



Department of Planning and Environment

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# A potential regional approach to local water utility strategic planning

Final report

November 2022





# Acknowledgement of Country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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## Acknowledgements

This report is the result of a collaboration between the department's Town Water Risk Reduction Program and the Central NSW Joint Organisation of Councils.

Two consultative workshops were facilitated by Ms Carmel Krogh OAM on 16 November and 8 December 2021, who also assisted in drafting the report.

The following people attended the workshops

- Wayne Beatty – Orange City Council
- Jenny Bennett – CNSWJO
- Emma Brunton – DPE Water – Water Utilities team
- Glen Colley – DPE Water – Town Water Risk Reduction Program
- Fiona Conlon – Fiona Conlon Water Asset Management
- Chris Devitt – Chris Devitt Consulting
- Russell Deans -Bathurst Regional Council
- Andrew Francis – Parkes Shire Council
- Brendan Guiney – NSW Water Directorate
- Clr Mark Kellam – Oberon Council
- Kalina Koloff – Canberra Region Joint Organisation.
- Valerie Masterton – DPE Water – Water Utilities team
- Meredith Macpherson – CNSWJO
- Brendan Miller – DPE Water – Water Utilities team
- Sascha Moege – DPE Water – Town Water Risk Reduction Program
- Matt Parmeter – DPE Water – Water Utilities team
- Meera Rajagopalan – DPE Water – Regional Water Strategies team
- Stef Schulte – DPE Water – Regional Water Strategies team
- Melanie Slimming – Forbes Shire Council
- Dirk Wymer – Cowra Shire Council.

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## Section 1: Background and context

The Central NSW Joint Organisation (CNSWJO) is collaborating with the Department of Planning and Environment's (the department) Town Water Risk Reduction Program (TWRRP) to co-design a potential regional approach to strategic planning for local water utilities.

As part of the TWRRP pilot studies are being undertaken to test various components of new strategic planning approaches, including the benefits of collaboration between groups of councils.

Following a call for pilot projects in 2021 by the TWRRP, CNSWJO proposed that its established collaborative approach could be used as a pilot to analyse in more detail the opportunities and barriers to a regional approach to local water utility strategic planning.

The aim of the pilot was to develop a potential regional approach to local water utility strategic water planning to:

- enable groups of councils with common regional interests to undertake strategic water planning in a more cost effective and less resource intensive manner, and
- act as a bridging mechanism between the strategic plans of local water utilities and the NSW Government's Regional Water Strategies.

This report summarises the advice from two workshops held on 16 November and 8 December 2021 to explore these issues. The workshops sought to answer:

- what are the key elements of a regional approach to strategic water planning?
- who is responsible for undertaking each of the key elements?
- what resourcing considerations and governance structures would best support a regional approach to strategic water planning?
- what are the key opportunities, constraints, and barriers to implementing a regional approach to strategic water planning?

This report synthesises the feedback received in the two workshops, proposing that there is potential value in the integration of local water utility strategic planning with the Integrated Planning and Reporting (IP&R) framework of the Local Government Act, through a regional lens with Joint Organisation member Councils. Additionally, to progress the value to the state, councils and communities of a regional approach, the CNSWJO has recommended that an incentivised model for funding would realise this value to all stakeholders.

It is also proposed that the next step to progressing this work is to test the approach through the department's previously announced pilot process supporting councils to use the IP&R framework for local water utility strategic planning.

The proposed regional approach to local water utility strategic planning is discussed in further detail in [section 3](#) of this report.

## Central NSW Joint Organisation of Councils Water Utilities Alliance (CWUA)

The Central NSW JO Water Utilities' Alliance (CWUA) is a voluntary collaboration between ten Councils and one water County Council in the Central NSW region including the Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Oberon, Orange, Parkes, Weddin and Central Tablelands Water. It represents a population of over 157,686 people covering an area of more than 47,000sq kms with 62,950 water connections across the region.

CNSWJO members have a long history of collaboration having worked together as the Central NSW Regional Organisation of Councils (ROC) for many years prior to the establishment of the JO.

The Central NSW JO has a clearly articulated strategic plan which identifies four priorities, corresponding key strategic areas and activities and timeframes and responsibility delegations against these activities. One of the regional priorities identified in the CNSWJO strategic plan is regional water security.

The CWUA was formed in 2009 and continues to take a unified approach to support member Councils in meeting Best Practice in water and sewer management and in achieving cost savings and efficiencies including in asset management and workforce training and development. The CWUA does this through a regional procurement program, mentoring and the sharing of knowledge and resources.

A function of Joint Organisations under the Local Government Act 1993 (section 400R) is to undertake strategic regional planning. There are opportunities to leverage this to provide value to both JO member Councils and the State Government and ultimately the communities of Central NSW. This is an area that has not been enabled in strategic water planning at the regional level where a collaborative whole of government approach to managing the risks to town water supplies from future climate extremes is supported in the State and Regional Water Strategies.

A recent review of JOs (ARTD 2021<sup>1</sup>) indicated that the profile and performance of JOs varied widely across the state. That review concluded that 5 of the 13 JOs (38%) have inadequate or marginal resources available to support their ongoing operation. The CNSWJO was classified as having a "good" level of resources and sustainability capacity.

The opportunity is for the value to the state government of Joint Organisations to be realised through investment in regional collaboration either through regional collaboration or other structures.

It should be noted that CNSWJO like other JOs has some maturity in regional collaboration delivering significant value to both members and the state. However, this has taken decades of collaborative effort and commitment by JO member councils.

## The Town Water Risk Reduction Program

In December 2020, the department established the two-year Town Water Risk Reduction Program (TWRRP), to develop and implement a new approach of working together that enables local water

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<sup>1</sup> <https://www.olg.nsw.gov.au/wp-content/uploads/2021/12/Joint-Organisation-Review-Volume-1-Overview-Report.pdf>

utilities to manage risks and priorities in town water systems more strategically and effectively and, as a result, reduce risks in regional NSW communities over time.

