

SHOALHAVEN CITY COUNCIL

SHOALHAVEN WATER OPERATIONS & STRATEGIC REVIEW COMMITTEE

to be held on Tuesday, 20th October, 2009
commencing at 5.00 pm.

14th October, 2009

Dear Member

NOTICE OF MEETING

You are hereby requested to attend a meeting of the Shoalhaven Water Operations & Strategic Review Committee to **be held in Committee Rooms 1, 2 & 3 at the City Administrative Centre, Bridge Road, Nowra on Tuesday, 20th October, 2009 commencing at 5.00 pm** for consideration of the following business.

R D Pigg
General Manager

Membership (Quorum – 4)

Clr Miller – Chairperson
General Manager (or Nominee)
Director, Shoalhaven Water
All Councillors

BUSINESS OF MEETING

1. **Apologies**
2. **Report of the General Manager**
Shoalhaven Water
3. **Confidential Report of the General Manager**
Shoalhaven Water
4. **Addendum Reports**

Purpose:

- a) To provide corporate direction for the Shoalhaven Water Group to make recommendations on the exercise of powers vested in Council under any statutes or regulations affecting the construction, alteration or maintenance of water and sewerage works and effluent works and pump out removal.
- b) To make recommendation on the expenditure funds raised under Section 64 of the Local Government Act 1993.
- c) To develop and review strategic policies for water, sewerage and effluent operations.
- d) Be responsible for policy review and development for matters within the Committee's responsibilities.

Note: The attention of Councillors is drawn to Section 451 of the Local Government Act and Regulations and Code of Conduct regarding the requirements to declare pecuniary and non-pecuniary interest in matters before Council.

Cell Phones:

Council's Code of Meeting Practice states that "All cell phones are to be turned off for the duration of the meeting".

LOCAL GOVERNMENT ACT 1993

Chapter 3

Section 8(1) - The Council's Charter

(1) The council has the following charter:

- to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively
- to exercise community leadership
- to exercise its functions in a manner that is consistent with and actively promotes the principles of multiculturalism
- to promote and to provide and plan for the needs of children
- to properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development
- to have regard to the long term and cumulative effects of its decisions
- to bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible
- to facilitate the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and co-ordination of local government
- to raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants
- to keep the local community and the State government (and through it, the wider community) informed about its activities
- to ensure that, in the exercise of its regulatory functions, it acts consistently and without bias, particularly where an activity of the council is affected
- to be a responsible employer.

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REPORT OF GENERAL MANAGER

SHOALHAVEN WATER OPERATIONS & STRATEGIC REVIEW COMMITTEE

TUESDAY, 20 OCTOBER 2009

SHOALHAVEN WATER

1. Kangaroo Valley Sewerage Scheme - Scheme Status

File 1375-06

Purpose of the Report:

This report provides Council with an update on the Kangaroo Valley Sewerage Scheme Concept Design tender and landowner negotiations.

RECOMMENDED that:

- a) **In accordance with Clause 178 (1)(b) of the Local Government (General) Regulations 2005, Council decline to accept any tender for the Kangaroo Valley Sewerage Scheme Concept Design**
- b) **In accordance with Clause 178 (3)(b), invite fresh tenders at such a time that the landowner negotiations are completed, should those negotiations be successful.**
- c) **Council call for expressions of interest from owners of properties considered in the Option Development Report, 2006, to gauge interest in scheme participation in the event that negotiations fail with the current property owner.**

Options:

In relation to the Concept Design tender Council could:

- a. Proceed to award a contract to the preferred tenderer with the risk that negotiations with the current property owner could fail
- b. Delay the award of the contract and request from the current preferred tenderer the financial penalty for such delay

In relation to the calling for expressions of interest Council could:

- a. Proceed to negotiate further with the current landowner and make a decision on the future of the scheme at the conclusion of those negotiations
- b. Cease all negotiations with the current landowner and abandon the scheme
- c. Cease negotiations with the current landowner and call for expressions of interest from other parties interested in scheme participation.

Details/Issue:

Council resolved to proceed with the Kangaroo Valley Sewerage Scheme Concept Design at its meeting on 16 December 2008.

Tenders were called on 23 June 2009 and closed on 28 July 2009. The tenders have been assessed in accordance with the tender evaluation plan and a preferred tenderer has been determined.

