

DRAFT

**Submission to the Independent Review of the
National Urban Water Utility Performance
Reporting Framework**

February 2019

Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

LGNSW welcomes the opportunity to contribute to the independent review of the *National Urban Water Utility Performance Reporting Framework* (the Framework).

This submission is structured to align with the review's submission template and questions. It has been prepared in consultation with NSW councils and local water utilities (LWUs) and contains specific input from LGNSW's LWU Policy Advisory Group¹ and the NSW Water Directorate.

Please note that to meet the consultation deadline, this submission is provided in draft form, in anticipation of LGNSW Board endorsement at its April meeting. LGNSW will advise if there are any amendments to the submission at that time.

Background and context

This review is examining the processes and procedures involved in preparing the annual National Performance Report (NPR) for urban water utilities. The NPR supports commitments made by governments under the National Water Initiative (NWI).

The NPR is published annually by the Bureau of Meteorology, drawing on data provided by State and Territory governments and the Water Services Association of Australia. It covers 182 performance indicators from 84 service providers throughout Australia, including bulk water authorities, water utilities and councils.

This independent review was instigated by the Roundtable Group² that oversees the delivery of the NPR. The Bureau of Meteorology engaged Aither Consulting to undertake the review, the objectives of which are to:

- Secure ongoing cross-jurisdictional support for NPR.
- Ensure that the set of data collected through the Framework meets the current and future needs of the urban water sector for regulation, benchmarking, planning, and policy development.
- Deliver on relevant recommendations of the Productivity Commission's Report on National Water Reform.
- Refresh the form and format of reporting carried out under the Framework, utilising online reporting and dashboards to meet the needs of key users and stakeholders.

Summary of LGNSW position

1. Local government is a key provider of water and waste water services in NSW and Queensland, yet most local government providers are not included in the NPR framework. This limits the Framework's usefulness in NSW and Queensland.

¹ A sub-committee of elected representatives established to provide advice to the LGNSW Board on policy matters impacting LWUs

² The Roundtable Group consist of the Bureau of Meteorology, Department of Agriculture and Water Resources, Water Services Association of Australia and jurisdictional members

2. Despite its important role in urban water, local government is not represented on the Roundtable Group.
3. Given the Framework's limited coverage, it should not be used or relied upon as the sole or primary source of information for determining national water policy. Information from other sources such as the detailed performance monitoring and reporting regime of the NSW Department of Industry – Water (DOI Water), should be also be incorporated and used to inform policy making.

Vision and objectives

What is your understanding of, and opinion on the current vision, purpose and rationale, or objectives for the NPR Framework?

There is no documented or agreed vision and/or objective for the Framework and LGNSW agrees this should be addressed as part of the review.

While the *Intergovernmental Agreement on a National Water Initiative* (NWI) establishes the requirement for the States and Territories to "...report independently, publicly, and on an annual basis, benchmarking of pricing and service quality for metropolitan, nonmetropolitan and rural water delivery agencies" (Paragraph 75), it does not clearly articulate the purpose and rationale for doing so. A reasoned point of reference, however, is the overarching objective of the NWI:

"The objective of the Parties in implementing this Agreement is to provide greater certainty for investment and the environment and underpin the capacity of Australia's water management regimes to deal with change responsively and fairly" (refer paragraph 5).

In addition, the NWI identifies several specific outcomes to be achieved, one of which directly relates to the Framework: "...water accounting which is able to meet the information needs of different water systems in respect to planning, monitoring, trading, environmental management and on-farm management" (Paragraph 23). It also specifically links the use of performance information (national benchmarks) with monitoring the water industry in areas such as irrigation efficiency, water management costs and water pricing (Paragraph 106(c)).

Do you think the current Framework, indicators and/or outputs deliver against this?

In general terms, performance indicators and benchmarks are very useful diagnostic tools that can help inform planning, decision making and monitoring. In this regard, the Framework provides a rich source of data for use by a range of stakeholders. But like any such tool, the Framework has its limitations. Importantly, it only applies to LWUs with more than 10,000 connections. For NSW and Queensland, where local government is responsible for the provision water and sewer services in rural and regional areas, it means around two-thirds of providers from both jurisdictions are excluded from the Framework. Council-owned water utilities provide safe and secure water and waste water services to 1.8 million people in regional NSW. This not only limits the Framework's usefulness particularly for NSW and Queensland, it also makes interjurisdictional comparisons misleading.

LGNSW is concerned that the Framework has been used by Infrastructure Australia and the Productivity Commission to inform their recommendations on national water reform when the Framework excludes two-thirds of providers in two States.

What do you think the future vision and objectives should be?

LGNSW believes the purpose of the NPR Framework should be to assist individual LWUs in managing and improving their businesses, ensuring safe and reliable services for their customers and their communities, and this must be reflected in the vision and objectives.

Evolving urban water sector drivers

What key challenges and opportunities does the sector face now and into the future, and how should the Framework evolve in response?

Urban water is a complex sector and this complexity has increased over recent years.

Since the Framework's inception, the urban water sector has faced the challenges of increasing customer expectations, greater regulation and compliance requirements as well as new technology and innovation. Environmental issues including drought and climate change are also major issues affecting the sector and the communities they serve, as is demographic change.