The program was initiated following increased understanding of water security, water quality and environment risks confronting the town water supply and sewerage systems in regional NSW, extensive feedback from the sector and a performance audit of regional town water infrastructure by the Auditor General for NSW.

The Auditor-General recommended that the department improve oversight of and support for local water utilities' strategic planning, with a focus on "coordinating town water planning, investments and sector engagement to more effectively support, plan for and fund town water infrastructure, and to work with local water utilities to help avoid future shortages of safe water in regional towns and cities".

The Program is working in partnership with councils, local water utilities, joint organisations of councils, government agencies and the broader sector to design and implement long term solutions to improve management of town water risks.

The Program's focus is on working together with the sector to identify the most fundamental barriers within state and local government that prevent effective and strategic risk management, and to develop and implement long-term solutions to these barriers. The Program has been delivered across five workstreams:

1. Improving the regulatory and support framework for local water utilities.
2. Encouraging greater collaboration between local water utilities.
3. Facilitating greater State Government support for local water utilities.
4. Improving access to skills and training.
5. Investigating alternative funding models.

## **The role of the department in local water utility strategic planning**

A key deliverable of the TWRRP has been the new Regulatory and assurance framework for local water utilities, which outlines how the department is moving to a risk-based and outcomes-focused approach to the regulation of local water utilities.

Under the framework, local water utilities are responsible for developing and implementing their own strategic planning. The department's overall priority is to ensure strategic planning outcomes are achieved to a reasonable standard.

The department acknowledges that it does not have a legislated regulatory role in relation to local water utility strategic planning. However, as highlighted in the Auditor-General's report, the department has a key role in the oversight and support of local water utility strategic planning. There has also been broad agreement across the sector in recent consultation on the development of the Regulatory and assurance framework, that strategic planning is a critical and effective way to manage key water risks for local water utilities.

## A key role for Integrated Planning and Reporting (IP&R)

Many council-owned water utilities have expressed interest in using the Integrated Planning and Reporting (IP&R) framework of the Local Government Act 1993 as a vehicle for local water utility strategic planning. The value of the IP&R framework as a standardised and well understood approach to strategic planning and reporting is widely recognised by the local government sector. CNSWJO is of the view that the IP&R framework should be central to any future regulation of local water utility strategic planning.

The department has released [guidance for councils](#) interested in using the IP&R framework for the purposes of local water utility strategic planning. The department has also indicated that it will continue to work with interested councils over the next cycle of IP&R (from 1 July 2022 to 30 June 2025) through a number of pilots to test the use of the IP&R framework for local water utility strategic planning. The intention is to learn from these councils and share their knowledge, expertise, and learnings with the sector more broadly through future updates of this guidance.

It is proposed that the approach to regional strategic planning for local water utilities outlined in this report, of which the IP&R framework is a central component, be tested as part of the abovementioned pilot process.



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## Section 2: Overview of the pilot workshops and key findings

### Key elements of a regional approach to local water utility strategic planning

Recognising the direction of the department is towards a more flexible approach to strategic planning, the balance of this advice explores the potential for a regional approach to data sets through collaboration between both Councils and state agencies.

In order to explore the merits of a regional approach to water strategic planning, the workshops discussed the required specific key inputs, as well as the relevant externalities that can influence and drive outcomes (both positive and negative).

Historically the data checklist for the Integrated Water Cycle Management (IWCM) Strategy required for each water utility under the Best Practice Guidelines for Water Supply and Sewerage was the primary basis for local water utility strategic planning. Although such checklists remain useful, it was identified that a number of issues arise with such an approach when undertaking strategic water planning on a regional (or sub regional or multi-utility) basis. The main issues include:

#### 1. Availability, currency and transparency of data sources:

Existing data sets need to be identified, documented and kept current, both from state agencies, councils, regional organisations, and other catchment wide sources. The disparate nature of the existing data sources can create confusion, overlap and duplication.

The existing checklist of data has grown overtime with local water utilities questioning the value to their strategic planning of some of the data sets required to be collected, particularly by smaller Councils. Data streams that reflect emerging or emergency situations (e.g. drought, flood) are required in a timely and transparent manner to allow adaptive planning.

#### 2. Requirements for Councils to collect data under the IP&R framework administered by the OLG under the Local Government Act 1993.

This sets out a comprehensive, mandatory framework for councils to plan for, deliver and report on all activities, including urban water functions leading to duplication with data and reporting requirements of the department.

#### 3. Differences between data sources and analysis.

The differences between state and local government data analysis and assumptions can have significant consequences (most notably population and economic development projections). Responsive strategic planning is also required –to enable local water utilities to review and adapt to emerging or emergency situations (e.g. drought, flood).

#### 4. Linkages between local planning considerations and the Regional Water Strategies.

Issues 1 and 2 are exemplified in the processes the State undertakes to develop Regional Water Strategies. There is a clear opportunity for the State to provide key regional data (e.g. secure yield analyses) to inform local water utility strategic planning and reduce duplication (and cost), ensure consistency (one-source of truth) and assure the regulator that strategic planning is based on evidence that it supports thereby reducing the need for another level of administrative oversight.

## **5. Levels of service**

A regional approach presents opportunities to have standardised levels of service across local water utilities in the region, but “level of service” may have different meanings for different local water utilities (even different staff within one council). In addition, the difference between technical levels of service and community expectations can be very wide.

However, collaborations between councils have demonstrated that they are able to accommodate local variance. If the department values standardised levels of service, this would be more efficiently affected through a regional approach.

## **6. Level of detail required for effective strategic planning**

Strategic planning means different things to different people depending on experience and skills and focus of operation (regional vs local). It can be more useful to separate different aspects such as:

- financial planning
- water resource planning
- asset planning
- operational planning
- tactics vs longer term goals.

Such separation fits in with the way the IP&R framework is intended to operate, but the level of detail for water supply may be different from the other classes of council services. Given the criticality for quality of life of secure water supply it is imperative that integrating it into IP&R is at a good enough standard.