Running in parallel with the tender process, Council has been negotiating with the landowner of the preferred site, D3.

At the time tenders were called for the Concept Design it was expected that the landowner would have given a firm commitment to scheme participation by the time a contract was due to be awarded. In saying this, tenderers were made aware of this particular risk at the mandatory pre-tender meeting held on 14 July 2009.

The original water balance analysis undertaken for the scheme and the subsequent discussions with the landowner were based on a pasture crop all year round.

Late in the negotiation process the landowner indicated they would prefer an alternative cropping regime of maize during the warmer months (October – February) and a winter rye grass during the cooler months.

This change in cropping regime was different to the water balance model due to the varied irrigation requirements and the water balance model was therefore revised on this basis.

The revised water balance determined that there would be a shortfall of reclaimed water in those years experiencing excessively hot and dry conditions. The water balance, based on actual climate conditions from 1940 to 2008, determined that a shortfall of reclaimed water would be experienced in 22% of years. The findings of the revised modelling were presented to the landowner at a meeting on 18 September 2009.

The landowner indicated at that meeting that they would not be willing to participate in the scheme unless a supplementary water supply could be provided to make up the shortfall identified in the water balance. On average the required supplementary supply would be approximately 5.5ML/year and the worst year would require approximately 19ML.

Three options for supplementary supply were considered as follows:-

1. Purchase of a water allocation licence from a property upstream of the subject property.
2. A bulk water supply from Council's potable water supply system.
3. Install a bore in the vicinity of the site.

Option 1. was ruled out on the basis that the local water sharing plan would make it unlikely that extraction from the creek would be permitted during the time a supplementary supply would be required.

Option 2. was ruled out on the basis of inequity. It is likely that the rest of the City would be on some form of water restrictions at the time the supplementary supply would be required.

This left Option 3. as the only viable alternative.

Enquiries have been made into the process for establishing a bore on the subject land. The process is outlined below with an associated timeframe for each step in the process.

- i. approval to establish a test bore – 4 weeks from the lodgement of application
- ii. Arrange driller, drill bore and water analysis (yield and quality) – 3 weeks after approval received
- iii. Approval to operate the bore – 8 weeks from the lodgement of the application to operate the bore.

Note: The above process assumes each application will be approved and the bore will provide adequate yield and water quality to satisfy a supplementary supply.

An application to establish a test bore was lodged on 22 September 2009.

Should the timeline above be achieved, approval to operate a bore would be received in December 2009, approximately 20 weeks after the close of the Concept Design tender.

This is considered an unreasonable and unfair timeframe to leave tenderers in abeyance.

Given the substantial financial commitment Council would be making to the Concept Design phase of the project, it is felt that the current risks to scheme progression are such to warrant not letting a contract at this point.

While the current site, D3, remains the highest priority, Council may see benefit in seeking fresh expressions of interest from owners of the properties that were considered in the Option Development report, 2006. Given the current climate (economic and weather) owners may see benefits not previously realised.

It should be noted that the scheme is the subject of a grant of \$6.1m from the Sydney Catchment Authority (SCA), under the Accelerated Sewerage program.

Council has been advised that this grant may be under threat should the scheme be significantly delayed (the original completion date accepted by the SCA was July 2010). It is therefore critical that the scheme be finalised as soon as possible.

Economic, Social & Environmental (ESD) Consideration:

ESD considerations for the scheme as it currently stands have been dealt with in the EIS.

The need to investigate a bore option for a supplementary supply has placed significant risk on the progression of the scheme. Should the bore investigation not produce the quality and/or quantity required, the landowner has indicated that the scheme would not be viable to them. Council would then need to consider a way forward.

Financial Considerations:

The current estimated cost of the preferred scheme is \$12.6m. It should be noted that this estimate has not yet been updated, and a detail estimate was to form part of the concept plan. It should also be noted that should Council lose the SCA grant, the scheme would likely be unaffordable.

2. 2009 LGSA Conference

File 35844-02, 3989-10

Purpose of the Report:

This report is submitted to provide feedback on the 2009 LGSA Water Management Conference attended by Councillors Gary Kearney and Robert Miller. The Councillors were accompanied by Carmel Krogh, Director of Shoalhaven Water and Tony Holmes, Business and Support Manager. The 2009 Water Management conference presented an opportunity for Councillors, Water Managers and Government representatives to tackle the key issues and discuss ways forward to achieve a sustainable future.

