

Local Government
Association of NSW



Shires Association
of NSW

Submission to

NSW Government Inquiry into Secure and
Sustainable Urban Water Supply and Sewerage
Services for Non-metropolitan NSW

Sydney, May 2008

I. Introduction

The Local Government Association of NSW and Shires Association of NSW (LGSA) welcome the opportunity to make a submission to the Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-metropolitan NSW (the “Inquiry”).

The LGSA is the peak body of Local Government in NSW representing the interests of all 152 general purpose councils, 13 regional Aboriginal land councils and the majority of special purpose county councils in the state. There are currently 107 local water utilities in NSW providing water supply and sewerage services to communities in regional NSW, including 97 council-owned and operated local water utilities, four water supply county councils, and one water supply and sewerage county council. Local water utilities service over 1.8 million people – approximately 30% of the state.

The provision of water supply and sewerage services is a significant responsibility of councils in regional NSW often making up a quarter or more of their annual budget and employing a significant number of their professional workforce. Water supply and sewerage services are also an important element of communities’ understanding of and involvement in Local Government as a “one stop shop” to access essential services and deal with local issues. Local water utilities also have flow on effects on local and regional economies and employment. Removing water supply and sewerage functions from councils would have significant negative impacts on the financial sustainability of councils as well as on local economies and local employment.

Regional NSW is characterised by a variety of geographic, demographic, climate related and socio-economic circumstances with regions ranging from large, dry, remote and sparsely populated areas in western NSW, regional centres and large agricultural areas, to relatively wet, fast growing coastal areas. Given this diversity and the resulting differences in water resource and demand profiles, it is important to recognise that a “one size fits all” approach to providing water supply and sewerage services will not be appropriate. Local circumstances and community preferences will be important factors in determining the best solution for different areas. Local Government, being the level of government that is closest to communities and understands local priorities, is best placed to find and should therefore have the autonomy to establish solutions that suit local/regional circumstances.

Strengthening arrangements for local decision making, local accountability, and local service provision will help enable water utilities to engage the community, utilise local knowledge, and so enhance service effectiveness and respond to challenges such as uncertain (reduced) water availability due to climate change and drought, demographic changes, and skills shortages in a sustainable manner and responsive to community needs and local conditions.

The LGSA does not promote any particular model for institutional, governance and regulatory arrangements. However, as a general principle, the LGSA supports arrangements that maintain Local Government responsibility for the operation and management of water supply and sewerage services and Local Government ownership of water supply and sewerage infrastructure. Maintaining Local Government responsibility and ownership will ensure locally appropriate water supply and sewerage provision in the context of sustainable whole-of-community outcomes.

To encourage input and inform the Inquiry, the LGSA, together with the Water Directorate NSW, have provided the attached options paper entitled *Options paper on the Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-metropolitan NSW* (the “Options Paper”). The Options Paper was prepared by the Institute for Sustainable Futures, Sydney and contains a comprehensive analysis of a range of potential institutional/governance models for the provision of water supply and sewerage services in regional NSW. The Options Paper forms part of this submission and the models analysed in the paper are repeatedly referred to throughout this submission.

Finally, the LGSA would like to commend the Minister for Water, the Hon Nathan Rees MP and the Inquiry Panel, the Hon Ian Armstrong OBE and Dr Colin Gellatly, for conducting the Inquiry in an open and transparent manner and providing Local Government with ample opportunity to respond.

II. Summary of Inquiry objectives

Pursuant to its terms of reference the objective of the Inquiry is to identify the most effective institutional, regulatory and governance arrangements for the long term provision of water supply and sewerage services in country NSW; and ensure these arrangements are cost-effective, financially viable, sustainable, optimise whole-of-community outcomes, and achieve integrated water cycle management.

The terms of reference further clarify that water supply and sewerage service providers are expected to be able to:

- Respond and plan in advance to the challenges facing the industry;
- Be financially self sufficient;
- Be able to comply with appropriate stringent environmental and public health standards; and
- Implement cost-effective service standards.

