



DRAFT

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Dear Sir/ Madam

NSW Office of Water response to page 37 of IPART's Local Government Consultation Paper-April 2015: Methodology for Assessment of Council Fit for the Future Proposals for the Councils with Water Supply and Sewerage Functions

Please find below the NSW Office of Water's submission in response to page 37 of IPART's above Consultation Paper of April 2015.

Section 4.3, page 37 of the above consultation paper outlines how the Tribunal proposes to consider the impacts of local water utility performance.

This section refers to the FFTF- LGNSW Submission: Local Water Utilities, February 2015 and indicates that "IPART will consider how the performance of the General Fund is affected by the water utility business as relevant.

The NSW Office of Water supports the LGNSW submission that for councils with water supply and sewerage functions, the water and sewerage businesses have a significant impact on the council's economies of scale and scope, and therefore its capacity and financial sustainability.

The Independent Local Government Review Panel's report "Revitalising Local Government" recommended (Recommendation 17) establishment of regional water utility alliances as a part of new regional Joint Organisations, along the lines of the 2009 Armstrong-Gellatly Report.

The Armstrong-Gellatly report found that:

"Councils submit that the removal of direct responsibility for the operation and management of water supply and sewerage services will:

- result in the loss of 30% to 40% of a council's total revenue, thus making the residual operation of many small councils unviable. In Particular, many shared services, such as governance, management, billing, IT and plant and equipment services would be adversely affected by the resulting reduction in economies of scope¹."

The NSW Government has supported the Panel's above recommendation and acknowledged the potential benefit from improving strategic planning and sharing expertise through regional collaboration².

Accordingly, in assessing a council's Fit for the Future proposal, it is considered that water supply and sewerage operations should be treated as an integral part of the council's functions and should be appropriately built into the IPART evaluation process.

¹ Page 3 of the Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW (www.water.nsw.gov.au)

² Page 7 of the Government Response to the Independent Local Government Review Panel recommendations (www.fitforthefuture.nsw.gov.au)