

11.1 Water Proofing the South

This report seeks Council's approval on the way forward to finalise negotiations and execute the National Water Commission's Funding Deed and affix the common seal for Water Proofing the South.

This is an update on a previously reported project, concept or issue.

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File Reference:
Attachments: 1. SA Water's schematic design of revised treatment plant upgrade proposal (as at 5 December 2007)

1 Executive Summary

1.1 Topic

This report seeks Council's approval on the way forward to finalise negotiations and execute the National Water Commission's Funding Deed and affix the common seal for Water Proofing the South.

1.2 Context

Council considered Water Proofing the South at the Special Meeting of Council 22 October 2007. The report presented the technical and financial rescoping of the various project elements prior to future consideration of the Funding Deed. In addition to resolving to consider the item in confidence, Council resolved:

- 1. That the report be received and noted;*
- 2. That Council commence funding deed negotiations which includes the delivery of the rescoped projects; and*
- 3. That Council negotiate the allocation of funding on the principle that private and public sector investment be encouraged without providing windfall gains.*

1.3 Suggested Outcome

That Council receive and note the report and approve delegations to finalise negotiations and execute the National Water Commission's Funding Deed and affix the common seal for Water Proofing the South.

2 Recommendation(s)

1. That

- a. Under the provisions of Section 90(2) of the Local Government Act 1999 and order be made that the public be excluded from attendance at the meeting in order to consider the confidence of this item.**
 - b. That Council is satisfied that it is necessary that the public be excluded to enable the Council to consider the report at the meeting on the following grounds:**
 - i. Information the disclosure of which**
 - 1. could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and**
 - 2. would, on balance, be contrary to the public interest**
 - ii. commercial information of a confidential nature (not being a trade secret) the disclosure of which:**
 - 1. could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and**
 - 2. would on balance be contrary to the public interest**
 - c. That accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.**
- 2. That the report on Water Proofing the South be received and noted.**
 - 3. That Council resolve to delegate responsibility to the Chief Executive Officer to finalise negotiations, including resolving National Water Commission Funding allocations, for the completion of the Funding Deed subject to:**
 - a. conclusion of negotiations between Council and consortium members and Council and the National Water Commission to the satisfaction of the Chief Executive Officer;**
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- SA Water have reconsidered their position in relation to urban reuse and have indicated they wish to be the retailer of treated wastewater, a position/role previously unresolved as part of the original and rescoped submissions. This is a positive outcome for Council as it resolves a significant commercial problem.

In addition, SA Water have revised their treatment plant upgrade proposal (as presented in Attachment 1 for information). The revised proposal results in the upgrade of the Aldinga Waste Water Treatment Plant (AWWTP) to Class A with associated pipework from Christies Beach Waste Water Treatment Plan (CBWWTP) to Aldinga, returning to Seaford Meadows for reuse. This proposal also includes an upgrade to the CBWWTP to increase its capacity to receive water, with some quality improvements, which if discharged would minimise the impact on the marine environment.

This of course opens up the prospect of significantly higher reuse volumes in the long term where our region expects to have 20,000 new homes over the next 10 years.

The SA Water's Board have given in-principle approval to proceed on this basis. Final approval by the State Cabinet is required, which may not occur until June 2008.

- Willunga Basin Water Company (WBWC) have indicated that they are prepared to undertake the network expansion and guarantee the reuse increment of 1.8 GL at their own expense, subject only to access to Council (Willunga) or SA Water storage dams (Aldinga) and pipe network for network balance issues – which aligns with SA Water's proposal.

Allocation of funding (as at 5 December 2007)

With respect to the current status of negotiations, the allocation of funding is as detailed in the following table

Project	Original Submission (ML/annum)	Rescoped Submission (ML/annum)	Estimated Rescoped Cost
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Urban and Viticultural Reuse

1	WBWC Network Expansion		1800	6,800,000
4	Urban Reuse		1010	50,000,000
5	Willunga Effluent re-use		113	389,000
8	McLaren Flat Stormwater Capture & Reuse		18	209,000
Total Urban and Viticultural Reuse		2,648	2,941	50,598,000

Storage Volume

2	Network Balancing Storage - Willunga	116	159	INC in 7
3	Network Balancing Storage - Aldinga	450	1500	INC in 4
Total Storage		566	1,659	

