

## COMMUNITY WASTEWATER MANAGEMENT SYSTEMS (CWMS)

### 1. Purpose

This paper summarises recent developments in regard to Community Wastewater Management Systems (CWMS - formerly known as STEDS).

### 2. Background

At its previous meeting in September 2007, the Forum noted the Commonwealth funding announcement of \$20 million for the Local Government Association's *Statewide Wastewater Recycling Project*.

On 27 June 2007 the Hon Malcolm Turnbull announced federal funding of \$20 million for CWMS in South Australia in response to the revised submission. While welcomed, this falls well short of the \$100 million submission to the National Water Commission (NWC) originally lodged by the LGA.

Funding will be provided for the upgrade of up to 69 existing CWMS schemes in South Australia on the basis of a prioritised listing of proposed schemes for upgrade. Rationing of the \$20 million across all the projects in the revised submission has resulted in an average Australian Government subsidy of 25% of the capital cost of each project with councils meeting the remaining 75% of the capital cost.

The Forum also noted the continuing support of the State Government for CWMS through the 12 month extension of its funding agreement with the Local Government Association (LGA) for 2007-08, providing funding of \$3.286 million. As a final decision on Commonwealth funding had not been announced by May 2007, another one year extension was sought to ensure that the current construction program can continue unimpeded, and to help facilitate long term planning for the sector.

### 3. Actions

Since the last Forum meeting the following significant actions have taken place:

#### 3.1 Commonwealth funding agreement

The LGA has signed the Funding Deed with the NWC and the first payment of \$2 million (excl GST) is expected to be received by early December 2007. It should be noted that subsequent Commonwealth payments will be made in instalments to the LGA, subject to agreed milestones and other requirements being met.

The LGA's original application for funding included 107 individual CWMS projects over 44 Councils. This application was supported by the State Government; in particular, the Office for State/Local Government Relations (OSLGR). The submission sought funding to construct new CWMS schemes to deliver treated effluent for re-use in regional communities, and to upgrade existing schemes to similar standards.

Following consultation with the National Water commission the LGA submitted a revised submission for \$30 million for the upgrade of 69 existing schemes across 39 Councils.

#### 3.2 Future State Government funding

As a final decision on Commonwealth funding had not been announced by May 2007, another one year extension was sought to ensure that the current construction program can continue unimpeded, and to help facilitate long term planning for the sector.

Subsequently, in June 2007 Cabinet approved a one year extension of the interim CWMS Funding Agreement at a funding level of \$3.286 million, which took effect on 1 July 2007.

In August 2007 the LGA President, Mayor Joy Baluch, wrote to the Minister for State/Local Government Relations outlining a suggested approach for a long term funding agreement.

A longer term funding agreement will take into consideration the following factors:

- **State Government Policy on CWMS**

As Forum members will be aware, the State Government CWMS policy was endorsed by Cabinet in December 2005.

State Government funding for new schemes will be based on an assumption that councils will apply charges equivalent to SA Water country sewerage charges for the life of the scheme. This policy is being applied to achieve equity between users of these systems and users of SA Water sewerage systems.

The subsidy amount provided to councils will be equal to the shortfall between the revenue that can be raised from users of the scheme through the application of the SA Water country sewerage rate and the cost of providing the CWMS service over the life of the scheme.

No additional funding will be provided to councils who fail to charge at the appropriate rates.

- **Prioritisation of schemes**

In 2005, the existing 'waiting list' of proposed new CWMS was re-assessed by the CWMS Projects Advisory Committee, with representation from the LGA, OSLGR, the Environment Protection Authority and Department of Health. Environmental protection and public health risks were given the highest weighting in ranking priorities. Projects were placed into three categories:

- urgently required (Category A);
- required but less urgent (Category B); and,
- not required as other options for wastewater management can provide a more satisfactory or cost-effective solution (Category C).

Schemes are therefore no longer funded in the same manner as the past, which saw schemes automatically provided with a subsidy for construction when they reached first place on the historical 'waiting list'.

The prioritised list was revised based on additional information provided by councils prior to the LGA's August correspondence regarding a long term funding agreement.

The LGA has calculated that the 39 schemes remaining in Categories A and B can be constructed by 30 June 2017 on the current funding allocation of \$3.286 million, indexed to CPI.

- **Audit of all schemes and identification of sustainable prices**

A major initiative of the CWMS Advisory Committee (CAC) was to co-fund an audit of all CWMS schemes across South Australia managed by councils.

The audit was completed in 2005-06 and found that:

- Most councils do not have appropriate long term operation and management plans for their schemes.
- A significant number of schemes across the State do not meet current regulatory standards.
- While most councils have increased CWMS charges significantly in recent years, most councils do not charge a sustainable rate for their schemes.
- For the majority of schemes, the annual charge applied using SA Water sewerage rates would not be sufficient to manage the scheme in a sustainable manner.

Most councils have made significant progress on the first three dot points listed above since the 2005-06 audit. In addition, the NWC funded project has provided a once-off opportunity to achieve economic and environmental sustainability for a majority of the existing CWMS schemes.

- **Aggregation of the CWMS sector**

As noted at the September 2007 Forum meeting, CAC investigated possible options for managing CWMS on an aggregated basis.

CAC examined the possible governance, membership, legal, structural and financial arrangements of the two options, namely a Statewide Management Service Authority and a Statewide Entity.

The LGA Annual General Meeting on 20 October 2006 endorsed councils' preference for participating in a Management Service Authority in the first instance, while also noting that the future management arrangement for the CWMS sector would need to be reviewed if the submission to the Australian Government is successful. Now that Commonwealth funding, is known the CWMS Management Committee (which has replaced both CAC and the CWMS Projects Advisory Committee) will review the options for aggregation and make recommendations to the LGA State Executive Committee and the Minister.

It is anticipated that a proposed long term funding agreement will build aggregation into a longer term strategy for achieving continued reform of the sector.

#### **4. Recommendations**

**That the Minister's State/Local Government Forum:**

- 1. Notes the status of the Commonwealth funding agreement with the LGA and commends those councils participating in the *Statewide Wastewater Recycling Project*.**