



Queensland
Water Regional Alliance Program

Project Update

October 2014



Queensland Government



Overview

The participating councils in all four Queensland Water Regional Alliance Program (QWRAP) regions are demonstrating commitment to investigating reform. The work undertaken through the program is providing information for evidence-based decision making about the future structure of Queensland's local government water industry. Although the QWRAP was originally intended to allow councils an opportunity to investigate institutional reform, at least one region has decided to formalise a regional approach to the provision of their water services – with other regions commencing collaborative projects as a result of their ongoing investigations. However, the potential to build and expand this interest in regional solutions may be lost without further funding and support to local governments because of the establishment costs of regional collaboration.

Meaningful engagement and ownership has been the priority for the QWRAP. Progress on the controversial issue of regional water reform is possible only with trust and a shared vision within each region. Significant momentum has now been established in each pilot region as demonstrated by the strong involvement in the project at both political and technical levels in all four regions. This has created a strong foundation on which to discuss regional water reform, and the issues associated with any future transition to regional models.

The QWRAP has been supported by a range of communication activities undertaken by LGAQ and *qldwater* across the State. Communication materials and visits discussing the background, purpose and progress of the QWRAP, and promoting the benefits of regional approaches for water and sewerage management have reached all regional councils. Regional approaches to water and sewerage have been discussed under the QWRAP banner at over 50 local, regional, state and national meetings and forums in the past year alone.

By the end of the current funding period for the project in December 2014 the total council investment will exceed \$250,000, with in-kind contributions being at least twice this figure. Importantly, every participating council, regardless of size or income, will have contributed cash and in-kind support. All the QWRAP bid pool funding has been matched at a 1:1 or greater ratio with council cash. This is clear evidence of the level of 'buy-in' created through the QWRAP.

Background

The QWRAP was developed as an industry (council) led initiative to investigate regional collaboration, including various regional institutional models, for improved urban water services outside of Southeast Queensland. The program is funded jointly by Department of Energy and Water Supply (DEWS), Local Government Association Queensland (LGAQ), the Queensland Water Directorate (*qldwater*) and the twenty participating councils in four pilot regions.

The QWRAP was designed to promote water reform building on joint LGAQ and *qldwater* projects that investigated alternative institutional arrangements. Participating regions have agreed to explore ways to address current and future organisational and operational risks, with a focus on institutional change recommended in recent national reviews of Australia's water industry.

These reviews, completed in 2011, concluded that the current Local Government model of service delivery was unviable in many rural and remote locations, and recommended moving towards regional services that would be better able to deliver cost effective water services. However, the detail about how regional water services may operate, and the implications for local governments in rural and remote parts of Queensland were not fully understood. Thus, there was a need to bring local governments together in these areas to discuss and identify the issues around the recommendations.

In each region, steering groups with political and managerial members oversee internal reviews and commission external studies investigating current practices and the potential for collaboration. The way this work has been undertaken varies in each region, but the methods generally include 'due diligence' reviews of water and sewerage services across participating councils and financial analyses of service delivery models.

The local governments that have voluntarily participated in the program, have each agreed to contribute cash to cover a portion of the costs, in-kind staff time, and to consider at least three alternative institutional models for managing their water business at a regional scale. The current stage of the QWRAP commenced in July 2013 with a formal update provided to DEWS in February 2014. The funding for the current stage will end in December 2014.

Collectively the twenty Queensland local governments that are part of the QWRAP initiative have the following:

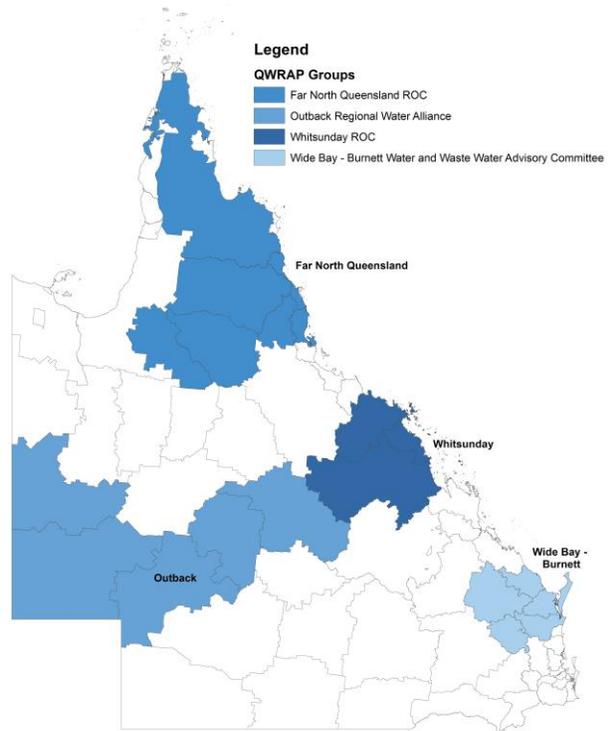


Figure 1 - Overview of the QWRAP Regions



More than 2 billion dollars of assets

Value of water and waste water assets managed by Councils participating in the QWRAP. Recent estimates have calculated Queensland's total value of water and waste water assets to be more than 25 billion dollars.



43% of Queensland's total land area

Size of the Program area is about 10% of Australia's total land area. This area is roughly the same size as Turkey, and would be the 38th largest country in the world based on total land area.



120 communities

Communities within the QWRAP areas currently serviced by water and waste water infrastructure.



45% of Queensland's regional population

The population outside of Southeast Queensland that live in a QWRAP area.

Update on Progress of the QWRAP Regions

RAPAD Pilot Region

The Central Western Queensland Remote Area Planning and Development Board (RAPAD) is a unified local government organisation that aims “to assist and facilitate the growth and development of the Central West and wider outback region.” RAPAD was the first region to join the QWRAP in 2011, and as a direct result of their involvement have decided to form the Outback Regional Water Alliance (the Alliance) that includes Boulia, Barcaldine, Barcoo, Diamantina, and Longreach councils.

The Alliance region has a total land area of 312,213 square kilometres, or 18% of the state total. This area is larger than the State of Victoria or the entire land area of New Zealand. Unsurprisingly given the large area, the region has some of the most remote communities in Queensland - with the average distance between communities being more than 50 kilometres. However, the region has only 16 urban communities that are home for less than 1% of Queensland’s regional population (4272 people as of the 2011 Census). The small population provides modest annual revenues for water and sewerage services of approximately \$6 million. Many of the water supplies are supported by the Great Artesian Basin, a water source that requires little initial treatment but must be carefully managed and delivered to consumers to avoid contamination.



Figure 2 - The Outback Regional Water Alliance

Building the Outback Regional Water Alliance

As part of the QWRAP investigation, the group considered a number of alternative regional models. The group commissioned four third-party reviews of the current and potential future approaches for water and sewerage in the region. These reviews investigated three models for regional cooperation: corporatisation, alliance, and ad hoc collaboration compared with the status quo. Corporatisation was found to have costs much greater than the potential benefits because of the size of the region and the very small population size and density. Ad hoc collaboration and the status quo were also unacceptable due to the recognised need for sustainable effort towards collaboration to achieve identified regional benefits. The recommended model, a regional alliance, was shown to provide the greatest benefits at an affordable costs and builds on established cooperation of the RAPAD group, which has benefited the communities for nearly two decades on non-water related issues.

The RAPAD region completed its QWRAP investigations in late 2013. Acting on the recommendation to proceed with the Alliance model the group initiated formation activities between the participating councils, including establishment projects in early 2014. These included drafting a Constitution and MoU, determining governance and funding arrangements for the Alliance, and scoping a position for a part-time Alliance coordinator. Not only has the QWRAP initiative supported the region in making this decision, but it has also been a key support for encouraging the councils to proceed in the process to form the Alliance. In addition to formation activities, the Alliance has initiated a range of projects aimed at providing savings for the region.



Figure 3 – The Alliance model for regional water collaboration in the RAPAD region

Funding and value for money

The work to explore and commence the Alliance model was funded through the QWRAP, along with additional funding provided through the Improving Financial Management and Sustainability Scheme (IFMSS) from the Department of Local Government, Community Recovery and Resilience. The RAPAD group was one of ten proposals that received funding in 2013 through the IFMSS. The total cost of the project is approximately \$196,000, and includes a large additional in-kind investment from council representatives, **qldwater**, and LGAQ.

The return on investment for the work carried out to date is significant. Councils invested \$2 for every dollar provided from the QWRAP bid pool during the early investigation stage (a total of \$180,000). They invested a further \$51,000 over the past six months towards the start-up projects, which also received IFMSS funding of \$66,000. In-kind contributions of staff time to collaboration have exceeded \$100,000 per year since the commencement of collaboration, with \$100,000 of staff time invested in the first six months of 2014 alone.