RECOMMENDED that the detail contained in this report be noted.

Options:

Council could seek additional information on any of the conference stream presentations.

Details/Issue:

The conference was held 9-11 September 2009 in Deniliquin, a part of NSW hardest hit by the most recent drought.

The Keynote Address was given by Richard McLoughlin – Department of the Environment, Water, Heritage and the Arts; on the Australian Government's policy priorities in the water area. In particular, his address outlined actions on water buybacks, environmental water and investment in irrigation efficiency. Under the "Water for the Future" program a total of \$12.9 billion is being invested nationally over 10 years, with four priorities;

- Taking action on climate change,
- Using water wisely,
- Securing water supplies, and
- Supporting healthy rivers

The programs focus on rural communities includes;

- Restoring the balance in the Basin Program (\$3.1 billion) for purchasing water entitlements from willing sellers,
- Sustainable Rural Water Use and Infrastructure Program (\$5.8 billion)

In respect of NSW Rural Infrastructure commitments, the Commonwealth has committed to provide around \$1.8 billion for NSW rural and regional water infrastructure projects, including of potential interest;

- Up to \$137 million for projects that reduce water loss on farms by piping stock and domestic supply systems
- Up to \$221 million to upgrade the accuracy of water metering, and
- A further \$50 million to improve the management of water on the floodplains through modifications to floodplain structures and extractions

In addition, further funding is being sought for improving water information via the Bureau of Meteorology. This is a second of three rounds of funding offers and Shoalhaven Water is investigating options to expand on and improve the collection of data through this offer.

Presentations were made by the NSW Office of Water (NOW) updating progress on the Aboriginal Communities Water & Sewerage Program and Integrated Water Cycle Management (IWCM). Council would be aware that Shoalhaven has completed and received approval for its IWCM and is one of only 40% completed in NSW. NOW also gave an overview on the progress of changes to the Plumbing & Drainage Regulations which are due for implementation in mid 2010.

Other sessions of interest included;

- Risk Management and the Australian Drinking Water Guidelines
- Water Directorate Water Managers' Forum
- Recent water management developments in Tasmania
- Panel discussion on Balancing Water Needs
- National Water Commission and Urban Water Planning Principles
- Implementation of the LWU Inquiry and case studies
- Water Conservation and Alternative Supply Solutions

Within the discussion on the National Water Initiatives, the subject of scarcity based pricing was raised. The National Water Commission has provided a position statement on urban water pricing that identifies additional areas that may warrant policy reform. These areas extend beyond the actions originally specified under the National Water Initiative. The Commission supports further consideration of scarcity pricing in urban areas on the basis that scarcity pricing may be a more efficient way of balancing supply and demand and could significantly reduce the need for water restrictions.

A full copy of the conference papers is available on the LGSA website for the further information of Councillors and Staff at the following link:

<http://www.lgsa-plus.net.au/www/html/2864-speakers-and-presentations.asp>

Economic, Social & Environmental (ESD) Consideration:

The conference highlighted a number of economic, social and environmental issues facing communities significantly affected by drought. The long term goal of "water sensitive urban cities" was discussed, together with the importance of managing water in

the urban context on a whole-of-water-cycle basis. The conference reinforced the need to consider the full portfolio of water supply and demand options to develop and manage urban water supplies within sustainable limits.

Financial Considerations:

There are no direct financial implications arising from this report.

3. Water Rebate Options - Drought Affected Farmers

File 40185

Purpose of the Report:

Council at its meeting of 21 September 2009 resolved that;

- a) Council provide a rebate to drought affected farmers whose property is connected to the reticulated water supply,
- b) The General Manager (Shoalhaven Water) provide a report to the next Council meeting on an appropriate water rebate,
- c) Any rebate program mirror the assistance scheme as outlined by the NSW Government which prescribes that a property must have been in drought for the last three months.

This report provides Council with the details on an appropriate water rebate and the means by which it can be applied.

RECOMMENDED that Option b) be proposed to be adopted as the means by which a water rebate is provided, and that this proposal is publicly notified in accordance with Section 356 of the Local Government Act and that a further report be provided after the required public notification period (28 days).