Environmental

7	Willunga Trade Waste & Balancing Storage		73	10,360,000
9	Christies Creek Water Quality Upgrade		850	13,300,000
10	Christies Beach WWTP Upgrade			30,000,000
Total Environmental		1155	923	53,660,000

Study

11	Environmental Flows			100,000
Total Study				100,000
Total WPS		4,369	5,523	111,158,000

Consortium Members Roles and Responsibilities (as at 5 December 2007)

	Responsibility				
Project	Council	SA Water	WBWC	NRM	NWI

	Responsibility				
Project	Council	SA Water	WBWC	NRM	NWI
Water Proofing the South Program	Program Coordinator Funding distributor				
Christie Creek Water Quality Upgrade	Part Funder Project Manager Owner			Part Funder	Part Funder
McLaren Flat Stormwater Detention, Treatment and Reuse	Part Funder Project Manager Owner				Part Funder
Open Space effluent reuse scheme throughout Willunga	Part Funder Project Manager Owner		Wholesaler		Part Funder
Willunga Trade Waste Scheme (STED)	Part Funder Project Manager Owner		Wholesaler		Part Funder
Expansion of WBWC distribution network including upgrade of storage facilities at Willunga		Sole Funder Project Manager Owner			
Upgrade of CBWWTP and AWWTP including transfer pipes and			Part Funder Project Manager		Part Funder

	Responsibility				
Project	Council	SA Water	WBWC	NRM	NWI
upgrade of storage facilities at Aldinga (as presented in Attachment 1)			Owner Wholesaler		
Urban Reuse -Christies -Noarlunga -Seaford Meadows			Part Funder Project Manager Owner Retailer		Part Funder
Environmental flows study – Onkaparinga River	Part Funder		Project Manager Part Funder		Part Funder

Note:

Council, along with other agencies (i.e. Environment Protection Agency, Department for Environment and Heritage, Department for Water Land and Biodiversity Conservation) retain regulatory responsibilities as governed by relevant legislation.

WPS Risk Assessment Mitigation:

The original WPS submission identified and considered a number of risks associated with the project. These risks were evaluated from Council’s perspective (as opposed to the perspective of the project consortium) and mitigation strategies were developed. Mitigation of these risks, and further risk identification has been carried out in anticipation of Water Proofing the South progressing:

To date we have addressed the following risks in the following ways:

Risk	Mitigation Action
Non delivery by one or more of the consortium members	Condition precedent in the Funding Deed that all consortium members must carry out project responsibilities. In the eventuality that this is not achieved the Funding Deed will be renegotiated

Risk	Mitigation Action
	with the NWC.
Financial – cost overruns	Condition precedent in the Funding Deed that detailed Business Cases be prepared for each project, which will be bought back to Council for consideration and approval prior to project commencement.
Socio-political – adverse community reaction	Detailed community engagement plans are being developed for individual projects. They are to be endorsed by Council prior to project commencement.
Probity	Consortium members will be required through individual Project Deeds to meet probity requirements outlined in the NWC’s Funding Deed.
Environmental	<p>Consortium members will be required to comply with relevant legislation and engage with relevant agencies including:</p> <ul style="list-style-type: none"> • Environmental Protection Agency • Department for Environment and Heritage • Department for Water Land and Biodiversity Conservation • Planning SA (PIRSA). <p>To inform project delivery models, we have commenced:</p> <ul style="list-style-type: none"> • Cultural heritage surveys (Indigenous and European) • Native Vegetation surveys, drawing on existing reports and knowledge.
Contractual	Condition precedent in the Funding deed that consortium partners sign appropriate agreements with Council.

Further negotiations and execution of funding deed:

The NWC had provided the funding deed with the reduced funding offer of \$34.5million in June 2007. As a result of the reduced offer, the project required rescoping, which was subsequently accepted by the NWC on 2 November 2007, at which time it was requested that the deed be executed by the end December 2007.

Negotiations have continued, however the following must still be resolved:

- Terms and conditions of Funding Deed (all partners);
- Reporting requirements from each partner;
- Size of storage basins to be constructed at Aldinga;
- Timeframes for achievement of critical milestones;
- Access by WBWC to storage dams and pipe networks for balancing to SA Water satisfaction.
- NWC to agree to additional re-scoping.
- Final negotiation of NWC funding to each project.

Council staff will have met with NWC and the Department of Water Land and Biodiversity to discuss the requirements of each of the parties required within the Funding Deed on Friday 7 December 2007.
