



Program Update # 2

Progress Report – January to July 2012

September 2012



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Background

The Queensland Water Regional Alliance program (Q-WRAP) was developed as an industry (Council) led initiative to investigate regional collaboration, including possible institutional models, for improved urban water services outside of South East Queensland (SEQ). The two-year program is funded partially by the Department of Energy and Water Supply (DEWS), the Local Government Association of Queensland (LGAQ) and *qldwater* and seeks co-investment from councils.

Three groups of councils (the pilot groups) have agreed to analyse and review their institutional arrangements for water services in their region. Each pilot group is required to review, at a whole-of-council level, a minimum of three alternative institutional models for managing their water business.

An initial Project Update provided a summary of progress on the work from commencement in September 2011 to December 2011. This document provides an update on progress for the period January 2012 to the end of August 2012.

Update on Activities to Date

QWRAP is progressing well and all milestones have been achieved successfully (refer to Appendix 1) though each pilot group is at a different stage of development. This is not unexpected due to the differing characteristics and priorities of each region and the occurrence of State and Local Government elections during March and April – which delayed progress of some activities. Progress in each of the three pilot regions is summarised below.

As well as the specific work in each pilot region the QWRAP program has included development of the Program's initial Scoping Paper, definition of arrangements for pilot regions to access bid-pool funding and the implementation of a broad Communications Strategy including information sheets, web pages, news items and presentations. These documents are [available online to Steering Group members](#) and are described briefly below.

Scoping Paper

The Scoping Paper was the subject of a major milestone for the project, namely:

The scoping paper will articulate the parameters of the Review Program and provide a detailed description of the various institutional models that exist for the delivery of urban water services sourced from Australian and International experiences.

The Scoping Paper firstly reviews institutional models in other jurisdictions as well as recommendations from national and state reviews of the industry and concludes:

The operating environment of local water utilities has changed dramatically over the past two decades and is likely to continue with rapid change over the next twenty years. A lack of transparent data and reporting means that it is difficult to judge whether the current industry has coped well with these changes or how well prepared the sector is to face the new challenges in the coming decades. Although the real or perceived strength of the drivers varies considerably, it is clear that the issue of institutional change in regional Queensland cannot be ignored.

The report goes on to review potential institutional arrangements for the Queensland industry and suggests that they are confined “to a handful of broad options”. These are:

- a. individual local government water service providers;
- b. alliances among regional groups of councils (varying degrees of formality);
- c. regional, joint council-owned corporations;
- d. regional, state-owned corporations; and, or
- e. some combination of the above options.

Finally, the report assesses each of the available options against criteria collated from previous reviews of the urban water industry in Australia. This provides an assessment of strengths and weaknesses of each of the models which can then be considered by each of the pilot regions with application to their own political, geographic, financial and historical landscape.

Bid-pool Funding Arrangements

Funding provided by the State was quarantined into a bid-pool account that pilot regions could access when they meet specific requirements. Key among these requirements are:

- adoption of a Terms of Reference for participation in QWRAP requiring each regional council to consider at least three alternative institutional models for their water services;
- sharing project outcomes; and
- equivalent contribution from the participating councils.

These requirements are summarised in the ‘Bid Pool Arrangements’ document. To date only the RAPAD pilot group has elected to access the bid pool (\$30,000) and has provided matching funding (\$30,000) towards a technical audit which was conducted by George Bourne and Associates - refer to update below for further information.

Communications Plan

The Communications Plan was an early milestone for the project, namely:

The communication plan and program will include planned visits, workshops and conferences, Q&A Fact Sheets and a web page (hosted by LGAQ/**qldwater**) addressing the scope and purposes of the Review Program and options for regional collaboration.

A key platform of the Communications Plan is the Q-WRAP web portal which aims to provide a “one stop shop” for all materials and resources related to the Q-QWRAP project.

Additionally, as part of its Elected Member Update Program, the LGAQ has included key information on councils’ water responsibilities as well as information on the Q-WRAP project. Throughout the period of May to August 2012, LGAQ delivered these sessions to 44 regional centres across the state, at which approximately 360 council staff and elected officials were in attendance.

