

National Performance Reporting Framework Indicator Review: Draft findings and recommendations

LGA Response

December 2021

Table of contents

Summary of LGA response	3
Introduction	3
The Local Government Association of South Australia	3
Background	3
LGA Response	4
About the LGA response	4
LGA policy positions.....	4
NPR Framework Review	5
Consultation process and engagement with local government in South Australia	5
Expansion of reporting threshold to service providers with less than 10,000 connections	6
ESCOSA's VTA regulatory approach	6
Assumptions in reporting framework	7
Examples of assumptions in proposed indicators	8
Conclusion	9
Contact	9

Summary of LGA response

The Local Government Association of South Australia (LGA) welcomes the opportunity to respond to the National Performance Reporting Framework Indicator Review: Draft Findings and Recommendations discussion paper¹ (“discussion paper”).

The local government sector is a key stakeholder in water management in Australia.

In summary, the LGA:

1. recognises the importance of collaborative and empowering engagement and is disappointed with the limited involvement and engagement local government in South Australia has had as part of this review process.
2. does not support the expansion of the reporting requirements to service providers (local government) with less than 10,000 connected properties.
3. strongly believes that any reporting framework should balance the costs against the benefits in collecting and reporting information, with every effort made to streamline reporting and reduce duplication (so councils don't have to replicate data with slightly different requirements, time periods and formats).
4. recognises that councils have inherent and unique factors that differ to other water entities, that serve to reduce financial risks, and motivates them to operate in an efficient and transparent manner that ensures high level service delivery.

Introduction

The Local Government Association of South Australia

The Local Government Association of South Australia (LGA) is the voice of local government in South Australia, representing all 68 councils across the state and the Anangu Pitjantjatjara Yankunytjatjara.

The *Local Government Act 1999* (SA) recognises the LGA as a public authority for the purpose of promoting and advancing the interests of local government. The LGA is also recognised in and has prescribed functions in 29 other South Australian Acts of Parliament. The LGA provides leadership, support, representation, and advocacy relevant to the needs of our member councils.

The LGA is a strong advocate for policies that achieve better outcomes for councils and the communities they represent. As such the LGA welcomes the opportunity to provide a response to the National Performance Reporting Framework Indicator Review Discussion Paper.

Background

Local government in South Australia is a key stakeholder in urban water management and plays an important role in water management and conservation.

¹ NPR Framework Indicator Review, *Draft Findings and Recommendations* (29 October 2021) < <https://www.npr.harc.com.au/draft-npr-indicators/>>.

Some of the many activities undertaken by councils include:

- aquifer storage and recovery
- wastewater and stormwater management
- urban greening and development of wetlands
- infrastructure upgrades, particularly in relation to irrigation infrastructure
- operation of desalination plants
- adoption of Water Sensitive Urban Design solutions for development and water efficiency measures as part of the development process
- reuse of swimming pool filtration system backwash water
- development of residential land development standards for best practice in water use
- flood management planning
- community wastewater management systems.

Local government in South Australia makes a significant investment across this wide range of activities associated with water management. Between 2014-2015 and 2018-19 metropolitan councils collectively spent an average of more than \$100 million per year providing and maintaining flood protection infrastructure.²

Councils recognise the importance of water for healthy and happy communities and for building a resilient community.

Local government also supports sensible performance reporting that balances the costs against the benefits in collecting and reporting information, where every effort is made to streamline reporting and reduce duplication.³

LGA Response

About the LGA response

This response has been informed by consultation with the LGA membership, existing policy positions developed through consultation with our membership, and recent consultation and discussions undertaken in relation to water and climate change that align and fall within the relevant scope of this discussion paper.

LGA policy positions

Together with its member councils, the LGA has developed a Policy Manual based on robust research and evidence, to recognise the roles of local government and identify how local government can be an important partner in government. Key LGA policy positions relevant to this submission have been included below.

² Department for Environment and Water (SA), *Setting out future urban water directions, Delivering integrated urban water management for the benefit of South Australia*, p. 10 < <https://www.environment.sa.gov.au/files/sharedassets/public/water/setting-future-urban-water-directions-discussion-paper.pdf> >.