During regional meetings the Minister for Water, the Hon Nathan Rees MP also announced that any model must satisfy the following six criteria:

- Maintain and enhance existing revenue streams;
- Maintain and enhance existing capital works programs;
- Maintain and enhance local employment in the industry;
- Establish programs to develop professional and technical capacity of the industry (scholarships, apprenticeships etc);
- Establish appropriate pricing mechanisms; and
- Have in place best practice governance arrangements.

Further, among other things, the inquiry is to consider the impact of any new arrangements on the financial sustainability of councils as well as the socio-economic circumstances of the communities affected.

III. General comments on the Inquiry objectives

As outlined in the Options Paper, a number of conceivable institutional/governance models exist ranging from council-owned and operated local water utilities, county councils, regional alliances of councils, (sub-) catchment-based regional councils, corporate models with councils as shareholder, to state-owned regional water utilities, or one big state-owned water utility for the whole of regional NSW.

To ensure an integrated and locally appropriate approach to water supply and sewerage management and achieve optimal whole-of-community outcomes for local communities, the LGSA supports institutional and governance arrangements that maintain Local Government responsibility for the operation and management of water supply and sewerage services and Local Government ownership of water supply and sewerage infrastructure.

The LGSA acknowledges that regional solutions might be required to share professional resources, undertake catchment-based water supply and demand planning and potentially plan, fund and deliver infrastructure necessary to provide secure, safe and efficient regional water supply and sewerage services over the long term. However, regional solutions do not require the removal of water supply and sewerage functions from Local Government. They can be achieved through appropriately structured regional alliances of councils which maintain Local Government

responsibility and ownership as well as capture the benefits associated with regional planning without having the disadvantages of institutional settings where water supply and sewerage functions are removed.

The LGSA rejects any form of privatisation of the sector, either as privatised, vertically integrated monopoly providers or as privatised entities within a disaggregated sector, because of the direct conflict between the whole-of-community objectives of service provision, demand management and water conservation, and profitability requirements of the private sector.

The LGSA strongly believes, that the potential benefits of any model, particularly models that remove water supply and sewerage functions from Local Government, need to be thoroughly assessed against the impacts they might have on the financial sustainability of councils and on local and regional economies and employment. Many council submissions to the Inquiry provide detailed information on the significant negative impacts the removal of water supply and sewerage functions would have on the general viability of council and on local and regional economies and employment.

Water supply and sewerage services are a major part of most regional councils' operations. They contribute to a critical mass of responsibilities that make councils financially viable and attractive for skilled professionals. In many councils, especially in smaller rural council, water supply and sewerage services are a significant part of engineers' and senior officers' workload. Employees are often multi-skilled and shared between general purpose functions and water supply and sewerage functions providing for efficient workforce flexibility. Removal of water supply and sewerage functions from councils would eliminate these synergies effects and result in the departure of professional staff due to insufficient workload and challenges or because their services become unaffordable for councils. Loss of operations and staff in councils would have serious direct and flow-on effects on small communities and the affected families, particularly in rural areas where councils are often the largest employer.

Local Government's concerns in this regard were also recognised by the NSW Government Rural and Regional Task Force which recommended that the Inquiry carefully consider the wider impacts of any possible changes to the existing Local Government based service model particularly with regard to applying a test of clear and demonstrable overall benefit supporting proposed change.¹

IV. Comments on specific Inquiry objectives

In support of our view and in response to the specific objectives of the Inquiry, the LGSA provides the following comments:

1. Institutional arrangements that maintain Local Government responsibility for the operation and management of water supply and sewerage services and ownership of water supply and sewerage infrastructure are most effective in achieving whole-of-community outcomes and integrated water cycle management, utilise efficiency of economies of scope, and so allow for sustainable, locally appropriate long term strategic planning and service provision.

Whole-of-community outcomes

In order to achieve whole-of-community outcomes, the priorities and needs of a wide range of community stakeholders need to be balanced taking into consideration the economic, social and environmental impacts associated with those priorities and needs as well as the availability of resources to achieve them.