## **7. What defines a “regional” approach to strategic planning and who determines the optimum planning boundary for water supply.**

Regional in this context can mean different things and has been expressed in different ways, e.g. catchment based, sub-regional town water supplies, local water utility, planning area or multi-town. The complexities of different catchments and potential interlinked networks highlights the need for any potential regional model to be sufficiently flexible to allow different groupings of local water utilities that have some common aspects.

However, the State Government has legislated for and invested in JOs as they provide a model with significant assurance for the roll-out of programming on a regional basis. This provides an opportunity to progress and support a regional approach to strategy through JOs with a pilot and roll-out approach. This will further enable the department to encourage a more consistent approach to local water utility strategic planning and provide other opportunities for the department to engage more efficiently and effectively with, and support local water utilities.

## **8. Pricing**

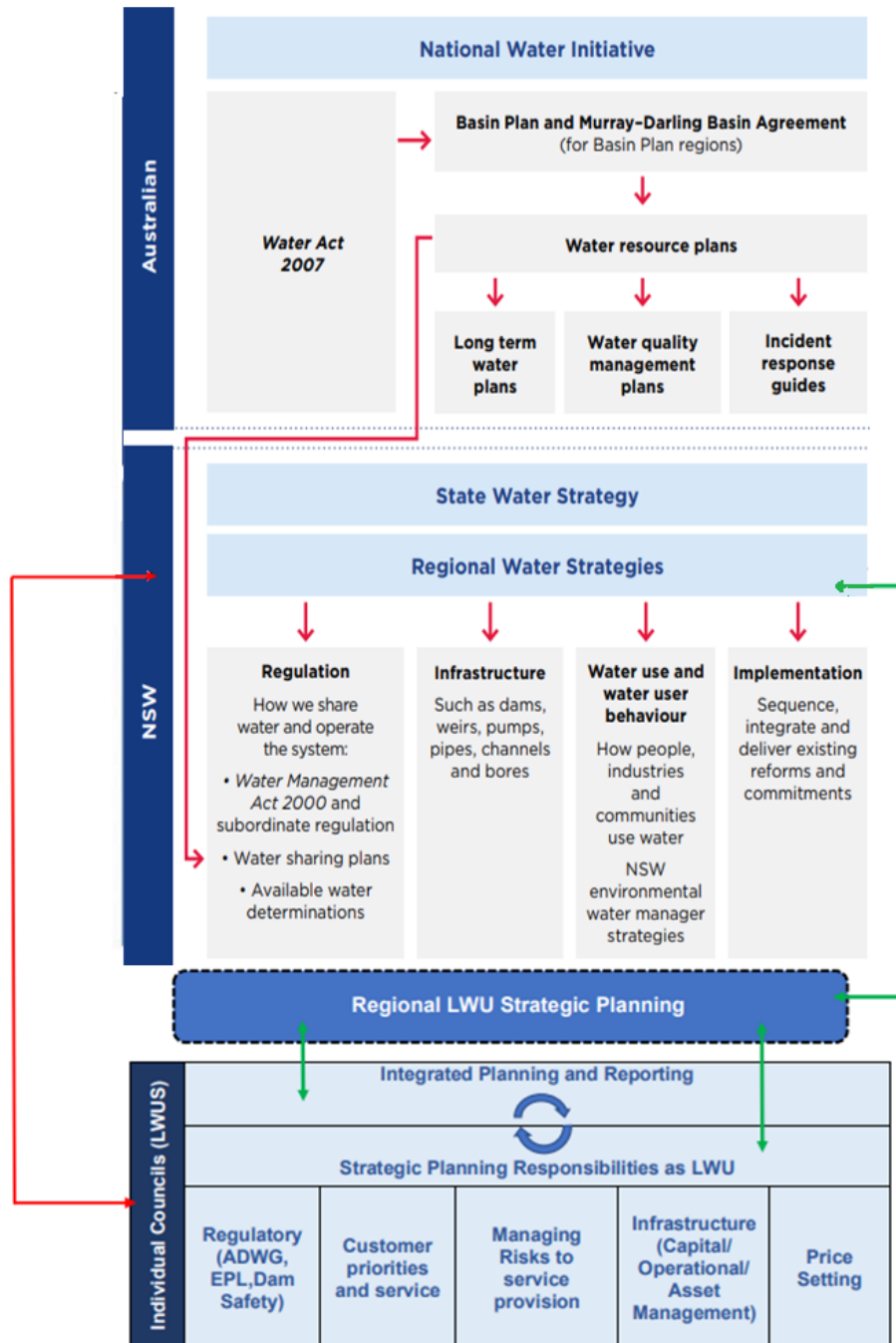
Each council is responsible for setting prices for water and sewer services, so it is set at a local level. Regional planning may set an expectation that consistency in pricing across multiple councils is required.

However it is important to recognise that JOs shape their programming to meet their member Councils' needs. For example, it is noted that an expectation of consistent regional pricing has not been the experience in CNSWJO, which can readily adapt its programming to accommodate local variations as required.

## Overview of a potential regional model

The following diagram was used as a discussion point in the workshops to illustrate where local water utility strategic planning at a regional level could fit into the broader strategic planning context. The illustration shows that linkages are required with the State Government Regional Water Strategies to both regional local water utility strategic planning and to individual councils (local water utilities).

**Figure 1: A potential regional model for strategic local water utility planning**



A regional local water utility strategic planning model as indicated in Figure 1 would be the link between the individual elements that each local water utility undertakes both as part of the IP&R process and also their planning responsibilities as the entity responsible for the delivery of water and sewer services, and the Regional Water Strategies.

The optimum mechanisms by which these links could be achieved would be specific to each region across the state, given the varying levels of involvement between councils and Joint Organisations from region to region.

Linkages could be enabled by Governance and implementation Plans for the delivery of strategies and actions in the State and Regional Water Strategies that recognise the need for a collaborative whole of government inter-agency approach to regional water planning enabled in the regions that includes Local Government with a seat at the table. The high level of involvement and achievements in the CNSWJO region provide an example where a regional model with a high level of JO facilitation delivers opportunities for effective water supply strategic planning. The main points of consideration at the workshops were:

- What key elements of water strategic planning can be included in a regional approach?
- Who has the responsibility for the delivery?
- What is the value to the councils and to the state in such an approach, and does this require incentivisation?
- What are the risks and opportunities with such an approach?