Update on Progress of Pilot Regions

RAPAD Pilot Region

The Central Western Queensland Remote Area Planning and Development Board (RAPAD) is a unified local government organisation which aims to assist and facilitate the growth and development of the Central West and wider outback region. As a result of the QWRAP project, the RAPAD Board has formed the Outback Regional Water Group (ORWG) which consists of mayors from Winton, Longreach, Boulia, Barcaldine, Diamantina, and Barcoo councils. This group was created to oversee the region’s involvement in QWRAP. Blackall Tambo Regional Council has declined to be part of the group and is not currently involved in the QWRAP program.

The ORWG created the Outback Regional Water Technical Group (ORWTG) chaired by Mr John Roworth (Longreach) with Greg Clark (Barcoo) as deputy and consisting of engineers representing each council. This group has been delegated responsibility for progressing the QWRAP program for the region. A Constitution has been developed to govern the activities of both groups and the former DERM, LGAQ, IPWEAQ and **qldwater** have been invited to nominate attendees to participate on each.

The ORWTG has met several times and with the QWRAP project manager, has formed a Terms of Reference (TOR) for the councils’ involvement in the program, a Work Plan, and a Brief outlining the work required to commence the first stage of project ([available on the Steering Group web page](#)).

Stage 1 of the TOR is a broad review of risks and gaps (and consequently strengths) of each participating council in their management of water and sewerage services. To streamline this process the review was divided into a number of steps.

Step 1 – A questionnaire covering the main elements of a due diligence review of water and sewerage management and planning was developed by *qldwater* and agreed by the ORWTG. This survey was then completed by each participating council to indicate their approximate performance in each of the areas (a summary is [available on the Steering Group web page](#)) – **COMPLETE**.

Step 2 – The initial response to the survey was reviewed by the QWRAP Project Manager and a list of necessary documents and information to support and inform the analysis was compiled. This documentation was then collated by each council with assistance from the Project Manager – **COMPLETE**.

Step 3 – This step was divided into three sub-steps to be completed by different groups to manage risks and perceived conflicts of interest.

Step 3a – Technical analysis of risks and gaps across each of the participating councils by George Bourne and Associates – **COMPLETE**.

Step 3b – ORWTG Workshop on the results of the initial analysis – **COMPLETE**.

Step 3c – Independent third party peer-review of the final report by Wide Bay Water – **SEPTEMBER**.

As outlined above, in order to progress step 3a, funding of \$30,000 was provided by the participating councils and topped-up with matching funding from the QWRAP bid pool (\$30,000). Longreach Regional Council is acting as administrator for these funds.

Stage 2 of the Program has been planned and a Tender document is being prepared to seek a consultant to undertake the study. The aim of this work is to assess the strengths and weaknesses of at least three alternative institutional models to address the risk and gaps identified in Stage 1 and make suitable recommendations. This study also considers the financial impacts of each of the models. The final report will be reviewed by the ORWG and will provide the basis for the consideration of three alternative models by each council.

FNQ Pilot Region

This region consists of Cairns, Tablelands, Cassowary Coast, Cook, Etheridge and Croydon councils. Yarrabah Aboriginal Council has also been invited to participate. The Far North Queensland Regional Organisation of Councils (FNQRoC) endorsed involvement in the project at a political level at their 23 July meeting. Project meetings have continued through the FNQRoC senior water reference group.

Following the first project meeting in February 2012 all participants agreed on the initial step of a self-assessment of each of the council's performance in a range of areas related to their water businesses. A survey tool was developed based on the instrument used for

the RAPAD group of councils and was completed by each of the Councils. The responses were summarised and are [available on the Steering Group web page](#).

At the meeting held in May to discuss the results of the survey, the direction taken by the technical group was altered in response to the survey results. In contrast to the RAPAD group that decided to undertake an in-depth analysis of the gaps, risks and strengths of the water businesses of each council, the FNQ councils elected to undertake a business analysis of possible reform options.