¹ Rural and Regional Taskforce, New South Wales Government, Report to the Premier, (March 2008), recommendation 11f, page 21.

To undertake this balancing act an integrated approach to strategically planning for and delivering all community services is essential. Evidently, such an approach also needs to be responsive to the needs and priorities of local communities.

Being responsible for a wide range of community services and functions, Local Government already allows for such integrated strategic planning. Also, Local Government is best placed to manage local services and facilities because they are closest to the community and understand local issues and priorities.

Maintaining the integration of water supply and sewerage functions with other general purpose functions of councils ensures that strategic planning for water supply and sewerage operations and infrastructure is part of such an integrated planning framework and that objectives specifically related to water supply and sewerage are determined within the broader context of ecological, social and economic sustainability. For example, Local Government will most effectively:

- Coordinate strategic land use planning and strategic planning for water supply and sewerage operation and infrastructure (e.g. water sensitive urban design, see below);
- Coordinate water supply and sewerage operations and infrastructure with economic development priorities;
- Coordinate water demand management with the local supply and demand profile as well as local and catchment-wide environmental objectives; and
- Coordinate water supply and sewerage operations and infrastructure with the provision of other council operations that are major water users; e.g. parks and reserves, aquatic leisure centres, airports, showgrounds, and caravan parks.

These desirable benefits would be much more difficult to achieve in an institutional setting where strategic planning for and delivery of water supply and sewerage operations and infrastructure were removed from Local Government. Separate water utilities, let alone entities in a disaggregated sector, would struggle to facilitate integrated planning due to a lack of direct involvement in the strategic community planning process and access to the powers of both the *Local Government Act (NSW) 1993* and the *Environmental Planning and Assessment Act (NSW) 1979*. Also, decision makers in water supply and sewerage entities which are completely removed from Local Government might not have the incentive to look beyond their business objectives and aim to achieve whole-of-community outcomes.

Most models outlined in the Options Paper only provide for horizontal integration of water supply and sewerage functions. Only council-owned and operated water utilities also provide for true integration with other general purpose functions such as stormwater management, land use planning and control, economic development, and environmental management.

It is noted that the Department of Local Government through its Integrated Planning Reform is in the process of establishing a community outcomes focussed integrated strategic planning framework for NSW Local Government including a minimum 10 year strategic community plan and a 4-year delivery program.

Integrated water cycle management

Increasing efforts are now being made to implement the concept of integrated water cycle management and its sub-component water sensitive urban design to minimise the impacts of urban development on the water balance and the environment and to help address water scarcity by diversifying supply options and conserve water.

Local Government across regional NSW, because of the integration it affords to particularly strategic water supply planning, water supply and sewerage provision, stormwater and drainage management, strategic urban planning, and land use development control, is best placed to put this concept into reality.

Whereas traditional water management used to look at each component of the urban water system in isolation, integrated water cycle management combines all aspects of the urban water cycle (water supply, sewerage, stormwater, conservation, recycling, pollution prevention, flood control etc) and related aspects such as energy consumption related to water supply and treatment to ensure that water is used optimally for urban development as well as within the natural water catchment. Integrated water cycle management does not only require integration of the various elements of the water cycle but also integration with strategic urban planning and land use development controls.²

Water sensitive urban design applies the principles of integrated water cycle management in the built environment and focuses on on-site residential and commercial developments. Examples of water sensitive urban design include rainwater tanks, recycling, greywater, and stormwater harvesting schemes.

Institutional models that result in the removal of water supply and sewerage functions from councils have the potential to severely disrupt the integration that currently exists, inevitably leading to reduced capacity to implement integrated water cycle management and water sensitive urban design.

For example, the implementation of elements of water sensitive urban design that are intrinsically linked to urban and land use planning, such as stormwater harvesting for water supply, greywater reuse, or rainwater tanks, becomes increasingly difficult for an entity that is removed from the land use planning and control processes.