The table below summarises some of the key input categories of the existing IWCM checklist. This was used as a starting point to generate discussion around who and how these inputs could be more efficiently and effectively delivered, together with the opportunities and constraints relating to these inputs.

**Table 1: How the key input categories of the existing IWCM checklist could be reflected in a regional approach**

Input category	Details	Discussion
<b>Background data</b>	Study area context including relevant local or specific issues and status of serviced and unserved urban areas	<ul style="list-style-type: none"> <li>• Each individual Local Water Utility (LWU) has some ownership of specific data               <ul style="list-style-type: none"> <li>- Consult with LWUs around you to understand regional context (e.g. existing networks/pipelines)</li> <li>- Consider regional water strategy (context, strategic considerations)</li> <li>- Consider IP&amp;R community strategic plan</li> <li>- Access/review internal (council) urban planning data/considerations (ensure consistency)</li> <li>- Different views/assessments of system risks (e.g. SSWP assessment)</li> <li>- Broader regional planning (urban development, economic (SAP))</li> </ul> </li> <li>• Regional context could be organised/provided by JO for member LWUs</li> <li>• Be clear on what info is material for strategic decisions</li> <li>• Linking to IP&amp;R process - Critical to involve elected members and consider broader political issues/ challenges</li> <li>• Previous lack of clarity on purpose of IWCM planning - a collection bucket of everything rather than strategic decision-making process</li> </ul>
<b>Operating Environment - Regulatory</b>	Linkages to overall regulatory frameworks including: <ul style="list-style-type: none"> <li>• IP&amp;R</li> <li>• relevant local and regional planning requirements (including adopted WSUD measures)</li> <li>• Water sharing plans</li> <li>• Environmental requirements</li> <li>• ADWG</li> <li>• Dam safety</li> </ul>	<ul style="list-style-type: none"> <li>• There should be a single source for catchment wide (water resource management) issue (water sharing/resource planning once finalised)</li> <li>• Agencies to provide information and consideration through a regionally organised mechanism/group (e.g. JO); instead of LWUs/their consultants having to find/assemble relevant data each time</li> <li>• Strategic considerations of the LWU could be run through IP&amp;R process</li> <li>• S60 approval issues might not be needed if strategic options are decided in strategic planning and not revisited;</li> <li>• Need to consider other regulatory approval (e.g. NRAR licences/works approval); e.g. EPA licence, dam safety)</li> </ul>
<b>Levels of Service</b>	Overall service levels adopted <ul style="list-style-type: none"> <li>• Water pressure</li> <li>• Response times</li> <li>• Complaints management</li> </ul>	<ul style="list-style-type: none"> <li>• Distinguish technical standards and community priorities/expectations- how to gather community priorities (and consider trade-off between service levels and cost/TRB)</li> <li>• Distinguish operational/short-term issues (with a tactical response) and strategic LoS, noting ongoing operational issues can become a strategic issue</li> <li>• Drinking water quality and water security are the most important strategic issues; including considering key risks</li> <li>• Finding the right level of strategic planning (in a spectrum from operational issue to blue sky thinking) within key constraints (e.g. regulatory requirements)</li> <li>• Iteration between strategic planning and operational management</li> </ul>

		<ul style="list-style-type: none"> <li>• What about customer contracts or is IP&amp;R process sufficient (re understanding and managing customer expectations)?</li> </ul>
<b>Details of Existing Systems</b>	<ul style="list-style-type: none"> <li>• Detailed plans/schematics/processes</li> <li>• Technical characteristics of each water supply and sewerage system</li> </ul>	<ul style="list-style-type: none"> <li>• Can this be collected, stored, updated by a regional entity for access of current info for whoever needs it; could be done state-wide (e.g. via DPIE Water systems) as there is value in having data available for other agencies (e.g. treatment plant data for emergency management agencies)</li> <li>• Drought management and incident/emergency management systems should have access to data and the system information needs to be of a format for others to understand it</li> </ul>

## Responsibilities under a regional approach

The workshops noted that the *Roadmap to an improved regulatory framework for local water utilities* committed to developing an approach so that the IP&R framework of the Local Government Act can be used as a vehicle for an outcomes-based approach to local water utility strategic planning. Such an approach could be complementary with a regional model in that there is an opportunity for a common language to be developed for council Community Strategic Plans across a region, to inform conversations with the community about strategic water planning.

Much of the technical inputs required for effective strategic water planning are common to each local water utility and could be delivered jointly. Further there are elements such as secure yield and hydrological modelling, common planning assumptions around population projections and work on the economic implications of water restrictions and shortages currently being undertaken by the State Government for the Regional Water Strategies that directly impact on local level water planning by councils. Without access to this, councils are required to complete strategic planning for water for their communities in isolation and outside the state's strategic framework. This lack of integration was evident through the drought and continues to cause communities grief in planning for secure water for their communities.

The workshop explored the concept that such delivery could be more than simply joint procurement of services – i.e. a collaboration of vested leaders and decision makers seeking outcomes for whole regions, not just individual councils or local water utilities. Such collaborations would require commitment and resources and enablement by the state Government in governance and implementation plans for strategies and actions to be delivered for the region in the State and Regional Water Strategies. The question of who would fund such an approach (and the drivers for such funding) are further discussed in the “Funding – Incentives and Implications” section below.

Some suggestions as to possible practical ways of how a different resource model (with a focus on collaboration) could work include:

- Engage a resource to work across councils in the region to carry out analysis and/or manage specialist external consultants and liaise with relevant state government data sources
- Resources could be hosted by a council or by state government in a regional office
- Resources could be state government employees seconded into the relevant JO or JOs could be funded to be the project lead/coordinator in relation to regional programming.