To commence this process, the councils agreed to share information on key business indicators as well as GIS information about council assets to develop a business case examining potential reform options. To assist in this process, it was agreed that advice be sought from a water business manager with direct experience in institutional reform to address the group and provide an analysis of reform options relevant to the local group.

Mr Jim Martin, a retired CEO of the North East Regional Water Entity in Victoria and subsequently Tasmania, was invited to address the group at their August meeting. Relevant details from Mr Martin's CV are summarised below.

Jim Martin – Brief Background

- 30 years experience in water and sewerage industry as a CEO and advisor to Local Government.
- Initially working as a manager in a Victorian independent Water Authority Jim was involved in the merger of several water trusts and other amalgamations in the mid 1980s.
- During the 1994 Kennett reforms (of LG and water businesses) Jim assisted in the formation and then became CEO of Ovens Water which combined the water and sewerage businesses of seven regional councils.
- Jim participated in study tours to New Zealand and America to observe governance arrangements and reform processes in each country.
- In 1997 Ovens Water was merged with Wodonga Water to form the NE Regional Water Authority where Jim was CEO until 2008.
- In 2008 Jim was contracted to project manage a number of initiatives to assist with the amalgamation of the 31 Tasmanian LG water utilities into four corporations owned by Local Government. Jim's roles included developing legislation with the Tasmanian Treasury, briefing Councillors and Mayors and managing the integration process leading up to formation of a Water Corporation.
- In 2010/11 Jim acted as CEO for the Southern Water Corporation in Tasmania for six months.

In July, the political arm of FNQRoC, which consists of mostly new councillors following the Local Government elections, met and named water reform as the group's second highest priority. These Councillors were invited to attend the presentation by Mr Martin, which was convened on Friday 3rd August.

Following this meeting it was agreed to commission a high-level review of the financial implications of amalgamation of water businesses in the FNQRoC region with an emphasis on the potential costs savings and also the impact on 10-year capital investment plans for each of the councils. A draft brief for this work is currently being considered by the participating councils. Mr Jim Martin is being invited to speak again at the next meeting of the FNQRoC elected members.

CQ East Pilot

This region consists of Bundaberg, Banana, North Burnett, Wide Bay Water and has Gladstone and Rockhampton represented as observers at technical meetings. The group was formed through self-selection by a community of interest in water and sewerage services. In-principle endorsement for participation in Q-WRAP was obtained from three of the five councils at a political level prior to local government elections.

The delayed start of the program brought the pilot-formation process closer to the Local Government elections in March 2012 and thus complicated the process of seeking joint formal political agreement by the councils. Additionally, progress has been further complicated by the Public Benefit Analysis being undertaken for Wide Bay Water which was a strong supporter of the QWRAP investigations.

In the interim, meetings of the technical officers have occurred and the group has undertaken a preliminary analysis of areas for collaboration and discussed potential risks and barriers. A draft Terms of Reference has been created and is supported in-principle by three of the participating councils subject to seeking formal political support. Two of the councils have completed the self-assessment survey.

At a meeting of the Wide Bay Burnett Regional Organisation of Councils (WBBROC) on 23 August 2012, the group agreed to participate in the QWRAP program with the terms of that participation to be circulated for decision by each council out of session during September. Several councils requested individual presentations be provided for the benefit of briefing their councillors. This group is larger than the initial group of councils considered for this pilot region but excludes Banana Regional Council. The WBBROC group is comprised of Bundaberg, North Burnett, Fraser Coast, Gympie, Cherbourg and South Burnett councils.

The next steps for this region consist of negotiating a Terms of Reference that is acceptable to each of the participating councils, building on the initial technical reviews undertaken by some of the members and developing a brief for the analysis and consideration of alternative structural models based on the work undertaken in the Central West and FNQ regions. The WBBROC requested that this stage be completed in the next month (out of session) so that their next meeting in November could focus on progressing the project.

Appendix 1: Progress Against Milestones

The following table summarises the Q-WRAP's contractual milestones and deliverables until the end of July 2012. Hyperlinks are provided to enable direct access to the program website and listed documents.

Table 1. Q-WRAP Project Milestones to August 2012.