Vertical disaggregation of a separated water supply and sewerage sector into bulk supply, treatment, distribution, and retail function would only further reduce the capacity to implement integrated water cycle management. For example, the multi-layered model envisaged for South East Queensland appears to be too mechanistic and, because of barriers between the layers of entities, could actually prevent integrated water cycle management

Economies of scope

Associated with the integration of water supply and sewerage function and other general purpose functions are economies of scope resulting in real cost-efficiency gains.

In economic terms, economies of scope occur if it is cheaper for one entity to provide a range of services together (i.e. water supply and sewerage services and other general purpose services), than for each of the services (e.g. water supply and sewerage services) to be provided by separate entities. Economies of scope may arise from integration of technical, managerial and administrative resources.

In council-owned and operated water utilities technical and managerial synergies arise from the integration of engineering, asset management and corporate planning system for water supply and sewerage, roads and transport, communication, waste management, or recreational services. Economies of scope also arise from the ability to effectively and efficiently coordinate strategic land use planning and land use development control with infrastructure intensive services such as water supply and sewerage services as well as private commercial and residential related investment into water solutions. Furthermore, the broad range of services provided by general purpose councils, affords the range of responsibilities required to attract highly professional staff and benefit from their skills and knowledge which would otherwise not be available.

In administrative terms, economies of scope arise from the integration of information technology services, or the ability to provide one billing and customer service system for all community services.

² National Water Commission, Institutional and Regulatory Models for Integrated Urban Water Cycle Management, Issues and Scoping Paper, (2007), page 15.

Large, stand-alone water supply and sewerage providers may well achieve some economies of scale, however cannot capture the identified economies of scope. Benefits commonly associated with water utilities covering larger regional areas such as catchment-based, regional strategic water supply and demand planning and infrastructure delivery could equally be achieved through regional alliances of councils without losing the economies of scope associated with the integration of water supply and sewerage functions and general purpose functions.

2. Governance arrangements need to ensure decision makers are accountable to the communities that are to benefit from and fund the provision of water supply and sewerage services as well as for the achievement of broader whole-of-community outcomes.

According to the objectives of the Inquiry as identified above, water supply and sewerage providers are required to have in place best practice governance arrangements.

Best practice governance generally refers to a decision making process that has clear objectives, allows for the consideration of relevant stakeholder interests, and provides for well-aligned incentives and the absence of conflict of interest for decision makers. In relation to the provision of essential community services such as water supply and sewerage services, the LGSA considers it best practice governance if there is clear accountability of decision makers to the communities served as well as for the achievement of broader whole-of-community outcomes.

Local Government provides such a framework of clear accountability. Democratically elected councillors are responsible for the setting of strategic direction for councils' operations in order to achieve desired whole-of-community outcomes including outcomes related to water supply and sewerage provisions. Furthermore, maintaining water supply and sewerage services as visible and accessible local operation within Local Government also contributes to accountability within the community and provides incentives for the provision of reliable customer service and serviceability.

Structural models that remove responsibility for water supply and sewerage services from Local Government, and thus from elected local representatives, must necessarily address how decision makers would be accountable to the communities that are to benefit from and fund the provision of water supply and sewerage services. It is questionable whether such models can provide the appropriate incentives to ensure that decision makers integrate water supply and sewerage objectives into broader whole-of-community outcomes and sustainability principles.

Another issue in relation to governance arrangements is the trend to populate decision making bodies with independent, external persons. An example is the proposed Central Coast Water Corporation where only a minority of board members can be appointed from the councillors and employees of the constituent councils (section 12 of the *Central Coast Water Corporation Act (2006) NSW*).

Independent, external persons have only a limited accountability to the community and the disadvantages associated with such limited accountability need to be outweighed by the benefits of having "externals" on the decision making body.

It is often argued that the benefits of allowing externals on decision making bodies is to access the expertise, knowledge and perceived "objectivity" of independent experts and professionals. However, the conflict between accountability and access to independent expertise can be resolved satisfactorily without distorting the clear accountability provided in councils. An institutional setting that allows for and encourages regional alliances would enable councils to involve experts and professionals in the decision making process of the regional alliance in appropriate ways and where they are needed. Resource sharing arrangements within the regional alliance model could also provide the resources to make expert services more accessible and affordable for councils.