During this period, “material savings” from all projects (i.e. direct savings compared with forecast operational and capital expenditure) were calculated at \$130,000. “Potential savings” (i.e. estimated future savings as a result of the projects) were estimated to be in the range of \$10,000-\$40,000 for each of the projects. Future projects are projected to deliver similar financial benefits on an ongoing basis and all projects have demonstrable benefits for customer service, risk management and compliance and reduced rates if in-kind investment.

Highlights and Achievements

The Outback Regional Water Alliance agreement was finalised in July 2014.

The Alliance became the first rural and remote regional group of councils in Queensland to formally establish regional collaborative arrangements to address shared interests in the water supply and sewerage needs of their communities.

Minister McArdle visited the region in June 2014 to promote the formation of the Outback Regional Water Alliance, and to promote the WaterQ Plan, a 30-year strategy for water in Queensland.

Regional studies and work completed as of July 2014 include:

- Operational review of region’s water systems.
- Operational optimisation including identification of potential joint activities.
- Joint training of operational staff.
- Asset Management Plan review and identification of synergies.
- Drinking Water Quality Management Plan (DWQMP) review and negotiation with Regulator.
- Regional coordination of mandatory Key Performance Indicator (KPI) reporting.
- Joint development of communication materials.

Next steps

The Alliance is now beginning much of the work recommended in the commissioned reviews. A regional coordinator will be appointed to extend the strategic and technical skills of the group, as well as manage the projects performed by the group or commissioned from consultants. The QWRAP seed funding of \$10,000 is committed to establishing this position. A price benchmarking study has been commenced comparing costs and prices across region and with similar utilities elsewhere. This project has been supported with \$10,000 of the QWRAP funding and a similar amount of in-kind from LGAQ and *qldwater*.

Some of the collaborative projects planned for the Alliance include:

- Regional Investigation of Water Disinfection (technologies and joint procurement).
- Commence implementation of regional Asset Management Planning framework.
- Commence regional alignment of DWQMPs.
- Investigate the development of 'Drinking Water Quality Operational Plans'.
- Determination of optimal internal KPI reporting

FNQROC Pilot Region

This region was the second to volunteer to participate in the QWRAP and consists of the Cairns, Tablelands, Cassowary Coast, Cook, Mareeba, Douglas, Etheridge and Croydon councils. The Far North Queensland Regional Organisation of Councils (FNQROC) is an elected-member group (consisting of mayors and councillors from across the region) that endorsed involvement in the project ranking the assessment of opportunities for water reform as one of the three priority issues for the region.

Like the RAPAD region, the FNQRoC pilot region covers a large area of Queensland (14%), which is larger than the State of Victoria or the United Kingdom. Similarly, distance between schemes is an important issue. In contrast to RAPAD, the region comprises 64 water and sewerage schemes including some servicing large populations.

Table 1 – Summary statistics of the FNQROC pilot region

Pilot Group	Far North Qld Regional Organisation of Councils (FNQRoC)
Councils	Cairns, Tablelands, Cassowary Coast, Cook, Croydon, Etheridge, Douglas, Mareeba
Area	248,846 km ² (14% of regional Qld)
Population (2011)	257,089 (16% of regional Qld)
Water Schemes	44
Sewerage Schemes	20

Consequently, the annual revenue for the area is large (>\$150 million) compared with that of the RAPAD councils (>\$6 million). In comparison, Victorian and Tasmanian regional utilities have annual revenue between \$17 and \$290 million.

Current Status

The FNQROC group completed their review of various collaborative models early in 2014. The review recommended transitioning to a regional corporation structure involving five of the eight participating councils. However, the Consultant's report indicated that the first step would be to commission a half-million dollar financial and due diligence investigation. The FNQROC subsequently judged the recommendation to be a lower-priority use of limited budget. However, the FNQROC agreed to pursue the following four joint regional initiatives subject to receiving financial support:

- Strategic asset management
- Regional demand and supply assessment
- Legislative requirements (DWQMS and EMS)
- Full price costing

Relevant projects related to these initiatives are currently being scoped in consultation with LGAQ. To date the FNQROC have invested \$50,000 in cash in the project and an equal amount of in-kind staff time. A coordinator for the ongoing projects is currently being sought, with a further \$15,000 in the QWRAP funding along with matching council in kind investment committed to the region.

