

## 10.2 Waterproofing the South

*Consideration of letter of offer from National Water Commission for the implementation of Waterproofing the South Stage 1 and the issues for consideration in negotiating the funding deed and implementation of Waterproofing the South Stage 1*

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

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Contact Number: 8384.0621  
File Reference:  
Attachments: 1 - WPS Stage 1 Project Elements (2 pages)  
2 - Project Cost and Consortium Members (1 page)  
3 - NWC Letter of Offer (2 pages)  
4 - Draft Consortium Members Role Matrix (1 page)  
5 - Risks Matrix (6 pages)

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## 1 Executive Summary

### 1.1 Topic

Consideration of letter of offer from National Water Commission for the implementation of Waterproofing the South Stage 1 and the issues for consideration in negotiating the funding deed and implementation of Waterproofing the South Stage 1

### 1.2 Context

We have, in conjunction with WPS consortium members, prepared a strategy which aims to ultimately deliver a water saving of 23 gegalitres per annum. We submitted WPS Stage 1 to the Australian Government Water Fund (AGWF) under the National Water Initiative (NWI) in April 2007. The submission comprised 11 project elements with a capital cost of approximately \$120 million and which will deliver a water saving of 4.4 gegalitres. (There is already a 4.4 gegalitre water saving through existing arrangements between SA Water and Willunga Basin Water Company (WBWC)).

The remaining 14.2 gegalitres targeted for saving will be realised through subsequent investment in water saving technology and infrastructure which at this stage is specified as environmental flows. However, WPS Stage 1 is considered to be the foundation upon which this later stage objective will be realised.

The submission to NWC requested grant funding of approximately \$53 million to deliver Stage 1. The NWC has subsequently offered \$34.5 which is an \$18.5 million shortfall.

**1.3 Suggested Outcome**

- Endorsement of Council staff actions to date and acknowledgement of the potential role of Council in the implementation of WPS; and
- Delegation to the Chief Executive Officer to finalise Council's response to the NWC letter of offer.

**2 Recommendation(s)**

**1. That**

a) **under the provisions of Section 90(2) of the Local Government Act 1999 an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.**

b) **the 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:**

**(b) information the disclosure of which -**

**(i) 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**

**(ii) would, on balance, be contrary to the public interest;**

**(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which -**

**(i) 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**

**(ii) 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 Waterproofing The South be received and noted, the actions of Council staff be endorsed and that the**

**potential role of Council in the implementation of WPS be acknowledged.**

- 3. That the Chief Executive Officer be delegated the authority to finalise Council's response to the NWC letter of offer, 9 July 2007.**
- 4. That a further report be brought back to Council seeking its consideration of the National Water Commission Funding Deed for Waterproofing the South.**
- 5. That an order be made under the provisions of Section 91(7) and (9) of the Local Government Act 1999 that the abovementioned document (or part of such document) including the minutes and the report of the Council relating to discussion of the subject matter of that document, having been dealt with on a confidential basis under Section 90 of the Act, should be kept confidential on the grounds of information contained in 90(3)(b), 90(3)(d) until negotiations with the NWC are completed and Council has determined its position on the Funding Deed.**

## **Key Factors**

### **3 Discussion**

#### **3.1 Waterproofing The South – The Vision**

The premise is that water is a precious and scarce resource.

This fact has long been recognized in the south of Adelaide where a number of water related projects have been undertaken to support the economic and social infrastructure of the region. When WPS was first conceived in 2003 it brought together these projects with a vision bold enough to engage the participants and realistic enough for them to commit resources, to provide substantial momentum for WPS to become a distinct possibility.

WPS is a localised integrated water resource management strategy based in the City of Onkaparinga. The strategy seeks to substitute 'fit-for-purpose' alternative water sources such as recycled water and storm-water for traditional sources, such mains drinking water and groundwater, so that over all water use in the region is sustainable.

This would involve 23 GL/annum of water reuse so that ultimately, there is no unwanted discharge to the natural marine environment and no drawdown from the River Murray.

#### **The genesis of the vision**

We had a collection of resources which provided the opportunity to create this vision of harnessing all sources of water within the region:

- SA Water's Christies Beach Waste Water Treatment Plant (CBWWTP) – providing treated wastewater;
- Willunga Basin Water Company (WBWC) – a private sector distributor of treated wastewater from CBWWTP;
- City of Onkaparinga's Septic Tank Effluent Disposal Scheme (STEDS) – distribution and treatment of effluent in a PPP scheme with the private sector and disposal via an agreement with WBWC; and
- City of Onkaparinga having responsibility for storm-water management.

With the benefit of substantial resources and time provided by our key stakeholders, and their collaboration, together with leadership provided by the City of Onkaparinga and the funding offer from NWC, WPS is now a strong probability.