3. Decision making with regards to water pricing needs to be socially, environmentally and economically sustainable, responsive to local community needs, and flexible to enable local water utilities to respond to changing circumstances. Pricing decisions should continue to be guided by the best practice pricing policies required by the Department of Water and Energy.

Pricing for water supply and sewerage service is an important consideration in the determination of whole-of-community outcomes. It is essential to ensure that pricing decisions are responsive to community needs, based on local water supply and demand profiles, and integrate water supply and sewerage objectives into broader whole-of-community outcomes and sustainability principles.

Pricing decisions should continue to rely on the well-tested best practice pricing policies provided by the economic regulator; the Department of Water and Energy. The department's best practice pricing policies are based on general principles established by the Independent Pricing and Regulatory Tribunal NSW (IPART) and gazetted under the *Local Government Act (NSW) 1993*.

Pricing principles should be based on cost recovery considerations (i.e. the recovery of the long term operational and capital cost of providing water supply and sewerage services).³ The LGSA also supports water utilities being provided with the option to send stronger pricing signals to customers to encourage water conservation and demand management and facilitate the implementation of integrated water cycle management strategies.

In terms of appropriate pricing mechanisms, the Minister for Water, the Hon Nathan Rees recently made statements to the effect that consideration is to be given to IPART having an increased role in price determinations across the whole of NSW. The LGSA does not support pricing determination for regional NSW by IPART or similar bodies for several reasons:

- It would be highly impractical and costly from a regulatory perspective as well as for councils to enable IPART to collect information about and consider the diverse local water supply and demand profiles and community preferences in regional NSW. Councillors, supported by best practice pricing policies, are much better placed to make strategic decisions about pricing because of their local knowledge;
- The current system of price setting is transparent and cost-efficient; and
- Determination by a central agency such as IPART could result in significant inefficiencies caused by operational inflexibility (e.g. long periods between pricing determinations during which local water utilities are unable to timely respond to changes in circumstances such as potential additional cost associated with required infrastructure spending due to drought or increased demand).

4. Regulatory arrangements need to be improved to avoid regulatory duplication, inconsistency and conflict; regulatory arrangements should facilitate integrated water cycle management and encourage regional solutions/models to facilitate catchment based-planning and water resource sharing arrangements among utilities.

Within the current regulatory framework there is scope to better coordinate regulation in relation to health, environmental, economic and land use planning objectives and set clear regulatory responsibilities to avoid duplication and inconsistency and resulting confusion and inefficiencies. It is often difficult for local water utilities to keep up with regulatory objectives and requirements, particularly when responsibilities of agencies overlap.

³ It is noted that full cost recovery does not require a return on existing rural water assets, although it does require provision for future asset refurbishment or replacement.

A significant number of agencies are currently involved in the administration of a range of regulation relevant to water supply and sewerage including:

- Department of Health – regulates and monitors water quality in reticulated water supplies, including fluoridation of water supplies;
- Department of Natural Resources – regulates water supply extractions and volumetric entitlements, including water sharing plans and monitoring of waterways;
- Catchment management authorities – responsible for implementation and funding of catchment activity plan;
- Dam Safety Committee – responsible for surveillance and monitoring of prescribed dams for both water supplies and regulated waterways;
- Department of Water and Energy (DWE) - responsible for approvals pursuant to section 60 of the *Local Government Act (NSW) 1993*, main regulator of the sector through the DWE Best Practice Management for Water Supply and Sewerage Guidelines, performance reporting through the DWE Water Supply and Sewerage NSW Performance Monitoring Report, management of the Country Towns Water Supply and Sewerage Program;
- Independent Pricing and Regulatory Tribunal – review of DWE Developer Charges Guidelines for Water Supply, Sewerage and Stormwater; and
- Department of Local Government – responsible for compliance with *Local Government Act (NSW) 1993* and ensuring the implementation of proper governance in the industry.