Options:

Council could;

- a) Provide a water rebate to drought affected farmers to an amount calculated as a set percentage of water consumption,
- b) Provide a water rebate to drought affected farmers to an amount as calculated in a similar manner with other water consumption rebates, or
- c) Provide a water rebate to drought affected farmers to a set amount.

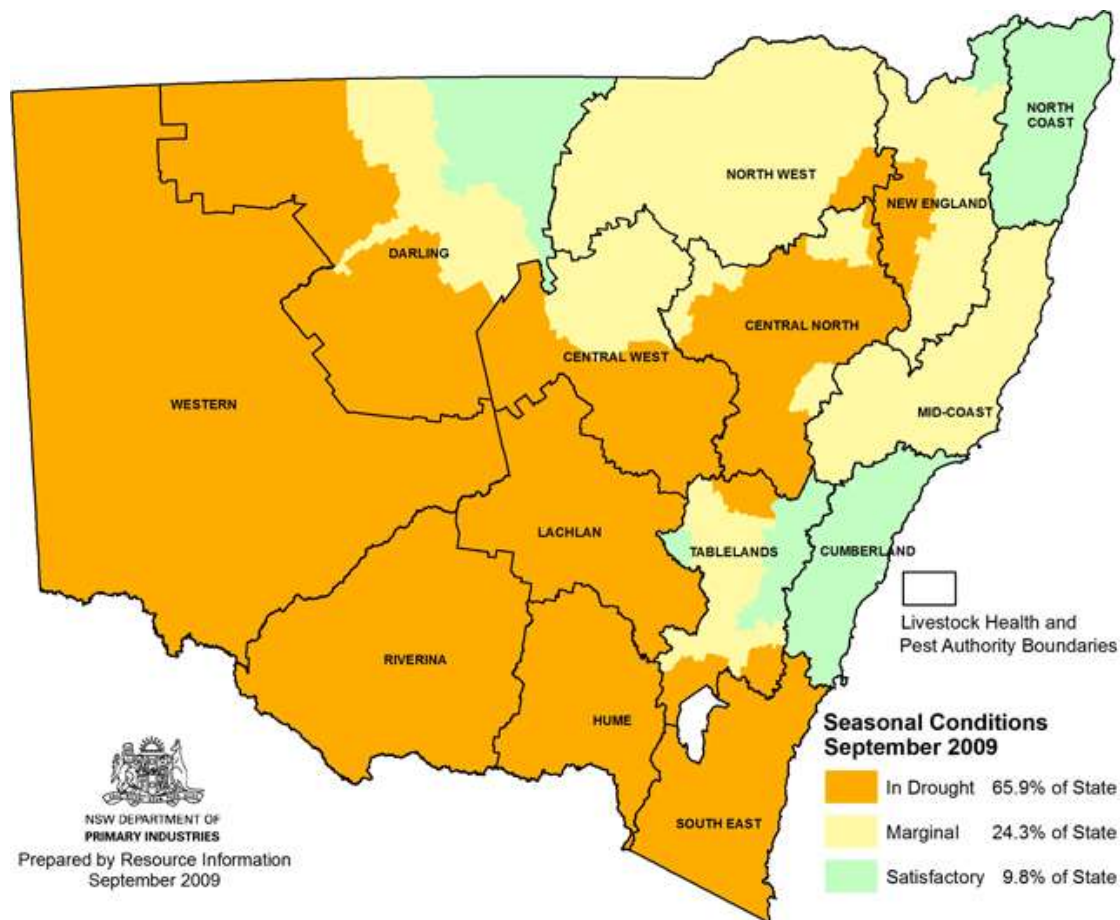
Details/Issue:

In providing Council with the options for a rebate the issues regarding the resultant cross-subsidy and inequities as outlined in the previous report to Shoalhaven Water Operations & Strategic Review Committee of 15 September 2009 remain extant.

Update on the District Status – Drought Declaration

Council would be aware that declaration of drought is made by the NSW Minister of Agriculture based on information provided by the 14 Livestock Health and Pest Authority (LHPA) Districts around NSW, rainfall details from the Bureau of Meteorology and reports from the NSW Department of Primary Industries.