WPS Stage 1 project elements are provided in Attachment 1.

### **3.2 Consortium Members**

- City of Onkaparinga (Facilitator and contract manager);
- Willunga Basin Water Company. Pty Ltd (WBWC) (Recycled water delivery);
- SA Water (State water and sewerage);
- Adelaide and Mount Lofty Ranges Natural Resource Management Board (AMLRNRMB) (Management of river systems);
- Flinders University of South Australia (Research and Development).
- Department of Health (DH);
- Environmental Protection Authority (EPA); and
- Department of Water, Land and Biodiversity Conservation (DWLBC).

### **3.3 Funding The Vision**

WPS Stage 1 comprises approximately \$120 million of capital projects costed by ARUP, AWE (consulting engineers) and SA Water on the basis of pre-feasibility estimates. The preliminary business cases arising from these costings were reviewed independently by Instate P/L and Council's auditor, Dean Newberry and Partners.

The WPS submission requested funding of \$53 million from NWC to be applied to the 11 project elements and consortium members as outlined in attachment 2.

Funding has been sought from NWC in two stages, the first is to undertake detailed technical and commercial feasibility analysis and the second is to fund the construction phase.

Council's total contribution to the project is shown as \$ 5,237,400 with a little over \$3.8 million being provided by a BOOT scheme for STEDS Trade

Waste Reuse. This follows the model of STEDS where a private operator provides the up front capital.

We have received an offer of \$34.5 million from NWC (\$18.5 million less than requested) and work is underway to determine if the projects can be delivered within the funding offer.

### **3.4 NWC Offer and Objectives**

The offer presented to Council on 9 July is provided as Attachment 3. The NWC has advised that the offer of \$34.5 million is contingent upon all eleven project elements being delivered. Whilst they recognise that there is an \$18.5 million shortfall in the funding requested their assessment is that WPS can be delivered with this subsidy.

We are working with the Department of Water, Land and Biodiversity Conservation (DWLBC) to ensure the conditions of offer can be satisfied and the implications for Council with respect to monitoring are understood and are not onerous.

It is important to note that there are two documents to be considered with NWC:

- Letter of Offer, 9 July 2007 which is the subject of this report; and
- Funding Deed which will be the subject of more detailed negotiations and consideration by Council. This will determine whether Council proceeds with WPS.

### **Critical Issues**

The main issues to be determined are:

- Whether WPS stage 1 can be delivered at the reduced funding level;
- If delivery is achievable with this funding then the distribution of funding between the projects and the consortium members will be the next milestone;
- The conditions of contract with NWC Funding Deed;
- Risk management strategy for Council; and
- Determination of Council's Role: To this point Council has played a facilitation/leadership role in the preparation and lodgement of the WPS submission. In the letter of offer, NWC has specified Council as the contracting party which effectively makes Council program manager responsible for distribution of grant funds and ensuring the consortium members deliver their elements of WPS.

Attachment 4 provides a draft matrix of the respective roles of Council and the consortium members.

### **3.5 Risk Assessment**

The primary risk assessment at this stage relates to the consequences of accepting or rejecting the funding offer. When the submission was first prepared an initial risk assessment was undertaken and is provided as attachment 5. The risks outlined are before any mitigating strategies are put in place.

Before the Funding Deed is presented to Council a further risk assessment will be undertaken in light of further work that has and is, being undertaken on the project, together with the strategies that will be put in place to address and mitigate the risks. At present ARUP has been engaged to review the technical aspects and costings of the 11 project elements to determine the scope for cost savings.

### **3.6 Council Actions to Date**

- Meeting with John Ringham, SA Water's new project manager for WPS (9 July);
- Meeting of the WPS consortium members to review the technical specifications with the objective of identifying cost savings in light of the shortfall in the funding requested (18 July);
- Meeting with Department of Water Land Biodiversity and Conservation to define the respective roles of Council and the Department and to engage the Department in addressing the conditions of offer (23 July);
- Engaged ARUP as Council's technical adviser (6 July);
- Engaged Mark Booth, Instate P/L as Council's commercial negotiator (6 July);
  - Met with Connor Holmes, acting for LandSA, to ensure Stage 2 of Seaford Meadows incorporates the purple pipe system for distribution of treated wastewater (WPS - Urban Reuse Project) (23 July); and
  - Continued the feasibility study into STEDS Trade Waste project (ongoing).

### **3.7 Next Steps**

- Acceptance or rejection of the NWC offer; and
- Review terms and conditions of the NWC funding deed (yet to be provided) with a subsequent report to Council including a risk assessment of proceeding with the WPS Stage 1 covering:
  - Council role;
  - Project risks (i.e. in response to the risks identified in attachment 5); and

- Funding options.