

**Council Reference:** 24/18237

26 March 2024

NSW Productivity Commissioner  
By email: [LWUReview@treasury.nsw.gov.au](mailto:LWUReview@treasury.nsw.gov.au)

To the NSW Productivity Commissioner,

**SUBMISSION TO THE ALTERNATIVE FUNDING MODELS FOR LOCAL WATER UTILITIES**

Thank you for the opportunity to make a submission to the NSW Productivity Commission's investigation into alternative funding models for local water utilities (LWUs).

Singleton Council, as the LWU for Singleton Local Government Area (LGA), provides water services to approximately 20,000 customers or 7,400 connections in Singleton, Mount Thorley, Broke and Jerrys Plains and sewer services to approximately 16,500 customers or 5,800 connections in Singleton. Hunter Water also provides water and sewer services within the Singleton LGA, particularly to the Branxton area.

Whilst Singleton LWU is in a comparatively fortunate financial position, balancing the cost of providing high quality water and sewer services with the customer's ability to pay is an ongoing and ever present challenge made even more difficult with costs being spread over a relatively small number of connections.

Council's responses to the questions raised in the issues paper are below:

- 1. What are the key factors that affect local water utilities' ability to recover costs through user charges?*

Factors impacting a LWU's ability to cover costs can include:

- Size of customer base (number of connections)
- Total and variations in water consumption and sewerage production per customer, particularly with climate variability

- Central customer base to subsidise outlying customers with lower connections/km or per treatment plant
- Overall cost of operations/maintenance and renewals/upgrades
- Ability of customers to pay
- Regulatory frameworks and pricing policies set by government including:
  - Split between fixed and usage charges
  - Difficulty in implementing drought surge pricing similar to Hunter Water and Sydney Water

2. *What might be reasons for some local water utilities with similar size and remoteness to perform differently in terms of level of cost recovery?*

Below are some examples of factors and the reasons that it might lead to increased or decreased costs between local water utilities despite them appearing to have a similar size and remoteness.

<b>Factor</b>	<b>Increased Costs</b>	<b>Decreased Costs</b>
Topography – both very flat and very hilly	<ul style="list-style-type: none"> <li>• Necessitates pumping</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitates gravity feed (e.g. water treatment plant at beginning of system and most/all customers downhill or sewage treatment plant downhill of all customers)</li> </ul>
Number of discrete systems/treatment plants	<ul style="list-style-type: none"> <li>• Multiple discrete and disparate systems require additional staff/remote monitoring and construction, renewal and operating costs for each</li> </ul>	<ul style="list-style-type: none"> <li>• Single systems/treatment plants allowing efficiencies of scale</li> </ul>
Water source	<ul style="list-style-type: none"> <li>• LWU owned infrastructure (e.g. dam requiring dam safety management, bore, run of river pumping)</li> </ul>	<ul style="list-style-type: none"> <li>• Water NSW owned dam</li> </ul>
Source water quality	<ul style="list-style-type: none"> <li>• Poor or variable quality necessitating higher levels of treatment/multiple barriers</li> </ul>	<ul style="list-style-type: none"> <li>• Stable water quality</li> <li>• Ability to adapt to quality changes without requiring higher level of treatment (e.g. changing dam levels, settling dams)</li> </ul>
Size of network	<ul style="list-style-type: none"> <li>• Extensive and disparate networks</li> </ul>	<ul style="list-style-type: none"> <li>• Single or small networks typically with</li> </ul>