Milestone	Expected Date	Description	Status
Grants contract signed	Date of agreement	Grant agreement signed by Deputy Director General, DERM and LGAQ President on 29th August and 2nd September respectively.	Completed - Sept 2011
Program Steering Committee named	August 2011	From LGAQ and <i>qldwater's</i> perspective our respective Steering Committee representatives have been identified. However, following State Government Elections, DEWS are yet to formally advise their representative. A Constitution for this group has been drafted in readiness for its inaugural meeting.	Completed Steering Committee Webpage
Expression of Interests sent to identified regional groups	August 2011	As outlined above, it was not possible to secure agreement by three pilot regions to participate by August due to the late commencement of the Program and apprehensions relating to the impending local government elections. However, the Q-WRAP team are confident they will have three participating pilot regions underway by February 2012.	Completed by February for all groups, subject to comments relating to delays in securing political support for the CQ East Pilot Group.
Project Manager appointed	December 2011	<i>qldwater</i> (Dr Rob Fearon) has been appointed as the Project Manager as articulated in the original program proposal to DERM. Contractual arrangements between LGAQ and <i>qldwater</i> to facilitate this outcome were put in place in October 2011.	Completed – October 2011
Program Communications Plan and Program finalised	December 2011	The communication plan and program includes planned visits, workshops and conferences, Q&A Fact Sheets and a web page (hosted by LGAQ/ <i>qldwater</i>) addressing the	Completed – November 2011, but ongoing activities throughout 2012.

Milestone	Expected Date	Description	Status
		scope and purposes of the Review Program and options for regional collaboration.	
LGAQ / <i>qldwater</i> web portal established for Program	December 2011	The development of the web portal was commenced in August and completed by October 2011 appreciating that this resource will require consistent maintenance to keep its content current. The aim is to provide a “one stop shop” for all materials and resources related to the Q-WRAP.	Completed – October 2011 Steering Committee Webpage
Scoping report on institutional models finalised	December 2011	The scoping paper will articulate the parameters of the Review Program and provide a detailed description of the various institutional models that exist for the delivery of urban water services sourced from Australian and International experiences. The paper will also provide a base level assessment and evaluation of other external and internal factors (regulatory frameworks, financial management, skills base, etc) which impact on various institutional arrangements.	Completed Steering Committee Webpage
Scoping report distributed to regional groups.	July 2012	The scoping document will be distributed to Pilot groups to consider a range of possible institutional models that could apply to their areas depending on local issues and key risks to both drinking water and wastewater services (excluding urban drainage).	Underway and expected to be completed by mid September.
Governance arrangements for regional areas concluded and TOR completed.	July 2012	RAPAD: governance arrangements can be found in the group’s Constitution, TOR and Project Plan. FNQ: A Terms of Reference (expression of interest) has been completed and reviewed by the technical group of the FNQ councils but is yet to be endorsed at a political level. The political-level support was	Steering Committee Webpage Complete but seeking formal agreement on Terms of Reference.

Milestone	Expected Date	Description	Status
		<p>ratified at the 23 July meeting of the FNQRoC where water reform was ranked as the second- highest priority for the group.</p> <p>CQ East: A draft Terms of Reference has been reviewed by the original technical group but is being rewritten for the WBBROC councils at the request of the political-level committee on the 23 August.</p>	Underway.
<p>Technical/ business based audit of regional group water businesses.</p>	<p>July 2012</p>	<p>As outlined above, this milestone is all but complete for the RAPAD group, and well in train for the FNQ group.</p> <p>The least progressed group is CQ East as a result of their delayed commencement as a pilot. However, based on the learnings of the other two pilot regions, LGAQ and qldwater are confident that they can expedite this task with this group.</p>	<p>In progress</p>

Appendix 2- List of key activities to date.

The following table list the major activities to date and the immediate upcoming actions. The table is divided in to general activities and those focussed on specific pilot regions.

