



**COFFS HARBOUR CITY COUNCIL**

**SUPPLEMENTARY AGENDA**

**COUNCIL CHAMBERS  
COUNCIL ADMINISTRATION BUILDING  
COFF AND CASTLE STREETS, COFFS HARBOUR**

**6 MARCH 2008**

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**COFFS HARBOUR CITY COUNCIL**  
**ORDINARY MEETING**  
**6 MARCH 2008**

Mayor and Councillors

**GENERAL MANAGER'S REPORT**

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**2 LOCAL WATER UTILITY INQUIRY**

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**Purpose:**

To seek Council permission for the General Manager to respond on behalf of Council to the inquiry and to pursue further Alliancing options with neighbouring Councils.

**Description of Item:**

As Council is aware, the Minister for Emergency Services and Minister for Water Utilities, the Honourable Nathan Rees MP, has announced a review of local water utilities to identify the most appropriate structural and regulatory arrangements for the provision of water supply and sewerage services in regional NSW.

Currently the water supply and sewerage services are provided by 107 local water utilities. The utilities are facing growing challenges posed by drought, climate change, environmental water allocations, demographic shifts, technological advances and skill shortages.

The *Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW 2008* will need to identify arrangements that will ensure that all customers of local water utilities in regional NSW benefit from a secure water supply, professionalism, cost effective service standards and regulatory safeguards in the provision of water supply and sewerage services and are well positioned to meet the growing challenges facing the industry.

The terms of reference for the inquiry are attached for the information of Councillors. Minister Rees has appointed an independent panel responsible for conducting the inquiry. It comprises the former Deputy Premier, The Honourable Ian Armstrong OBE and the former head of the Premier's Department, Dr. Colin Gellatly.

In responding to the inquiry, staff and some Councillors have attended a workshop with the Minister. Minister Rees has indicated that he has no preconceived notion on the outcomes of the review. At the same time, he has not ruled out any viable options. He has indicated that he would like to have the benefit of community views and the recommendations of the eminent community members on the most appropriate arrangements for the water supply and sewerage services that deliver the best outcomes for the whole community in regional NSW.

**Cont'd**

## 2 Local Water Utility Inquiry ...(Cont'd)

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Staff have commenced the response on Council's behalf and have requested comment by Councillors. It is evident that CHCC is a leader in the field and the status quo is applicable for this Council. This is not to say that other models are not applicable for other areas and are not already in place in one form or another.

It is staff's opinion that the State Government should approach water reform similar to the current view on amalgamations. That is target the non performing water utilities and reform them on an "as needs" basis leaving the status quo in place in those that are meeting performance targets.

It is anticipated that options for consideration could include City/Country partnerships or Alliancing concepts, either encouraged or mandated if needed, to assist Councils that are not at the standard required.

### **Sustainability Assessment:**

- **Environment**

It is difficult to comment on at this stage. Impacts will depend on the outcome of the review, but have the potential to significantly affect this area depending on what model the State Government adopts.

- **Social**

It is difficult to assess at this stage, and impacts will depend on the outcome of the review. Economic and environmental impacts could have associated social impacts on this community, depending on what model the State Government adopts.

- **Economic**

#### **Broader Economic Implications**

Any option other than the current arrangements and voluntary arrangements with other Councils has the potential to severely impact on Council's finances. Water and Sewer Operations are significant areas of Council's works, and through economies of scale they allow services in other areas to be provided at a reduced cost.

In the event that Water and Sewer were separated from the rest of Council, services such as administration, IT, rating, finance, design and support staff would become more expensive due to the removal of the shared costs.

In 2007/2008, Water and Sewerage Operations have contributed a total of more than \$3.1 million towards General Fund Operating Expenses.

This figure includes contributions towards the cost of administration, information services and computers, GIS, costs for administration buildings, survey and design, the Orara River environmental works, and works depot building upgrades.

Similarly, there would be significant impacts on asset management and the financial sustainability of more than 100 utilities/providers in NSW if water and sewerage services were placed under other governance arrangements.