Shoalhaven is contained within 2 LHPA Districts (Cumberland and South East) with the southern and western areas of the City (south of Wandandian Creek and west of Danjera) contained within the South East LHPA District. The South East District was declared “drought affected” with effect 1st February 2009 and continues in that category as at September 2009. The remainder of the city remains in “satisfactory”.
Drought Map – September 2009



The following Tables provide a summary of Farms connected to potable water, the annual water consumption (2008-2009) and estimate of income at the current tariff assuming similar levels of water consumption in 2009-10.

City Wide (includes Drought Declared) – Potable Water

Category	Number	Total Consumption (kl) 2008-09	Expected Annual Income
Farm	390	685,218	\$890,783

South East District Only (Drought Declared) – Potable Water

Category	Number	Total Consumption (kl) 2008-09	Expected Annual Income
Farm	69	51,110	\$66,443

Option A

Council can elect to provide a rebate based on a percentage of the total water usage for the period. If, for example, the subsidy percentage was 30% and a farmer used 500 kL for the quarterly period, they would have a subsidy of $30\% \times 500\text{kL} \times \$1.30 / \text{kL} = \$195$.

This method of applying a rebate is not recommended as it provides little incentive for water conservation and will not address the primary purpose of having a rebate eg to assist farmers with higher than normal water usage due to the hardship of being in drought.

Option B

This option would base the eligibility and calculation of any rebate in the same manner to the other water consumption based rebate (leak reduction rebate). This option would apply to those drought affected farms with significantly increased levels of water consumption. A percentage based on daily average consumption of the difference between the actual usage over the period and the average water consumption for the previous corresponding (3) three periods would be calculated as the rebate. It is suggested that “significantly increased water usage” would be defined if the daily average consumption is 1.5 times greater than the average of the previous corresponding (3) three periods daily average consumption, and that the percentage rebate be 50%.

For example, if the farmer used 500 kL for the quarterly drought period, and his average consumption for the corresponding (3) three periods was 100 kL, then he would be eligible for a rebate of $(500-100) \times 50\% \times \$1.30/\text{kL} = \$260$.

Put simply, this option means that Council and the farmer are “sharing” the cost of the additional water used as a result of the drought.

Importantly, this option confronts the purpose of providing a rebate by limiting its availability to those properties where consumption has genuinely increased because of the drought event.

This option would maintain the principle of “user pays” under the NSW Government Water Supply, Sewerage and Trade Waste Pricing Guidelines.

Noting that the South East District was declared on 1 February 2009, the amount of rebate using the above calculation for the last billing quarter 1 July to 30 September would result in 18 Farms receiving a rebate in varying amounts up to approximately \$739. This reflects the seasonal trend of water usage in that District whereas 30 of the 69 Farms recorded less water consumption in the last billing period than in the previous 3 corresponding periods.

It should be noted however that a large proportion of Farm water meters were read at the end of July and are again due for reading at the end of October. The prolonged drought conditions for that District and seasonal changes therefore are likely to impact on water consumption trends into this next billing quarter and therefore it is expected that the amount and number of the rebates will increase significantly.

Having regard to the above and on the basis of the Council resolution that “*a property must have been in drought for the last three months*” there will also be a requirement to calculate the rebate payable for water consumption from 1 May 2009 up to the previous meter reading.

Option C

This option would involve the provision of a water rebate to drought affected farmers to a set amount (eg up to \$200 per quarter). This method of applying a rebate is not recommended as it again provides little incentive for water conservation, is not linked to actual water consumption and will not address the primary purpose of having a rebate eg to assist farmers with higher than normal water usage due to the hardship of being in drought. Were this option being considered, it would be appropriate to base the rebate amount on the fixed Availability Charge levied against each property.

Summary

Regardless of the method of calculation or amount, the rebate can only be applied retrospectively after the issue of each Water Account as database automation for this type of rebate is not possible. The rebate can be applied as a credit adjustment to the Water Account without the necessity of the owner making application or submitting documentation. Advice as to the amount of the rebate would accompany each account. Pending Council's decision as to the rebate being provided, it would be Shoalhaven Water's intention to contact each customer outlining detail about the rebate and how it will be applied. If, for example, Council adopted Option B the adjustment for the period 1 May 2009 up to the previous meter reading would be reflected as a credit on Water Accounts and customers advised separately.

