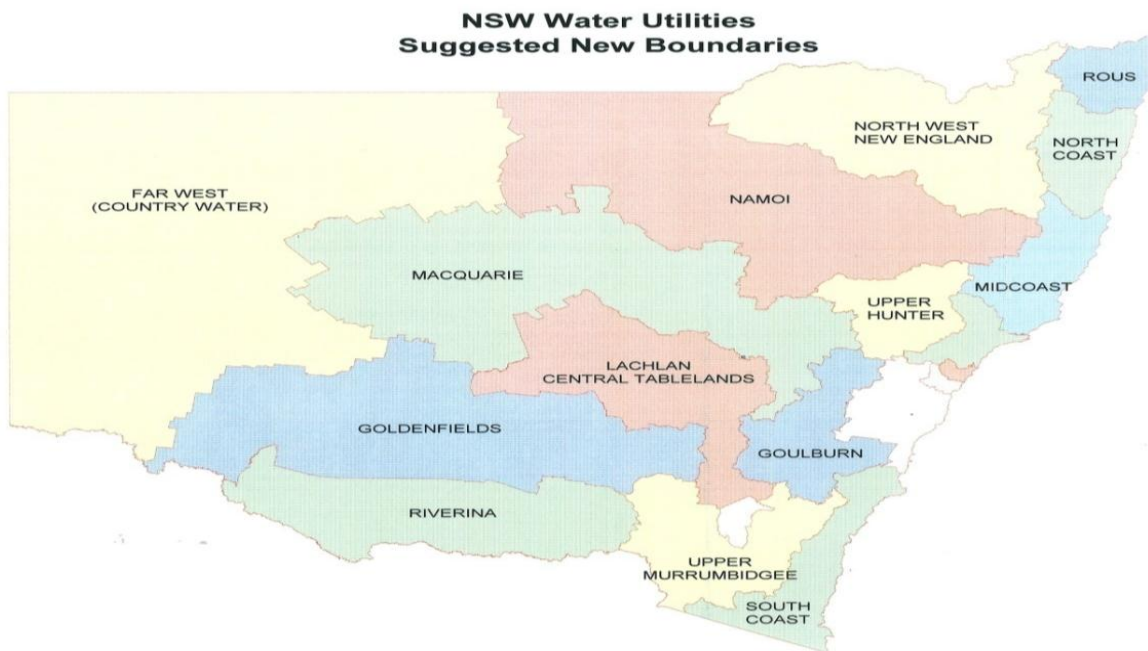


CTW – Actual Area 1961





Move forward 52 years and the suggested boundary changes put forward in the Armstrong/Gellatly Review, shown in the maps below, reveal that the **Lachlan Central Tablelands** boundary suggestion bears a remarkable similarity to the 1961 proposal.





Central Tablelands Water is up to the task

Over the past 70 years, CTW has a proud record of infrastructure creation, renewal, upgrade and augmentation. As well, CTW is recognised by the NSW Office of Water as being 100% compliant in all aspects of Best Practice Management of Water Supply and Sewerage Services.

The major focus and policy objectives of CTW have been water quality and reliability. To support this policy, the following are only a few of the major capital works that have been completed in recent years:

1. Construction of a modern DAFF water filtration plant at Carcoar to replace a conventional plant constructed in 1956.
2. Upgrade of the water filtration plant at Blayney.
3. Construction of a duplicate 12km trunk main from Cudal to Manildra.
4. Replacement of 40 km of unlined cast-iron reticulation pipes in the town of Grenfell.
5. Replacement of 10 km of unlined cast-iron reticulation pipes Canowindra.
6. Construction of six modern pump stations to improve transfer capacity.
7. Completion of the roofing of 45 concrete service reservoirs.
8. Construction of a potable water supply to the village of Quandialla.
9. With nearly 300 km of reticulation water mains across the supply network, approximately 65% has been completely renewed.

Further, CTW has a 30 year capital works program and financial plan in place with major focus on trunk main replacement and upgrade.



Cudal – Manildra Augmentation Works



Typical New Pump Stations



Carcoar Water Filtration Plant

Blayney Water Filtration Plant

CTW has been prepared to make responsible and sometimes difficult policy decisions in order to ensure the viability and sustainability of the County Council and to ensure consumers continue to receive a water supply of high quality and reliability. This is where a County Council model, with its focus only on water and sewerage services, is the best option to meet the objectives outlined in the Terms of Reference of the Armstrong/Gellatly Inquiry.



Should water and sewerage assets be transferred?

CTW is conscious of the fact that general purpose councils will be strongly committed to retaining ownership of water and sewerage assets. We understand the reasons for this. It is clearly an important consideration for the panel to address, if it were minded to recommend delivery of water and sewerage services via an aggregated regional entity.

The alternatives are to leave ownership with legacy councils and have an asset management arrangement in place or to transfer the assets.

From the perspective of an already operating vertically integrated water utility, and without wanting to get into the emotion or politics necessarily involved, we do however offer the panel the following observations:

- 1 Water and sewerage assets are held by councils for the benefit of those residents who have paid water and sewerage rates and charges over many years. They are not owned by councils for the benefit of all ratepayers. The quarantining of water and sewerage income means that it is the water and sewerage ratepayers who have paid for the assets, not all ratepayers.
- 2 Transferring the assets to a special purpose water and sewerage utility properly aligns the interest of all these ratepayers on an ongoing basis.
- 3 No “compensation” should be properly due to the transferring councils because the assets have been fully paid for by the ratepayers who will be getting the continuing benefit from those assets. The assets would remain where they are, remain under local government ownership and would continue to be maintained and operated for the benefit of the same ratepayers.
- 4 Where borrowings raised for construction, refurbishment or replacement or maintenance of water or sewerage assets remain outstanding it is appropriate that this debt be transferred so that transferring councils are no longer responsible for it.
- 5 Transferring the assets ensures that the water and sewerage utility is properly structured as a vertically integrated infrastructure owner and service provider. This is the model used in most other Australian jurisdictions for regional urban water authorities. It ensures that the infrastructure is maintained by the service provider to a standard necessary to comply with its service delivery obligations.



Lake Rowlands



*Water flowing over
Lake Rowlands dam wall
after heavy rain*