The review has the potential to significantly affect this area, depending on what model the State Government adopts.

**Cont'd**

## **2 Local Water Utility Inquiry ...(Cont'd)**

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### **Management Plan Implications**

The current 2008/09 Management Plan is being formulated with the inclusion of Water and Wastewater and it would not be advisable to change this as the final outcomes of the review may not be known for some time.

### **Options Model**

It is recommended that Council promote a local model that enables the city to retain the management and control of its infrastructure, but one which assists other Councils to advance their systems, through mentoring, training, and sharing of expertise, on a cost-recovery basis.

Council's water and sewerage projects have been recognised by awards and/or commendations at National and State level.

Council is investing more than \$77 million in the Regional Water Supply projects, \$59 million for the Water Treatment Plant, and the majority of the cost of the \$250 million Coffs Harbour Sewerage Strategy.

In the meantime, the State Government's subsidisation of various programs within the sewerage strategy has progressively been decreasing.

Council is in a position to provide further technical and other assistance to neighbouring councils, such as Bellingen and Nambucca Shires. However there would need to be cost recovery associated with this assistance.

Local Councils have experienced a range of benefits through alliances such as the Mid North Coast Group of Councils, through the Regional Water Supply Scheme, the Coffs Coast Waste Services partnership and Coffs Coast Tourism.

In terms of water and sewerage services, CHCC has close relationships with Clarence Valley Council through the Regional Water Supply and with Bellingen Council through our pump mechanical services and proposed trade waste and water meter reading services.

### **Related Policy and / or Precedents:**

The current arrangements in NSW for the management and regulation of Water and Sewer supplies have been in place for many years with minor amendments as required.

The current review has the potential to significantly alter this depending on the model chosen by the State Government.

### **Statutory Requirements:**

The Local Government is the lowest tier of government and to a large extent at the whim of the State Government. Political lobbying may be the only action that can be taken to appeal any decisions that are put in place. Council has the opportunity to make a submission as part of the inquiry and will be doing so.

The relationships that Council has with other Councils as detailed in the report are covered by the Local Government Act and other relevant legislation.

**Cont'd**

## 2 Local Water Utility Inquiry ...(Cont'd)

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### Issues:

It is difficult to gauge the effect on Council without knowing the option or combination of options that the State Government may implement from the review findings.

However, as with other major reform matters, a major change to the supply of water and sewerage services has the potential to severely affect the Council and thus the community. Any change where Council's control over the service provision is diminished must have a negative effect on CHCC.

In 2005 Council commissioned consultants to conduct an independent Operations and Maintenance Review of Coffs Harbour Water.

The Review considered the option of outsourcing areas of operations and/or procurement. In summary, this Review found that:

- Outsourcing would result in increased cost of services, and;
- Possible reduced staffing levels, resulting in social impacts for the local government area.

Council's submission to the inquiry emphasises that the community must maintain control of water and sewerage assets and that as Coffs Harbour is meeting and exceeding best practice management, then the status quo should be retained for this Council. The submission also encourages the use of Council alliancing and mentoring with other Councils through the provision of expertise and services.

### Implementation Date / Priority:

Submissions to the inquiry were originally to close on 7<sup>th</sup> March 2008. This has been extended to 4<sup>th</sup> April 2008 pending a request to do so. Staff will be applying for the extension. The inquiry will then conduct several sessions around the state where there will be an opportunity to meet with the panel. One of these sessions is proposed to be held in Coffs Harbour. It is expected that by November 2008 the findings will be handed down. The Minister, has however, undertaken to carry out more consultation as required.

### Recommendation:

- **Council notes this report**
- **The General Manager be authorised to respond to the call for submissions to the Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non Metropolitan NSW 2008 representing Council's desire for status quo at Coffs Harbour and willingness to Alliance and/or City/Country relationship with other Councils.**
- **The General Manager be authorised to pursue further Alliancing (partnerships) regarding the provision of Water and Sewer Services with neighbouring Councils.**

Stephen Sawtell  
General Manager