It was also recognised that any approach to water strategic planning requires many studies and inputs in a compressed timeframe. Limited council resources ultimately focus on BAU operations by necessity and the staging of key planning components could assist. A staged approach could marry a regional approach to a scheduling/prioritisation process and produce a rolling program as opposed to one large strategy done every 8 years. For example, regional secure yield model for all dams in the region could be the first component, followed by system modelling etc).

A rolling program could be developed as a result of an audit of performance benchmarking data for each council at a JO level for the purpose of prioritisation.

It is also noted that, councils participating in a regional approach to local water utility strategic planning will be at varying stages of their strategic water planning process. A componentisation approach could also enable councils to buy in to the regional program where needed over time.



## Integration of local water utility strategic planning with the IP&R framework

The department's [Regulatory and assurance framework for local water utilities and associated guidance](#) outlines how the Integrated Planning and Reporting (IP&R) framework of the Local Government Act can be used as a vehicle for an outcomes-based approach to local water utility strategic planning.

In 2021, the TWRRP commissioned Common Thread Consulting (CTC) to undertake a desktop review of the existing integration of the IP&R framework and the Best Practice Management Framework for water and sewer. The review evaluated how councils are integrating their BPM documents with IP&R documents, identified good practice and barriers to integration, and made suggestions for improvement.

The CTC report recommended a potential alternative approach using IP&R, which integrates most BPM requirements (particularly at the operational level) within IP&R to eliminate much duplication, and to provide a single, clear, integrated approach to governance and risk management. During consultation around the CTC report and later, in relation to the development of the Regulatory and assurance framework for local water utilities, many in the sector expressed strong support for such an approach.

It is noted that the Local Government Act provides a prescriptive regulatory basis for the IP&R framework that all councils must operate within. CNSWJO has recommended to the department that the forthcoming pilot process consider the role of IP&R for local water utility strategic planning in this context.

The synergies between the use of IP&R by local water utilities at the council level with regional strategic planning are also obvious, and it is proposed that this approach be further explored in the pilot process to be undertaken by the department in the current cycle of IP&R (2022 to 2025). This approach is discussed further in the [“What could a regional approach to local water utility strategic planning does this look like?”](#) section below.

## Funding – Incentives and Implications

CNSWJO provided an overview of what an incentivised collaborative approach to strategic planning could look like (see attachment 1). This suggests that with 100% funding (or at least an incentive for local water utilities to complete this work regionally) from the State, a regional water planning program could be administered through the JO.

Under this approach councils would deal with JO staff rather than state government administrators and the JO would be the single relationship manager with the state government. The JO would be the administrative hub for contract and procurement management. This approach would require a strong commitment from each council in a JO to allow collective decisions on technical issues to be made at a regional level. It would also require consideration within departmental funding structures (e.g. the Safe and Secure Water Program) to enable at the regional level. The CNSWJO has demonstrated experience in this approach through a Fixing Country Roads program for bridge assessments.<sup>2</sup> It is also noted that many JOs are engaged in regional procurement, and have rigorous governance and approvals processes around decision making on technical issues

This approach could involve various options for an “embedment” or “secondment” model. In such models a centrally recruited resource could work with each local water utility to deliver a strategic project (CNSWJO has had some experience with this type of model through Sydney University’s MIPPS Program where student engineers work within multiple Councils to deliver projects and with a Clean Energy Central Program co-designed with the department). Another model could involve State resources working within a JO or councils to jointly achieve a specific project outcome. Where the JO has a Water Utilities Alliance, for example, it is well placed to direct resources and effort to where they are most needed across its membership ensuring value to its member Councils local water utilities and good value to the state government in its investment.

A comparable approach has been undertaken by the Hunter JO in their “Regional Contaminated Land Capacity Building Program” which aims to build the technical expertise and capacity of the Councils within the Hunter and Central Coast region to effectively identify, assess and manage contaminated land management issues and to build connection and alignment with other key state organisations to value add on a regional scale<sup>3</sup>.

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<sup>2</sup> [https://www.centraljo.nsw.gov.au/content/uploads/Bridges\\_Case-Study\\_CNSWJO.pdf](https://www.centraljo.nsw.gov.au/content/uploads/Bridges_Case-Study_CNSWJO.pdf)

<sup>3</sup> Ref <https://www.hunterjo.com.au/projects/regional-contaminated-land-program/>

## Key issues, risks and opportunities

A number of key issues, opportunities and risks were identified in relation to using a regional approach and are summarised in the Table below.

**Table 2: Overview of key issues, opportunities and risks in a regional approach**

Key issues	Opportunities	Risks
<p><b>The approach to defining a “region” should be flexible and reflect the strategic planning needs of local water utilities and their willingness to participate</b></p>	<ul style="list-style-type: none"> <li>Joint organisations form a logical starting point for councils to collaborate on strategic water planning.</li> <li>The state government created JOs under the LG Act to offer assurance in a regulatory framework for other state agencies this ought to be leverage where possible as opposed to creating other structures that are less accountable.</li> <li>Groups of councils may come together to undertake strategic water planning based on regional needs, regardless of State planning of joint organisation boundaries. There is an opportunity to evolve structures that have less accountability into JOs.</li> </ul> <p><b>Opportunities for the State</b></p> <ul style="list-style-type: none"> <li>To realise the value through working towards the standardisation of boundaries and the missing piece of effective ongoing collaboration in the region.</li> </ul>	<ul style="list-style-type: none"> <li>Commitment is required at multiple levels of each of the participating organisations, including political, executive management and technical. If consensus cannot be reached across and within organisations, the regional model adds another barrier to implementation.</li> <li>The value of JOs is not realised.</li> <li>If this is not incentivised it won’t work in the short-to-medium term.</li> <li>Flexibility in structural arrangements does not lend itself to the activity required during drought. Sound, well-resourced governance in the regions is required to implement RWSs, support IP&amp;R in relation to water utility strategic planning and prepare and respond to drought.</li> </ul>
<p><b>Regional approaches can deliver more meaningful outcomes for communities and customers</b></p>	<ul style="list-style-type: none"> <li>Outcomes for regional communities can be improved through a more localised understanding of the needs and aspirations of the region.</li> <li>Data from various sources including State agencies can be developed as “one source of truth”, held and managed at the regional level.</li> <li>Regional communities feel that their voices are being heard by representation in the approach taken at the regional level</li> </ul> <p><b>Opportunities for the state</b></p> <ul style="list-style-type: none"> <li>State government is seen as a more honest partner.</li> <li>Local water utility strategic planning undertaken through IP&amp;R and enabled regionally sees the communities' voice both implemented locally and aggregated regionally optimising two way regional strategy implementation of RWS.</li> </ul>	<ul style="list-style-type: none"> <li>Smaller, more remote communities may feel less represented in a regionally focussed approach. (especially outside of a JO backed governance approach).</li> </ul>
<p><b>Regional strategic planning may allow local water utilities and</b></p>	<ul style="list-style-type: none"> <li>Higher quality of technical resources due to the ability to aggregate smaller LWU technical needs into higher level.</li> </ul>	<ul style="list-style-type: none"> <li>Skill shortages across the whole industry – a regional approach to strategic</li> </ul>