It is important to recognise that these changes are impacting water utilities in different ways and to differing extents. In terms of population change, for example, those utilities in growth areas are dealing with the challenges of increasing demand, while for others, particularly in rural and remote areas, it means trying to maintain services and infrastructure which is affordable, cost effective and high quality, for a declining population and revenue base.

Looking forward, these issues will continue to impact utilities differently. Climate change, demographic change and technological change will continue to be key drivers of water demand and water supply. For utilities with ageing infrastructure serving a small population, this will present real challenges. In addition, the ageing workforce and the emerging skills that accompany new technology will put increasing pressure on utilities.

The challenge for the Framework is how to recognise and reflect these differences.

Value of the NPR Framework

How does the Framework currently provide value, and to whom?

From experience, observations and feedback, LGNSW believes the Framework in its current form is a useful management resource for those utilities it includes (i.e. those with more than 10,000 connections) but is of limited value to most LWUs in NSW.

What other sources or forms of reporting or data do you use related to urban water sector performance, and why?

NSW LWUs are already subject to a detailed performance monitoring regime by the Department of Industry – Water (DOI Water) (<https://www.industry.nsw.gov.au/water/water-utilities/best-practice-mgmt/performance-monitoring>). In addition, under the *NSW Local Government Code of Accounting Practice and Financial Reporting* councils and LWUs are required to report in their annual financial statements a range of financial and related performance criteria.

Given it encompasses all LWUs in NSW, the data published by DOI Water is generally accepted as the go-to information source when examining LWU issues within NSW.

The Framework's primary value is in the interjurisdictional comparisons it provides. However, the exclusion of LWUs with less than 10,000 connections limits its relevance and usefulness in NSW, not only in terms of the data it contains, but also in terms of the Framework's analysis and narrative, which is naturally biased toward the large metropolitan utilities. As one senior water manager observed: "There's a lack of strategic analysis and planning based on data collected that's meaningful to non-major (urban) utilities".

Centroc is a joint organisation of 14 councils in Central NSW³, representing over 200,000 people and an area of over 50,000 sq kms. Water is a priority issue for Centroc and its member councils yet with only two of the 14 councils included (Bathurst and Orange), the Framework provides only cursory value in terms of regional water planning and benchmarking.

Shortcomings

What do you think are the major problems or shortcomings with the Framework, or its implementation (including its outputs), and why?

One of the Framework's main shortcomings is its lack of relevance for the majority of LWUs in NSW and Queensland. While this could be addressed by including those utilities with fewer than 10,000 connections, there are several significant issues that would need to be addressed including:

- The high relative cost of the data collection process, including audit cost, which currently outweigh any real or perceived benefits.
- Access to an adequate level of appropriately skilled resources.
- Understanding and agreement on how data is grouped, presented and compared.

There are other issues that impact on the Framework's usefulness:

- Large number of indicators:
 - can be overwhelming and confusing for users that are not 'industry experts';
 - can complicate identifying and setting priorities;
 - are primarily input focused, with limited output or outcome measures; and
 - makes an onerous collection and auditing process.
- Publication format – PDF Report and Data Spreadsheet:
 - is a relatively inflexible way of presenting 'open data';
 - its size can make it difficult to download; and
 - it can be difficult to locate information.
- Data collection and accuracy:
 - data must be correct if it is to be useful and credible;
 - Framework data for NSW LWUs is provided by DOI-Water, no input from LWUs;
 - errors and omissions in 2016-17 data reflected poorly on affected LWUs; and
 - streamlining data collection and reducing/removing duplicative processes will reduce data integrity risks.
- Using the data to set policy:
 - Infrastructure Australia and the Productivity Commission have both drawn on the Framework to recommend the direction of reform of the urban water sector;

³ Bathurst Regional, Blayney, Cabonne, Cowra, Forbes, Hilltops, Lachlan, Lithgow City, Oberon, Orange City, Parkes, Upper Lachlan, Weddin, and Central Tablelands County Council.

- the recommended reforms would have significant implications for rural and regional water provision in NSW, yet many of the affected utilities are excluded from the Framework; and
- this has the potential to undermine the Framework's credibility.

Final comments

Performance indicators and benchmarks are valuable diagnostic tools and having good data to benchmark urban water utility performance can help drive improvements in performance, innovations and efficiencies in service delivery for communities.

Local government is a key provider of water and waste water services in NSW and Queensland, yet most local government providers are not included in the NPR framework. Given the Framework's limited coverage, it should not be used or relied upon as the sole or primary source of information for determining national water policy. Information from other sources such as the detailed performance monitoring and reporting regime of the NSW Department of Industry – Water (DOI Water), should be also be incorporated and used to inform policy making.

Ultimately, LGNSW believes the NPR Framework must be relevant and useful for LWUs in managing and improving their businesses and ensuring safe and reliable services for their customers and their communities. Otherwise, we question the value of continuing it.

For further information regarding this submission, please email Mark Hely, Senior Policy Officer, at: mark.hely@lgnsw.org.au.