WBBROC Pilot Region

The Wide Bay Burnett Regional Organisation of Councils (WBBROC) consists of the Bundaberg, North Burnett, South Burnett, Fraser Coast and Gympie councils. The Steering Committee for this QWRAP group includes senior managers and councillors from each council and reports directly to the ROC.

Despite being less than 3% of Queensland's total land area, the region is home to nearly 20% of the State's regional population. Along with the other two pilot groups, the involvement of WBBROC means that the QWRAP covers coastal, western, and far north regions and includes areas with high, medium, and low population sizes and densities.

Activities to date have focussed on internal analysis of gaps, risks, and strengths to gauge the core capabilities within the region. The group has also conducted external reviews of current financial arrangements. As with the other groups they have also investigated potential alternative regional models. In addition, a handful of projects identified as immediate opportunities for collaboration are being developed.

The WBBROC Councils have invested \$20,000 in cash and attracted \$46,000 in IFMSS funding, being the second of the ten proposals that were funded through IFMSS. The total cost of the project is approximately \$189,260, and includes a large in-kind investment from council representatives, **qldwater**, and LGAQ. This region has undertaken a significant proportion of work internally investing more than \$100,000 of staff time in the project to date in 2014.

Current Status

The steering committee identified several ‘no regrets’ collaborative opportunities, which all councils agreed to pursue regardless of the outcomes of the investigation into regional models. These immediate collaboration opportunities included:

- Joint procurement contract for sewer relining in the region
- Transition to standardised SCADA operations across all five councils
- Joint training of operators with a focus on smaller councils and on SCADA systems
- Explore opportunities for sharing skills and staff across the region
- Shared laboratory services using Fraser Coast and Bundaberg laboratories

All activities except the shared laboratory services were shown to provide financial and customer benefits and are being pursued by the group providing useful case studies for other regions.

Queensland Treasury Corporation and OrionCo were engaged to review costs and financial benefits of regional water and sewerage models. This work has been delayed by issues with data collation causing deferment of a QWRAP milestone (see Progress Against Milestones below). The results of this study will be finalised in time to allow the councils and the WBBROC to review it in their November meetings.

The WBBROC has agreed to continue collaboration through continuing the role of the QWRAP steering group as the WBBROC Water and Wastewater Advisory Committee. The current SCADA technical group will also remain, and will report to the Advisory Committee. The group is currently commissioning a review of asset management systems for water and sewerage

Table 2 – Summary statistics of the WBBROC pilot region

Pilot Group	Wide Bay Burnett Regional Organisation of Councils (WBBROC)
Councils	North Burnett, Bundaberg, Gympie, South Burnett, Fraser Coast
Area	48,581 km ² (3% of regional Qld)
Population (2011)	296,614 (18% of regional Qld)
Water Schemes	28
Sewerage Schemes	281

across the region to highlight possible areas for collaboration and improvement. The QWRAP funding of \$10,000 is committed to this project with matching funding from the participants.

WhitsundayROC Region

A fourth region comprising the three WhitsundayROC councils (namely Whitsunday, Mackay and Isaac Regional Councils) was added to the program in late 2013. While almost twice the area of the WBBROC group, the population is only slightly more than half as large. This region includes communities with significant impacts from the resources sector and include numerous communities experiencing rapid population growth.

Unlike the other QWRAP groups, the WhitsundayROC has worked to ensure political and managerial agreement of the process before beginning investigations into regional collaboration. The group has also chosen to include ‘stop points’, where confirmation between both groups can occur before moving to the next step. A program of eight steps was identified, of which five have been completed as follows:

- Identification of common objectives of each water and sewerage business
- Establishing an agreed vision for the QWRAP investigations
- Develop an assessment framework for comparing the benefits of collaboration with respect to the agreed objectives
- Use the framework to assess whether key elements of the business could be improved through collaboration
- Undertake a high-level quantification of potential benefits

The councils have matched the QWRAP bid pool funding dollar for dollar and total council financial investment by December is projected at \$60,000 for the calendar year. Like the other groups, there has also been a generous in-kind support through staff time invested into this project which has progressed at a greater rate than those of the other regions.