Key issues	Opportunities	Risks
<p><b>councils to enhance their technical capacity</b></p>	<ul style="list-style-type: none"> <li>• Building regional capacity through additional technical resources embedded within the region, and therefore yield a regional perspective of key issues, rather than a metro-centric view.</li> <li>• Smaller, more remote communities can be supported through working collaboratively where the JO and other member councils see value in supporting their smaller member councils.</li> <li>• By the aggregation of procuring strategic input, Council staff have more time to devote locally. Capacity is time and money.</li> </ul>	<p>planning may assist in some technical areas but may exacerbate internal resourcing required within individual councils.</p> <ul style="list-style-type: none"> <li>• State agencies may be unwilling to decentralise their resources.</li> </ul>
<p><b>Council capability can be enhanced by greater collaboration with other councils and the State</b></p>	<ul style="list-style-type: none"> <li>• More interactive relations with specialist state agency resources (e.g. hydrological modelling – combining state data with local regional interfaces).</li> <li>• Regional approach to training as per the CWUA model.</li> <li>• Informal briefings.</li> <li>• The Regional Asset Management project.</li> <li>• Provides peer support in the development of plans particularly for the smaller less well-resourced Councils</li> <li>• Regionally crafted networking opportunities leveraging relationship with state agencies and peers through strategy development and implementation provides a pathway to navigating the varying bureaucracy during times of need. Knowing who to call.</li> </ul>	<ul style="list-style-type: none"> <li>• Individual councils may not have compatible systems to gain full benefit from a regional approach (e.g. asset management systems) and may require additional attention.</li> </ul>
<p><b>Provide Governance Structures to enable the linkages between State and local planning are key to successful regional strategic planning</b></p>	<ul style="list-style-type: none"> <li>• Could build a greater understanding of local government issues and priorities within state agencies.</li> <li>• Could build greater understanding of State government issues and priorities and build a network to understand the roles and responsibilities.</li> <li>• Effectiveness and efficiencies of aggregated programming leads to cost savings and other value to the state and other stakeholders. This structure becomes a high-level clearing house for emerging issues and the home for one -source of truth.</li> <li>• Could lead to more effective delivery of Regional Water Strategy actions.</li> <li>• Better whole of government interagency coordination at the regional level could lead to more</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Water Strategies may cover multiple council “regional” groupings (and vice versa) making it difficult to develop a fully integrated approach for all participating councils.</li> <li>• Lack of integration of town water into the state government’s regional water planning processes contributes to the risk of towns running out of water during times of shortages.</li> </ul>

Key issues	Opportunities	Risks
	<p>effective local and regional water security solutions</p> <ul style="list-style-type: none"> <li>• Could enable a coordinated response to the management of water through extreme climate events – particularly drought.</li> </ul>	
<p><b>A regional collaborative approach can deliver greater efficiencies and cost savings for councils and the state government delivering better outcomes for communities.</b></p>	<p><b>Shared Value:</b></p> <ul style="list-style-type: none"> <li>• Provide a consistent regional approach, balanced with local priorities, to manage regional urban water services in an efficient and effective manner.</li> <li>• Enable Councils to consider opportunities to leverage regional resources and collective purchasing power to address shared strategic water planning issues.</li> <li>• Assuming a strategic approach leveraging IP&amp;R, inform other programs of work including in asset management capability and Audit Risk and Improvement.</li> </ul> <p><b>Value to the State:</b></p> <ul style="list-style-type: none"> <li>• One entity to deal with, the JO, experienced in regional projects and offering a compliant procurement and contract management framework.</li> <li>• Aggregated procure delivers cheaper pricing and a better ROI to the State.</li> <li>• using an embedment model. offers better embedment of strategic water planning within Council and capacity building.</li> <li>• JO manages Council staff turnover and other risks that lead to slippage.</li> <li>• Regional learnings from the project inform further action.</li> <li>• Councils with staffing challenges are taken on the journey, deliver outcomes, and consider future engagement.</li> <li>• Water efficiencies and greater security of town supplies.</li> <li>• Optimise collaborative work through the development of the Regional Water Strategies to address broader issues across local water utility boundaries such as providing town water security across the region and potential water scheme linkages.</li> </ul> <p><b>Value to Councils:</b></p> <ul style="list-style-type: none"> <li>• Councils with staffing challenges are taken on the journey, deliver outcomes, and give consideration to future engagement.</li> <li>• Cheaper pricing for strategic water management plan development.</li> <li>• Councils deal with JO staff using known JO processes which offer</li> </ul>	<ul style="list-style-type: none"> <li>• If the state doesn't incentivise this realising the value it will accrue then the uptake will either not occur or not occur in the short to medium timeframe for example, adding 10% to the commitment to councils for strategy to undertake this work regionally is one suggestion where co-design of the funding framework is suggested.</li> </ul>