Recent examples of regulatory inconsistency and confusion include:

- Inconsistencies between the two prominent initiatives of Integrated Water Cycle Management (IWCM), an essential component of the NSW Government's Best-Practice Management of Water Supply and Sewerage Guidelines, and the Building Sustainability Index (BASIX), a state-wide, government requirement for houses and units to achieve certain energy and water consumption reduction targets (e.g. potential for BASIX targets, to override more stringent locally appropriate water conservation and demand management measures as identified by local water utilities in their integrated water cycle management plans; potential for BASIX to limit the options developed in IWCM plan (e.g. rainwater tanks are being encouraged in areas where they may prove to be a less effective option than other initiatives and can be a costly burden to developers, consumers and potentially to council owned water utilities should they be required to finance future rainwater tank rebates)
- Confusion around the issue of load based licensing and reuse versus effluent credits for river discharge; and
- Confusion among agencies about the regulatory requirement and objectives in relation to the issue of non-connection of development to urban water and sewerage services.

Further, the LGSA believes that the basis for any regulatory arrangement should be the continued implementation and improvement of the existing best practice framework; i.e. Best-Practice Management of Water Supply and Sewerage Guidelines produced by the NSW Department of Water and Energy.

The guidelines set out best-practice management to achieve effective, efficient and sustainable water supply and sewerage businesses. Local water utilities have continuously improved best practice management and made significant progress in their adoption of the criteria of best-practice management identified in the guidelines.⁴

- Strategic business planning (83% compliance for water supply; 80% for sewerage; up from 58% and 57% respectively in 2004/05)

⁴ NSW Department of Water and Energy, 2005/06 Water Supply and Sewerage, NSW Performance Monitoring Report, Appendix C, pages 50-52; NSW Department of Energy, Utilities and Sustainability, 2004/05 Water Supply and Sewerage, NSW Benchmarking Report, Table 3, pages 111-113.

- Pricing and developer charges (72% compliance for water supply; 70% for sewerage; 82% and 68% respectively in 2004/05)⁵
- Water conservation and demand management for water supply (57% compliance; up from 49% in 2004/05)
- Drought management for water supply (64% compliance; up from 51% in 2004/05)
- Performance reporting (91% compliance; 92% in 2004/05)
- Integrated water cycle management; strategy commenced (27%; 29% in 2004/05).

Beyond existing regulatory objectives, regulatory arrangements could encourage the wider application of regional alliance models and provide mechanisms for improved coordination between the stakeholders involved in catchment-wide natural resource management and integrated water cycle management. This would, where appropriate, enable councils to truly contribute to regional, catchment-wide strategic water supply and demand planning. For example, submissions have raised the possibility of water sharing arrangement among members of regional alliances and the regulatory framework should provide local water utilities with the option to do so.

5. To ensure local water utilities throughout regional NSW have the financial capacity to provide the level of water supply availability and security and sewerage treatment that is required by the community, a permanent State Government infrastructure funding program should accompany efforts by the sector, such as regional alliances, to facilitate resource sharing and regional infrastructure provision.

According to the terms of reference of the Inquiry, the NSW Government expects water supply and sewerage service providers to be financially self-sufficient.

Financial self-sufficiency means that water supply and sewerage providers have available sufficient own-source income to fund operational and capital requirements for the provision of water supply and sewerage services over the long term; i.e. without financial support from the State Government or other governments in the form of subsidies or other resources.

Related to the requirement of financial self-sufficiency is the concept of cross subsidisations among areas to enable utilities to achieve, in a financially self-sufficient manner, similar service levels for similar prices in areas of different cost structures. It needs to be noted that the concept of cross subsidisation already exists on a small scale where small towns and villages in an individual council area are provided with a level of water supply and sewerage services they could not afford by themselves. Facilities in such small villages can only be funded through the revenue generated in the whole area covered by the water utility.