Factor	Increased Costs	Decreased Costs
	typically with low customer numbers/km	high customer numbers/km
Levels of service	<ul style="list-style-type: none"> <li>Community over serviced for true ability to pay</li> </ul>	<ul style="list-style-type: none"> <li>Community under serviced for true ability to pay</li> </ul>
Availability of and competition for staff	<ul style="list-style-type: none"> <li>Alternate local industries with higher typical wages (e.g. mining) requiring higher salary packages to attract and retain staff</li> </ul>	<ul style="list-style-type: none"> <li>Greater labour supply</li> <li>Council considered a local employer of choice (e.g. one of the main employers in town)</li> </ul>
Asset age, condition and features	<ul style="list-style-type: none"> <li>Infrastructure nearing end of asset life increasing maintenance and operational spend</li> <li>Large volumes of asbestos cement pipes in poor condition</li> <li>Manual operation of assets required</li> </ul>	<ul style="list-style-type: none"> <li>Newer infrastructure</li> <li>Renewal programs have been effectively funded and implemented</li> <li>Remote operation of assets possible</li> </ul>
Ability to access supporting industries	<ul style="list-style-type: none"> <li>Contractors and consultant unavailable locally</li> <li>Proximity to suppliers/easier freight (e.g. proximity to highway)</li> <li>Biosolids disposed to landfill</li> </ul>	Local specialised contractors available Local biosolids recycling possible
Safety or environmental compliance	<ul style="list-style-type: none"> <li>Assets and operations comply with current standards</li> </ul>	<ul style="list-style-type: none"> <li>Safety/environmental regulations/regulator requires significant asset upgrade</li> </ul>
Staff	<ul style="list-style-type: none"> <li>Insufficient staff leading to increased contractor/consultant spend</li> </ul>	<ul style="list-style-type: none"> <li>Opportunity to bring outsourced activities in-house</li> </ul>

3. *What are key challenges with obtaining funding for water and sewerage infrastructure upgrades and investment?*

Key challenges for obtaining funding for water and sewerage infrastructure upgrades and investment include:

- Limited funding opportunities for water and sewer vs other infrastructure types and projects
- Limited resources to carry out required strategic planning and completing grant applications
- Time limits for application submission
- Limited time for implementation with limited resources
- Co-funding requirements including difficulty in funding cash contribution from LWU
- Requirement to engage in section 60 approval process prior to obtaining funding

4. *What factors should be taken into account in calculating government subsidies for local water utilities?*

The following factors could be considered when calculating government subsidies for LWUs:

- Geographic location
- Demographics of LGA
- Previous initiatives of the LWU and Council
- Resources and capacity to deliver
- Relevance to grant they are planning
- Risk assessment where the risk assessment involved the LWU
- Council's financial capacity

Currently, a LWU's ability to pay a co-contribution will be a function of its cash reserves, its ability to draw on loans or alternative grant funding. The current Safe and Secure funding guidelines consider turnover only which does not mean the LWU has access to the above.

5. *What might be the typical costs for delivering water and sewerage services for a well-run local water utility?*

The following

- Staffing costs including operational, engineering/technical and supervision/management
- Asset maintenance
- Corporate and staff overheads
- Electricity
- Water purchase
- Chemicals
- Environmental licensing

- Water quality and environmental monitoring
- Waste management
- Software and licensing
- Insurance
- Payroll tax
- Depreciation
- Loan repayments
- Dividends

6. *What indicators could be linked to funding to drive ongoing performance improvements and deliver value for money for customers?*

Water loss management and energy efficiency would could be linked to drive ongoing performance.

7. *Should the minimum service levels be applied universally to all towns within the area serviced by a local water utility, irrespective of size, remoteness or cost?*

Yes. It's important to strike a balance between providing equitable minimum levels of service to all communities while also taking into consideration the specific circumstances of each town. However, there is a need to ensure community input into the broader levels of service.

8. *What metrics should be considered in minimum service levels?*

The following metrics could be considered in minimum service levels:

- Minimum water pressure
- Unplanned water supply interruptions
- Drinking water quality compliance with Australian Drinking Water Guidelines
- Consumption restrictions during times of drought
- Number of sewer overflows and odour complaints
- Discharge quality post treatment

9. *What is the existing evidence on current basic service levels, customers' needs for minimum service levels and willingness to pay in regional and remote communities?*

Unfortunately, there is no current evidence-based answer to this question. However, Singleton LWU has in place a Customer Service Plan, detailing levels of service, which has been publicly exhibited prior to adoption. Similarly, Council exhibits its water and sewer charges prior to adoption but this does not formally consider a customer's willingness to pay.