Key issues	Opportunities	Risks
	<p>compliance and with which they are comfortable rather than unknown grant administrators.</p> <ul style="list-style-type: none"> <li>• Regional management means less staff time and costs dedicated to the project.</li> <li>• Water efficiency and quality and security outcomes.</li> <li>• Optimise collaborative work through the development of the Regional Water Strategies to address broader issues across local water utility boundaries such as providing town water security across the region and potential water scheme linkages</li> <li>• Asset management outcomes.</li> </ul> <p><b>Value to contractors:</b></p> <ul style="list-style-type: none"> <li>• One entity to deal with rather than 10.</li> <li>• Experienced at regional programming, the JO smooths the way for the contractor with member Councils and provides program management support.</li> <li>• Any sub-contractors recognise this value by paying a small management fee.</li> </ul> <p><b>Value to the JO</b></p> <ul style="list-style-type: none"> <li>• Optimise collaborative work through the development of the Regional Water Strategies to address broader issues across local water utility boundaries such as providing town water security across the region and potential water scheme linkages.</li> <li>• Regional advice leads to further regional programming embedding the value to JO members.</li> <li>• Success of project leads to further regional programming embedding the value to JO members.</li> <li>• Income stream from management fee from the contractor helps with financial sustainability.</li> </ul>	
<p><b>An incentivised regional approach can deliver better outcomes for councils, the state government and communities.</b></p>	<ul style="list-style-type: none"> <li>• Increased return on investment to the State Government</li> </ul>	<ul style="list-style-type: none"> <li>• Variability in JO capacity and capability – while an assessment of these factors would need to inform the funding allocation process, it is also recognised that this approach could ultimately have the effect of building capacity and capability within JOs.</li> </ul>

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## Section 3: What could a regional approach to local water utility strategic planning using the IP&R framework look like?

Under the IP&R framework, councils must give consideration to their Community Strategic Plans and must seek feedback from State agencies. This could be optimised through a regionally supported approach that recognises the local strategy of each participating council, and delivers a program of works that potentially includes:

- Levels of Service - a standardised approach
- Secure Yield modelling
- Giving consideration to the Regional Water Strategies and emergent opportunities, what are the regional solutions and what are their applicability at the local level.

This approach could provide for a shared regional vision, built on the priorities of member councils, identified through their respective IP&R documents, and with due consideration to State planning and regional strategies (e.g. the NSW Water Strategy and relevant Regional Water Strategies).

Other partners, such as state agencies, non-government organisations, business and industry, and community groups should also be engaged in delivering the strategies of the Plan.

### How could Joint Organisations of Councils be used for this purpose?

With the enabling of Joint Organisations (JOs) under the Local Government Act there is the potential for genuine collaboration where both the State as the funding entity and JO members can derive shared value from a regional approach co-designed to achieve optimum results that will save money and deliver other agreed benefits for both Government and JO member councils.

It is noted that each JO must consult with member councils about the content of the proposed Statements of Strategic Regional Priority- see regulation cl 39H under the Local Government Act (see figure 2 below).

Where the JO has in the past used aggregated procurement for consultancies there is an opportunity to tailor an interface between the department and Councils on the various inputs and outputs that enable assurance for both levels of government where IP&R is regulated under the Local Government Act.

**Figure 2 - Statements of Strategic Regional Priority and the IP&R framework**

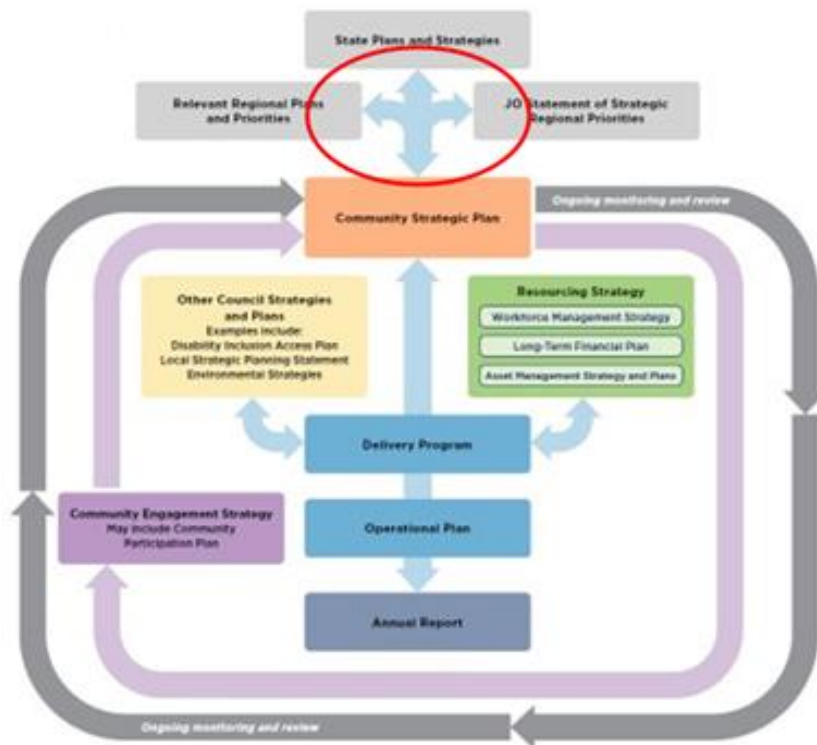


Figure 2: Adapted from the [Integrated Planning and Reporting guidelines](#).

## How could this approach be tested?

Having undertaken the pilot to co-design a regional approach to strategic planning for local water utilities with the department and participated in discussions around the integration of local water utility strategic planning with the IP&R framework, it is suggested there is value in doing this through a regional lens with JO member Councils. It is therefore recommended that the department pilot integrating local water utility strategic planning with the IP&R framework at the regional level and add the value proposition to the state.

This process will provide an opportunity to test the contention that JOs can deliver even more value than that of an aggregated procurement through an incentivised, codesigned regional approach to deliver even better results for the State and for JO members where the potential costs and their corollary savings are significant.