General Activities		
August 2012	Update to DEWs on QWRAP	Completed
August 2012	Meeting with Minister to discuss QWRAP and other water related matters	Completed
August 2012	Distribute QWRAP Scoping Paper to councils	In progress
July 2012	Article on QWRAP in Queensland Water and IPWEAQ Bulletin & promotion of QWRAP at LGAQ EMU sessions	Completed
June 2012	Promotion of QWRAP at LGAQ EMU sessions	Completed
June 2012	QWRAP article in LGAQ Council Leader & promotion of QWRAP at LGAQ EMU sessions	Completed
May 2012	Promotion of QWRAP at <i>qldwater</i> regional water conferences & LGAQ EMU sessions	Completed
April 2012	QWRAP article in Queensland Water	Completed
February 2012	QWRAP article in IPWEAQ bulletin	Completed
February	Finalise Scoping Paper	Completed
January 2012	Progress Report to DERM on Q-WRAP	Completed
December 2011	Scoping Paper on Institutional Models	First Draft Completed – In Progress
December 2011	LGAQ senior management team endorse content for Q-WRAP as part of Elected Member Update Program	Completed
November 2011	Q-WRAP Comms Plan finalised	Completed
October 2011	Comms articles – LGAQ Council Leader, IPWEAQ Bulletin, <i>qldwater</i> - e Flash	Completed
August 2011	Generic TOR developed for pilot groups	Completed
August 2011	Governance / Constitution developed for Q-WRAP senior level Steering Group	First Draft Completed – In Progress
August 2011	Q-WRAP Web portal developed on <i>qldwater</i> website	Completed
August 2011	Q-WRAP Bid pool arrangements documented	Completed
August 2011	Finalise Funding Agreement between DERM and LGAQ	Completed
CQ East		
October	Initiate program to report back to WBBROC Steering group in November.	Underway
September 2012	Work with WBB ROC to develop agreed TOR	Underway
August 2012	Meeting with WBB ROC	Completed
June/July 2012	Seek support from new councillors	Completed
April 2012	Agreement in-principle to Draft TOR by North Burnett,	Completed

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	Bundaberg and WBW, subject to involvement of political group	
April 2012	Technical meeting discussing further involvement	Completed
March 2012	Initial surveys completed by North Burnett and Bundaberg	Completed
March 2012	Creation of CQ draft TOR and survey tool	Completed
February 2012	Meeting of technical representatives (Brisbane)	Completed
February 2012	Presentation to CQLGA Regional Water Forum (Rockhampton)	Completed
February 2012	Face to face meetings of technical group of interested councils	Completed
January 2012	Teleconference with technical representatives from Bundaberg, Banana, Gladstone, North Burnett Regional Councils and Wide Bay Water	Completed
December 2011	Create draft TOR for discussion with group at January teleconference	Completed
December 2011	Plan first technical meeting for East CQ	Completed
December 2011	Meet with Bundaberg Regional Council - 8th December	Completed
November 2011	Discuss merit of participation in Q-WRAP with individual councils	Continuing
August 2011	Organise face to face meeting with Central Queensland Local Government Association (CQLGA)	Completed
August 2011	Follow-up short-brief for CQLGA re Q-WRAP	Completed
August 2011	Meeting with CQLGA re Q-WRAP	Completed
August 2011	Set up CQLGA meeting	Completed
RAPAD		
September 2012	Commencement of Stage 2	October
September 2012	ORWG discussion of Stage 1 process	October
August 2012	Finalisation of Stage 1 Document	September
August 2012	WBW peer review of Stage 1 Document	September
August 2012	ORWTG Technical analysis of Stage 1 Review	Completed
July 2012	Finalisation of Draft Stage 1 Review Document	Completed
July 2012	First Draft Stage 1 Review - feedback	Completed
June 2012	Jon Black site visits around Longreach	Completed
June 2012	OWRG meeting - Longreach	Completed
June 2012	OWRTG meeting - Longreach	Completed
May 2012	Teleconference update on Stage 1 project	Completed
May 2012	RAPAD group access Bid Pool	Completed
May 2012	Liaison with GBA on background data	Completed
May 2012	GBA Commence Stage 1 Review	Completed
May 2012	Water Connections Conference - Longreach	Completed
April 2012	Transfer Information to GBA	Completed
April 2012	Commissioning GBA to undertake Stage 1 Analysis	Completed
April 2012	Meeting with ORWTG Chair and GBA on Stage 1 report (Brisbane)	Completed

