

Update on the Inquiry into Local Water Utilities...

(...and the implementation of the
alliance model)

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of NSW



Recap – Inquiry recommendations

- 32 regional groupings including stand-alone LWUs.
- Structural models for groupings that are not stand-alone:
 - “binding alliance”;
 - Corporation owned by member councils.
- Function mainly strategic business planning (incl. asset management) and regional water planning.
- No takeover of operational functions or infrastructure.



Recap – Inquiry recommendations

- Mandatory regulation (based on best practice guidelines).
- Mandatory pricing regulation (charges based on proper business plan and implemented accordingly, oversight by independent body).
- Mandatory risk management according to ADWG.



LGSA submission - Background

- Forum in April 2009
- Input into legislative framework for “binding alliance” model and other models (council corporation).
- Call for funding – seed funding, funding to bring all members up to adequate standard, ongoing funding for disadvantaged areas.
- Calls for further consultation once NSW Government response and legislation has been prepared.



LGSA Submission - Support for alliance model

- Regional co-operation and resource sharing.
- Alliance is one model for regional co-operation; others include county council and regional water corporation.
- Alliance more flexible and can better address identified weaknesses,
- Less risk and is more readily implemented.



LGSA Submission – Alliance’s main functions

- Guide, coordinate and facilitate strategic business planning by member councils:
 - To achieve effective regional water resource planning and IWCM;
 - Where appropriate and agreed, identify and manage regional/shared infrastructure;
 - Facilitate and provide technical support to members and assist with the sharing of knowledge and professional staff;
 - Facilitate best practice, compliance with regulation, and reporting on performance of the region to regulator(s).



LGSA Submission – Strategic business planning by members

- Strategic business planning by member councils:
 - Determination of levels of service and infrastructure required to provide them;
 - Financial planning and asset management to ascertain the full cost of providing services and supporting infrastructure;
 - Determination of charges to ensure services and supporting infrastructure can be funded over the long term and costs are fully recovered.



LGSA Submission – The LGSA alliance model

- Binding in terms of membership; councils enter voluntarily but once you are in you are in.
- LGSA object to forcing councils to enter into alliances or any other organisational structure.
- Fully owned by member councils, Local Government controlled, based on LG Act (e.g. committee under s355).
- Decision making body comprises elected members from councils.
- Supported by technical body containing professionals from councils and external experts where appropriate.

THE ALLIANCE

Alliance body
(e.g. s355 committee)
Comprising elected
members

Technical body
comprising council
professionals and/or
external experts

Could be merged
(but LG control)!

Coordination and facilitation of strategic planning, technical
assistance and platform for resource sharing

Member
council

Member
council

Member
council



LGSA Submission – Potential differences to Inquiry model

- Member councils, not the alliance, implement business planning for their area and determine level of charges.
- Alliance has coordination role; no power to compel councils to implement its strategic directions.
- No authority to impose cross-subsidisation or postage stamp pricing; however could occur by mutual agreement.
- However, member councils should be able to assign, by mutual agreement, additional functions to the alliance.



LGSA Submission – Position on mandatory regulation

- Support for strengthening regulation (making best practice mandatory).
- Support conditional on agreement to Local Government alliance model.
- External audit of price determination by council auditor.
- General support for Ombudsman scheme if net benefits can be shown (however, many councils already have in place comprehensive complaint management arrangement and might not require an additional scheme).



LGSA Submission – Position on Pricing

- External audit of council's price determination.
- Water supply and sewerage charges are set by councils according to their strategic business plan and pricing regulation (e.g. full cost recovery).
- Appropriateness and accuracy of strategic business plans, cost allocations, and price determinations are evaluated by independent external auditor.
- Audit forms the basis for regulatory oversight by and performance reporting to regulator (e.g. Office of Water).
- Similar external audit process is already applied when LWU want to pay a dividend to council's general fund.



LGSA Submission – Position on groupings

- General support of regional groupings (including stand alone utilities); but not fixed on number (32)
- Option to join different groups if that better suits economic, social and hydrological circumstances
- Do not support 15 groupings model



LGSA Submission – Funding issues

- Seed funding to analyse and establish alliances.
- Funding to bring members up to appropriate standard and equal footing, including for capital expenditure (Minister Rees promise).
- Ongoing funding for areas that can not be financially self-sufficient.



Conclusions

- Need for industry to show leadership and move forward.
- Support of regional alliance model (coordination role).
- Benefits are coordination of regional water resource planning and IWCM, sharing of resources.
- Improved ability to satisfy best practice (ever-increasing technical, environmental and water quality standards).
- Flexible and can better address identified weaknesses.
- More resilient model during the process of change.
- Funding needed (seed, catch-up, and ongoing)