At a minimum, it is recommended that the pilot process:

- be appropriately funded and enabled within the funding framework to allow an incentivisation approach (see the Funding – Incentives and Implications section above) to be properly tested, and to explore the linkages between State funding mechanisms (e.g. the Safe and Secure Water Program) and local water utility strategic planning.
- be coordinated through an overarching governance arrangement. This should include:
  - key departmental stakeholders such as the Local Water Utilities/Regional Teams, Regional Water Strategies team and the Safe and Secure Water Program team, and
  - key sector stakeholders including OLG, LGNSW and the Water Directorate.



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# Attachment 1: Central NSW JO discussion paper on incentivisation for a collaborative approach to local level strategic water

**Note:** This paper was provided by CNSWJO as background material for workshop participants.

## Planning by councils

With the enabling of Joint Organisations under the Local Government Act there is the potential for genuine collaboration where both the State as the funding entity and JO members can derive shared value from a regional approach co-designed to achieve optimum results that will save money and deliver other agreed benefits for both Government and our members.

The Central NSW Joint Organisation (CNSWJO) region wants to deliver even more value than that of an aggregated procure. We seek an incentivised codesigned regional approach to deliver even better results for the State and for members where the potential costs and their corollary savings are significant.

With 100% funding (or at least an incentive to complete this work regionally) from the State, the program will be administered through the JO. It should be noted that member Councils are already investing in the administration of this type of work through their fee structure.

To realise the value to the State Government, Local Government and regional communities of a regional approach to strategic water management by Councils a funding framework that incentivises collaboration should be considered. Where previous work by Central NSW Councils showed 30% savings on just the procurement of strategic work in water management (see Figure 1); anticipated cost savings and other value could be realised through a funding framework that has Councils pay less when taking a regional approach. So, for example the State might fund 90% or more through a regional approach or 75% for a local approach.

Council	Participation in Best Practice Cost savings 14/12/09 – 30/06/11
Bathurst	\$73,300
Blayney	\$76,000
Boorowa	\$48,700
Cabonne	\$68,700
Cora	\$27,000
Forbes	\$73,700
Lachlan	\$31,000
Lithgow	\$73,700
Oberon	\$27,000
Orange	\$67,700
Parkes	\$48,000
Upper Lachlan	\$27,000
Weddin	\$73,700

Young	\$30,700
CTW	\$70,000
	<b>\$816,200</b>

An incentivised approach would then enable a greater likelihood of the following value being realised:

- Regional Structures for implementation and optimisation
- Alignment of activity between State, Regional and local level water planning.
- Intergovernmental collaboration of various models including surface and ground water
- Better recognition and development of regional solutions
- Cost savings
- Embedment
- Capacity Building

Potential value from this approach is detailed below.

### Shared Value:

- Provide a consistent regional approach, balanced against local priorities, to managing regional urban water services in an efficient and effective manner.
- Enable the member Councils to consider opportunities to leverage regional resources and collective purchasing power in a collaborative manner to address shared strategic water planning issues. This approach will be complemented by consideration of local resources for dealing with local level water planning and service provision issues.
- Demonstrate leadership and self-management in a changing water industry environment.
- Demonstrate that each participating local water utility has a Best-Practice strategic water management plan (complete or substantially drafted) to meet NSW Best-Practice requirements.
- Provide peer support in the development of plans particularly for the smaller less well-resourced Councils.
- Inform other programs of work including in asset management capability and Integrated Planning and Reporting.

### Value to the State:

- One entity to deal with, the JO, experienced in regional projects and offering a compliant procurement and contract management framework. This region estimates the State spent 3 hours per month managing the region's bridge assessment contract. Where water is more complex, the complexity multiplies over up to 11 entities that would be party to this project.
- Aggregated procure delivers cheaper pricing and a better ROI to the State.

- Further, the intention is to deliver the program using an embedment model. Quite simply better embedment of strategic water planning within Council and capacity building.
- JO manages Council staff turnover and other risks that lead to slippage. With their deep knowledge of Council personnel, the JO is able to assure project delivery including altering internal timeframes in the project to manage Councils' capacity to engage.
- Regional learnings from the project inform further action. In an ideal world the State would be party to these conversations in a Steering Committee type structure - to help optimise the programming and shared understanding going forward.
- Councils with staffing challenges are taken on the journey, deliver outcomes, and consider future engagement.
- Water efficiencies and greater security of town supplies.
- Optimise collaborative work through the development of the Regional Water Strategies to address broader issues across local water utility boundaries such as providing town water security across the region and potential water scheme linkages.

### Value to members:

- Councils with staffing challenges are taken on the journey, deliver outcomes, and give consideration to future engagement.
- Cheaper pricing for strategic water management plan development.
- Councils deal with JO staff using known JO processes which offer compliance and with which they are comfortable rather than unknown grant administrators.
- Regional management means less staff time and costs dedicated to the project, for example reporting to Councils and the funding entity, the procurement process and contract management are all delivered by the JO.
- Water efficiency and quality and security outcomes.
- Optimise collaborative work through the development of the Regional Water Strategies to address broader issues across local water utility boundaries such as providing town water security across the region and potential water scheme linkages
- Asset management outcomes.

### Value to contractors:

- One entity to deal with rather than 10.
- Experienced at regional programming, the JO smooths the way for the contractor with member Councils and provides program management support.
- Any sub-contractors recognise this value by paying a small management fee.

## Value to JO

- Optimise collaborative work through the development of the Regional Water Strategies to address broader issues across local water utility boundaries such as providing town water security across the region and potential water scheme linkages.
- Regional advice leads to further regional programming embedding the value to JO members.
- Success of project leads to further regional programming embedding the value to JO members.
- Income stream from management fee from the contractor helps with financial sustainability.

Where it is appreciated that this approach represents a departure for DPE Water from the business-as-usual funding framework, the enabling of Joint Organisations, particularly one with a decade of experience (and strong track record) working collaboratively on similar programs for LWUs, presents an opportunity to pilot a new way of working that will achieve optimal results for both the State and Councils managing LWUs in regional NSW.