However, large scale cross subsidisation by large regional water utilities (which are, due to their size, necessarily separated from Local Government) is not desirable because they eliminate all the benefits of Local Government integrated services provision (e.g. whole-of-community outcomes, locally appropriate solutions, water sensitive urban design and decentralised solutions).

Many existing local water utilities in regional NSW are financially self-sufficient and it is therefore doubtful whether there is a need to restructure the whole sector. Most local water utilities achieve positive real rate of return based on recently undertaken fair value revaluation of assets. At worst case, the economic real rate of return is slightly negative for a handful of councils implying that the revenue raised is only just insufficient to renew water supply and sewerage infrastructure in the long term by no more than a few percent.

However, in light of the challenges posed by drought, climate change and skills shortage, some smaller local water utilities in rural and remote regions might not have the capacity to renew or modernise existing or construct new water supply and sewerage infrastructure. Regional alliances

⁵ Refers to the criteria pricing with full cost recovery, without significant cross subsidies.

can help address these financial challenges through resource sharing and financial coordination to and support by all member councils for regionally appropriate water supply and sewerage solutions. However, regional circumstances will dictate what is achievable and in some regions, particularly in rural and remote regions, communities might not be able to afford the desired level of water supply and sewerage service even from a regional perspective.

It is also questionable whether water utilities should be required to solely depend on internal cross subsidisation or whether horizontal equalisation objectives such as equal supply security, demand restrictions and achievement of comprehensive health and environmental standards, are more appropriately achieved through subsidies funded from a broader base such as general taxation income.

To ensure local water utilities throughout the whole of regional NSW can provide safe secure water supply and sewerage services, the LGSA supports the retention of a permanent funding program to provide technical and financial assistance to local water authorities for the renewal and enhancement of water supply and sewerage infrastructure in areas of need. The Department of Water and Energy could continue to administer a renewed and improved Country Town Water Supply and Sewerage Program.

In this regard it should be noted that the NSW Government Rural and Regional Task Force recommended that the NSW government consider further long term funding augmentation for the Country Town Water Supply and Sewerage Program.⁶

V. Conclusion

The provision of water supply and sewerage services is a significant responsibility of councils in regional NSW often making up a quarter or more of their annual budget and employing a significant number of their professional workforce. Water supply and sewerage services are also an important element of communities' understanding of and involvement in Local Government as a "one stop shop" to access essential services and deal with local issues.

To ensure an integrated and locally appropriate approach to water supply and sewerage management and achieve optimal whole-of-community outcomes for local communities, the LGSA supports institutional and governance arrangements that maintain Local Government responsibility for the operation and management of water supply and sewerage services and Local Government ownership of water supply and sewerage infrastructure.

The LGSA acknowledges that regional solutions might be required to share professional resources, undertake catchment-based water supply and demand planning and potentially plan, fund and deliver infrastructure necessary to provide secure, safe and efficient regional water supply and sewerage services over the long term. However, regional solutions do not require the removal of water supply and sewerage functions from Local Government. They can be achieved through appropriately structured regional alliances of councils which capture the benefits associated with regional planning and infrastructure provision without having the disadvantages of institutional settings where water supply and sewerage functions are removed from councils.

To ensure local water utilities throughout the whole of regional NSW have the financial capacity to provide the level of water supply availability and security and sewerage treatment that is required by the community, a permanent State Government infrastructure funding program should accompany efforts by the sector, such as regional alliances, to facilitate resource sharing and regional infrastructure provision.

⁶ Rural and Regional Taskforce, New South Wales Government, Report to the Premier, (March 2008), recommendation 11f, page 21.

Finally, given the geographic, demographic, climate related and socio-economic diversity in regional NSW and the resulting differences in water resource and demand profiles, it is important to recognise that a “one size fits all” approach to providing water supply and sewerage services will not be appropriate.

Local Government is best placed to identify local requirements and community preferences and should therefore have the autonomy to establish solutions that suit their local/regional circumstances. To ensure councils have the ability to explore solutions most suitable to their region, the NSW Government should make funds available to undertake further research and analysis.