*10. What are the barriers to setting measurable service levels?*

The barriers to setting measurable service level include:

- Availability of relevant data (both that the data is collected and then that it is readily available in a suitable format)
- Cost of data collection, manipulation and analysis recognising that data, if captured, is frequently captured in different systems and formats and unable to be easily utilised
- Resourcing (both availability and training)
- Lack of implemented technology to improve efficiency

*11. What are challenges with monitoring and reporting against minimum service levels?*

As above.

*12. What are the desired outcomes for addressing the challenges currently faced by local water utilities?*

The following outcomes are desirable when addressing the challenges faced:

- Continue to provide minimum levels of service with minimum cost to customers
- Government funding is more equitably distributed and with funding provided on the basis of water and sewer services being a basic human right rather than achieving a particular economic output often unachievable for small communities
- Greater collaboration or input from Government to solve issues, common problems or achieve efficiencies across LWUs to provide efficiency and productivity gains (e.g. provide common data analysis software or templates)

*13. What are obstacles to greater use of loans from financial institutions to fund infrastructure investments in water and sewerage services?*

There aren't necessarily any real barriers, assuming Councils are familiar with and comfortable to take out loans. However, the use of loans depends on the particular Council's risk appetite as well as balancing the ability to repay acknowledging the balance between loans assisting with cash flow for projects and being unable to make the repayments without sacrificing other expenditure (e.g. energy efficiency projects, additional staff).

*14. What measures would drive investment planning that takes account of climate change risks and ongoing costs of infrastructure maintenance?*

The following measures might drive investment planning to account for climate change risks and ongoing costs of infrastructure maintenance:

- Funding for investigation and implementation of alternative water sources such as wastewater reuse or stormwater harvesting
- Funding for asset planning and renewal program in advance of standard renewal acknowledging that assets with an 80 – 100 year useful life may not be at the end of that life but may well no longer address climate change risks
- Funding for LWU to adapt assets and operations to address climate change risks e.g. use of renewable resources, drought resilience, protection for storms/floods
- Consideration of drought surge pricing
- Consideration of funding to renew assets that are unable to be easily maintained e.g. deep and aging sewer under buildings

*15. Who are most at risk from high water bills in regional, remote and metropolitan New South Wales?*

The following customers are at risk of high water bills:

- Low-income households including those that rely on government support
- Tenants who are often not eligible for subsidies and rebates and do not have the responsibility to repair leaks (for example) but are responsible for water usage
- Large households
- Small businesses and high water usage industries operating with small margins

*16. What are examples of projects or operations associated with a funding model based on regional collaboration for local water utilities? What were the challenges?*

In 2021 and 2022, Singleton, Muswellbrook Shire and Upper Hunter Shire completed a joint Drought and Emergency Response Management Plan. The intention of the joint project was to produce a harmonised plan to reduce the confusion felt by the communities in the 2018 – 2021 drought period and taking into account the mobility of the workforce between the three areas. It was also to recognise that Hunter Water's water restrictions messaging had strong penetration throughout the Hunter region and to simplify and harmonise each Council's water restrictions with Hunter Water (where possible).

This project was entirely funded and managed by the three Councils with the joint plans being adopted in 2022. Whilst successful, the project management of the consultant and the availability of data and resources for technical input was challenging and required one Council to take a lead to deliver the project.

*17. What has worked well and what have been challenges for local water utilities in leveraging the scale and expertise of State Owned Corporations?*

There are significant opportunities with improvement relationships between State Owned Corporations and LWUs.

Although portions of the Singleton LGA are serviced by Hunter Water, Singleton LWU has limited to no involvement with or support from Hunter Water.

The most recent drought indicated there are also significant opportunities to improve communications between State Owned Corporations and LWUs to better coordinate water restrictions; particularly in those areas with highly mobile communities who live and work in geographically different areas.

Similarly, although the Singleton LWU is a customer of Water NSW there have been few opportunities to leverage their scale and expertise, noting that WaterNSW has commenced a collaboration project under the Town Water Risk Reduction Program.

*18. How could government and local water utilities better partner with Aboriginal communities to improve their water and sewerage services?*

No comment; Council does not have any identified Aboriginal communities within its water and sewer supply areas.

If you have any further enquiries, please do not hesitate to contact [REDACTED]

Yours faithfully,

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