

COMMUNITY WASTEWATER MANAGEMENT SYSTEMS (CWMS)

1. Purpose

This paper summarises recent developments in regard to Community Wastewater Management Systems (CWMS - formerly known as STEDS). The Local Government Association (LGA) will address the Forum on the progress of its *Statewide Wastewater Recycling Project*.

2. Background

At its previous meeting in December 2007, the Forum noted the signing of the Commonwealth Funding Deed for \$20 million provided for the LGA's *Statewide Wastewater Recycling Project*.

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 noted the continuing support of the State Government for CWMS through the 12 month extension of its funding agreement with the LGA for 2007-08, providing funding of \$3.286 million. It was also noted that the President of the LGA had written to the Minister for State/Local Government Relations outlining a suggested approach for a long term funding agreement.

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) was received in November 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 \$100 million in 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.

On 27 June 2007 the then Commonwealth Minister for Environment and Water Resources, the Hon Malcolm Turnbull, announced federal funding of \$20 million for CWMS in South Australia in response to the revised submission. Combined Federal and Local Government funding for the project totals \$90 million over a four year period.

To date almost all 35 councils have formally accepted funding offers and have appointed consultants for the preliminary design and investigation phase. A panel of consultants was appointed by the LGA to assist in this process.

An open tender call was placed in *The Advertiser* on 17 November 2007 seeking offers from those wishing to be considered for inclusion on a Panel of Consultants, which will deliver CWMS design and superintendency services for the next three years. This was done to improve the efficiency of securing consultants, and to reduce the otherwise unwieldy documentation required to call individual tenders for each project. Consultants were appointed using the same criteria applied to all recent CWMS tenders. Councils are then able to choose their consultant(s) from the panel, or can still call open tenders if preferred. It is estimated that savings of between \$10,000 to \$15,000 have been achieved per project by eliminating council's tendering stage.

On 17 January 2008 the LGA provided its first Milestone Report to the Commonwealth detailing the progress of the project. This report covered the period from the signing of the Funding Deed on 1 November 2007 to 31 December 2007. In summary, targets for three of the four stages were met or exceeded, while the target for stage four was not met. This is largely due to the four month delay in the execution of the Funding Deed, with targets set under the expectation that the Funding Deed would be signed before July 2007. However, this delay is not expected to affect the Project's projected completion date.

The LGA received an initial payment of \$2 million in November 2007 and a first milestone payment of \$2 million was received early in February 2008. As of 7 March 2008, five councils have received payments totalling \$646,000. It is expected that the entire funds from the initial plus first milestone payment totalling \$4 million (including GST) will be required for meeting payments to the participating councils during the current reporting period.

Milestone reports will be provided to the Commonwealth on a six-monthly basis. The next report will therefore cover the period 1 January 2008 to 30 June 2008. A further report will be provided to the Forum at its next meeting (expected to be held by August 2008).

3.2 Future State Government funding

Presently, State Government funding from the CWMS Program (administered by the LGA) is being utilised to install or finalise the installation of new schemes in Springton, Gladstone, Kingston on Murray, Allendale East, Mintaro and American River. Seed funding has also been provided to councils to explore the feasibility of installing new CWMS schemes in Beachport, Two Wells, Mallala, Virginia, Donovans, Carrickalinga, Port Wakefield, Mount Compass, Penneshaw, Stansbury, Mylor, Inglewood/Houghton, Tulka, Cowell, Arno Bay and Wirribara.

As a final decision on Commonwealth funding had not been announced by May 2007, another one year extension was sought to enable this construction program and 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. Formal discussions between the LGA and OSLGR on the long term funding agreement have now commenced.

Discussions have focused on:

- Funding level and length of the agreement;
- Indexation of funding to CPI;
- Incorporating milestones into the agreement;
- Timing of a mid-point review;
- Undertaking a comprehensive examination of the options for aggregation; and
- A commitment to ongoing reform through sustainable economic and environmental management.

Drafting of the agreement has now commenced with a view to finalising the detailed terms of the proposed Agreement by the end of April, which will then be considered for final approval by State Cabinet and the LGA.

It is expected that a new CWMS funding agreement will cover the period 1 July 2008 to 30 June 2017, and will provide funding of \$3.368 million for the 2008-09 financial year. Funding for subsequent years will be provided at the same level, subject to CPI.

4. Recommendations

That the Minister's State/Local Government Forum:

- 1. Notes and receives the report on the LGA's *Statewide Wastewater Recycling Project*; and**
- 2. Notes that the State Government and the LGA have now entered into discussions on the terms of a long term funding agreement, and that an agreement is expected to be in place for the 2008-09 financial year.**