Notification Requirements

Since the proposed rebate scheme is not included in Council's Management Plan, Section 356 (2) of the Local Government Act will apply. This Clause states that:

A proposed recipient who acts for private gain is not ineligible to be granted financial assistance but must not receive any benefit under this section until at least 28 days' public notice of the Council's proposal to pass the necessary resolution has been given.

Section 356 requires public notice to be given prior to the resolution being made. The public notice is required to be in accordance with Section 705 of the Local Government Act. Therefore, a further report will be required for Council's resolution and the rebate could then be applied retrospectively.

Economic, Social & Environmental (ESD) Consideration:

A rebate to drought affected farmers could be a positive economic bonus to those eligible.

Financial Considerations:

Council would be aware that the Water Fund operated in deficit during 2007-08. Early indications are that a higher than anticipated deficit will also occur in 2008-09 as a result of increased write downs from the fund investments. Although water charges and budgets for 2009-10 were calculated on the basis that the Water Fund would record a small surplus, the provision of a rebate against the operating cost of additional water supply and the poor return from fund investments was not included within the financial plan. A real likelihood exists therefore that the Water fund will continue to record a deficit result for 2009-10.

4. Local Approvals Policy - Liquid Trade Waste Discharge to the Sewerage System **File 9827-02**

Purpose of the Report:

The purpose of this report is to adopt the revised Trade Waste Policy.

RECOMMENDED that the Local Approvals Policy “Liquid Trade Waste Discharge to the Sewerage System” be adopted as amended.

Options:

Council could rescind, re-affirm (no changes) or adopt with minor changes.

Details/Issue:

Council at its meeting of 27 January 2009 resolved that:

- a. The Local Approvals Policy for “Liquid Trade Waste to the Sewerage System” be publicly exhibited in accordance with Section 160 of the Local Government Act
- b. Should Council receive no submissions in relation to the public exhibition, the policies be adopted as exhibited, and
- c. Should Council receive submissions of a significant nature in relation to the public exhibition, a further report be placed before Council.

The Liquid Trade Waste Policy was placed on public exhibition on 8 April 2009. No comments were received by the public, but Council was advised in January 2009 that this

Policy would be required to be submitted to the NSW Office of Water (NOW) for review and concurrence and that any comments would be treated similarly to any public comment received during the exhibition period.

A number of comments have recently been received from NOW and this report provides Council with those details.

The comments received from NOW have been incorporated into the attached Policy for Council's consideration.

Under the NSW Government Best Practice Management of Water Supply and Sewerage Guidelines April 2007, there is a requirement for Local Government Water Utilities to adopt and implement an appropriate Liquid Trade Waste Regulation Policy in accordance with the NSW Government Liquid Trade Waste Regulation Guidelines. A component of the Regulation requires that NOW consent to the proposed policy prior to its adoption by Council.

On 28 September 2009 Council received advice of the NOW consent to the proposed policy subject to a number of amendments. The inclusion of the amendments is cosmetic and largely resultant from the release in April 2009 of the latest version of the Liquid Trade Waste Regulation Guidelines and Departmental titles. A significant number of changes emanate from the inclusion of references to the NSW Framework for Regulation of Sewerage and Trade Waste and alignment with the 2008 National Framework for Wastewater Source Management.

The inclusion of the changes by the NOW will not impact adversely on Liquid Trade Waste Dischargers.

Economic, Social & Environmental (ESD) Consideration:

The implementation of an up to date Policy is intended to contribute to an improved sewerage system performance by way of reduced frequency of odour complaints and reduced frequency of sewer chokes. As such favourable environmental outcomes can be expected by improved compliance with Council's sewerage scheme licences and more options for reclaimed water and biosolids reuse.

Financial Considerations:

Liquid Trade Waste fees and charges are in accordance with NOW guidelines. The fundamental principle is to recover the costs Council incurs in administering/treating liquid trade waste discharges and by doing so, eliminate any cross subsidies from domestic/residential sewerage customers.

C Krogh
DIRECTOR SHOALHAVEN WATER

R D Pigg
GENERAL MANAGER

CONFIDENTIAL BUSINESS PAPER AGENDA

SHOALHAVEN WATER

1. Conjola Regional Sewerage Scheme – Firedam Contract Issues

Reason

Section 10A(2)(g) - Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege

Pursuant to Section 10A(4) the public will be invited to make representation to the Council meeting before any part of the meeting is closed, as to whether that part of the meeting should be closed.