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March 2012	Meeting ORWTG	Completed
March 2012	Travel to Blackall Tambo, Longreach, and Barcaldine to interview 5 engineers and collate documentation	Completed
March 2012	Teleconference ORWTG	Completed
March 2012	Finalise Constitutions for ORWG and ORWTG	Completed
February 2012	Teleconference on Draft Project Plan	Completed
February 2012	Draft project plan and seek sign-off from ORWTG	Completed
February 2012	Collate information from councils	Completed
February 2012	Meetings of Tech group of interested councils	Completed
February 2012	Meetings of Strategic group of interested councils	Completed
January 2012	Create RAPAD web page for sharing documents	Completed
January 2012	Develop RAPAD comparative report	Completed
December 2011	Develop Draft project plan for technical group	Completed
December 2011	Develop questionnaire regarding councils data for Stage 1 of TOR	Completed
December 2011	Q-WRAP Constitution for RAPAD workshopped and endorsed	Completed
December 2011	Convene initial Technical Group meeting	Completed
December 2011	Attend inaugural RAPAD Strategic Group meeting	Completed
November 2011	Announce Longreach “water” regional mini-conference	Completed
November 2011	Link DERM DWQMP training with RAPAD meetings	Completed
October 2011	Update RAPAD TOR as required	Completed
October 2011	Summarise outcomes and actions from preliminary Technical meeting and circulate along with presentation	Completed
October 2011	Link DERM information session with Technical meeting (Longreach)	Completed
September 2011	Convene preliminary Technical Group meeting (Longreach)	Completed
August 2011	Organise LGAQ and IPWEAQ representatives for Strategic and Technical Groups	Completed
August 2011	Develop regional “water” mini-conference – Longreach	Completed
FNQ		
August 2012	Develop Brief for study to investigate financial impacts and potential savings of amalgamated FNQROC water businesses.	Underway
August 2012	Meeting of FNQROC Technical Group	Completed
July 2012	FNQROC meeting including water reform on agenda	Completed
July 2012	Organise visit from Victorian, Tas or NSW expert on water reform.	Completed
July 2012	Summarise strengths and weaknesses from survey results	Completed
July 2012	Collate GIS and new data sent by Councils	In progress
June 2012	Extract existing information on each council.	Completed
May 2012	Meeting to discuss survey responses and plan next step	Completed
April 2012	Analyse survey responses	Completed

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March 2012	Summarise 'Federal Assessment Criteria for participating councils	Completed
March 2012	Create Survey Tool for FNQ Roc councils modified from RAPAD survey	Completed
February 2012	Meeting with technical representatives from participating councils to finalise TOR	Completed
January 2012	Assist with first draft of TOR for FNQ ROC	Completed
December 2011	Secure endorsement from FNQ ROC councils to participate in Q-WRAP	Completed
December 2011	Attend FNQ ROC Board meeting 12 December (Cairns) to discuss Q-WRAP	Completed
November 2011	Meeting with technical representatives from Cairns, Cassowary, Cook & Tablelands Regional Councils in Cairns to discuss participation in Q-WRAP	Completed
November 2011	Meet FNQ ROC Technical Committee (Cairns) to workshop issues pertaining to Q-WRAP participation	Completed
October 2011	Following meeting with CTM Alliance discuss specifics of Q-WRAP participation with Cairns Regional Council	Completed
October 2011	Convene second meeting with CTM Alliance (Mackay)	Completed
September 2011	Develop Cairns "water" mini-conference	Completed
August 2011	Participate in CTM Alliance teleconference and progress actions identified from meeting	Completed
August 2011	Organise teleconference with CTM Alliance to discuss best way to approach participation in Q-WRAP	Completed
August 2011	Contact FNQROC Executive Officer to determine interest in participating in Q-WRAP	Completed