Current Status

The present effort is on the sixth step – a review of barriers to achieving collaboration benefits. This work will review barriers and political impediments to change and then provide

Table 3 – Summary statistics of the WhitsundayROC region

Pilot Group	Whitsunday Regional Organisation of Councils
Councils	Whitsunday, Mackay and Isaac Regional Councils
Area	90,939 km ² (5% of regional Qld)
Population (2011)	180,415 (11% of regional Qld)
Water Schemes	24
Sewerage Schemes	22

recommendations on appropriate models and potential transition processes. Immediately following this step is the analysis of the capacity of three alternative regional models to deliver benefits and avoid barriers identified for the region. The group has already ruled out the 'status quo' option as they are already engaged in regional collaborative activities that were not occurring prior to the QWRAP.

The group has also identified a number of opportunities for high-benefit, low-risk collaboration that will be investigated in the next stage as part of the consideration for which model would be most appropriate for the region. These include:

- Marketing / demand management
- Water treatment (operation and maintenance)
- Sewerage treatment (operation and maintenance)
- Telemetry and communication systems
- Capital program development, prioritisation
- Design / design management / technical standards
- Compliance testing / verification testing (lab) - management
- Reporting external (planned and reactive)
- Workforce development (e.g. succession planning, capacity building (training), recruitment / retention)

A further \$30,000 of the QWRAP funding is committed to finalising the investigation currently underway and to establish joint activities for data management and reporting. The investigation will be completed late, as it has been delayed for consideration by the WhitsundayROC until late November. This leaves little time to wrap up and report on the outcomes and no scope to develop transition arrangements if the group determines to adopt a new regional approach.

Progress Against Milestones

Milestones and their current status are summarised in Appendix 1. Two milestones are delayed as described below.

1. Milestone 8

8	27 June 2014	Finalisation of program in WBBROC region and decision for any potential transitioning arrangements. Final report on the QWRAP progress in this region.	Incomplete
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As noted above, the WBBROC region is still completing the third stage of their financial analysis. This work, undertaken initially by the Queensland Treasury Corporation, is currently being reviewed by OrionCo. The study suffered delays in sourcing consistent financial data from all councils. Data collation and initial analysis will be completed in September and the final report completed in late October for review by individual councils and the ROC on the 5th and 27th November respectively. A QWRAP overview of the analyses will be completed in early December.

2. Milestone 9

9	18 July 2014	Review of successful regionalisation in other jurisdictions.	Incomplete
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This review has been extended to consider some of the key issues impacting sustainability of regionalisation of water and sewerage services but has been delayed. A draft will be provided by the end of November.

3. Milestone 10

10	1 November	Institutional review of alternative business models in new region.	Underway
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This milestone is not due until 1 November but will be delayed as the planned October ROC meeting for the Whitsunday Group has been postponed to mid-November. Milestone 10 will be completed in December.

Appendix 1: QWRAP Milestones

The following table summarises the QWRAP milestones under the DEWS deed. Overdue milestones are highlighted.

No.	Expected Date	Milestone	Status
1	13 September 2013	Finalisation of investigatory program in Remote Area Planning and Development Board (RAPAD) region and decision on appropriate transitioning arrangements. Final Report from RAPAD's consultant.	Complete.
2	25 November 2013	Initial financial review of Wide Bay Burnett Regional Organisation of Councils (WBBROC) region complete.	Complete.
3	29 November 2013	Regional governance arrangements and Terms of Reference for involvement in the QWRAP (Stage I) endorsed by each participating council in new QWRAP region (Whitsunday ROC).	Complete
4	6 February 2014	Completion of Far North Queensland Regional Organisation of Councils (FNQROC) investigatory phase and consideration of alternative regional arrangements be all participating councils. Final report from FNQROC's consultant.	Complete
5	20 February 2014	Update on progress of first three pilot regions.	Complete
6	18 April 2014	Summary of progress on WBBROC reviews.	Complete
7	18 April 2014	Initial technical/business-based audit of water businesses to identify risks, gaps and strengths within the new QWRAP region.	Complete
8	27 June 2014	Finalisation of program in WBBROC region and decision for any potential transitioning arrangements. Final report on the QWRAP progress in this region.	Incomplete
9	18 July 2014	Review of successful regionalisation in other jurisdictions.	Incomplete
10	1 November	Institutional review of alternative business models in new region.	Underway
11	12 December 2014	Final report on progress of the QWRAP.	