³ LGA of SA submission to the Productivity Commission Inquiry into Local Government Costs and Efficiency, p. 6 <lga.sa.gov.au/news-and-events/news/submissions>.

Policy 1.2.5 Representation states as follows:

Local government considers that there must be local government representation on all appropriate state committees, commissions, working groups (not an exhaustive list) where the subject matter affects or is likely to affect local government. The LGA and councils shall continue to advocate for greater representation in the interests of the local government sector.

Policy 4.3 Water Resource Management states as follows:

Local government recognises its obligation to conserve water resources, protect water quality, provide water for the environment and effectively manage storm and flood water. Councils shall contribute equitably to improving water management and infrastructure and processes, notwithstanding the responsibilities of federal and state governments.

Policy 5.2.4 Data states as follows:

Local government recognises that creating the technological capabilities that are required to support future/diversified economies is key to sustainable economic development. Councils, through the LGA, will continue to lobby and promote “smart infrastructure” and “digital economy” opportunities to ensure investment attractiveness is “future proofed”.

NPR Framework Review

Consultation process and engagement with local government in South Australia

The LGA would like to express disappointment with the consultation process undertaken with local government in South Australia in relation to the National Performance Reporting (NPR) Indicator Review.

The first opportunity the LGA had to be engaged in this review is through this response to the discussion paper. Subsequently, the LGA has been engaged to support the national performance reporting trial for service providers with less than 10,000 connected properties. This level of engagement is disappointing as this process has been lower down the IAP2 Public Participation Spectrum (i.e. inform).⁴

Given the unique water arrangements in South Australia and the high interest and influence councils in South Australia have as stakeholders in these processes (with the majority of South Australian councils categorised as a small service provider) the recommended engagement process should have been tailored to reflect the interests of South Australian councils (i.e. collaborate/empower approach).

South Australian councils should have been engaged earlier in the review process so they could share valuable information and insights which would have supported the development of the draft findings explored in the discussion paper.

⁴ <https://iap2.org.au/resources/spectrum/>

Expansion of reporting threshold to service providers with less than 10,000 connections

The LGA is not supportive of the expansion of the reporting threshold to include small service providers with less than 10,000 connected properties.

The discussion paper states that: “engagement and consultation has revealed broad support for the extension of the Framework to publicly owned service providers (including local councils and regional and remote communities) with less than 10,000 connections”.⁵ However, it is unclear how much engagement with the local government sector or other stakeholders/providers, who supply non-drink water services only, occurred.

The LGA strongly believes that any reporting framework should balance the costs against the benefits in collecting and reporting information, with every effort made to streamline reporting and reduce duplication. This approach should be adopted so councils don't have to replicate data with only slightly different requirements, time periods and formats.⁶

The discussion paper fails to demonstrate the benefits likely to be experienced by communities, industry and other stakeholders from South Australian councils with less than 10,000 connections duplicating existing reporting processes to fulfill reporting requirements under the NPR Framework.

The South Australian water network is unique in comparison to other states and territories. Councils in South Australia have limited connections, and in some cases services are only offered because, in their absence, service provision would otherwise be considered unviable. This results in many South Australian councils offering connections to fewer than 100 connections, while in some cases fewer than 20 connections are offered.

Neither the discussion paper, nor the 2019 Review of the NPR Framework Report,⁷ provide clear rationale for the expansion of the reporting framework to capture small service providers.

The LGA questions the usefulness of the NPR collecting data for small water schemes, particularly non-drinking water schemes that only supply non-residential customers. Small non-drinking water schemes are also very different to one another, and the data is unlikely to be useful for benchmarking or comparison purposes.

The discussion paper highlights that: “A conversation on almost any indicator in the current Framework quickly demonstrates the need for a nuanced understanding of the differences between utilities and the jurisdictional arrangements that regulate and guide their operation.”⁸

Such nuance is even more important for supplies with different water sources, different water quality requirements and a narrow range of uses and customer types.

ESCOSA's VTA regulatory approach

The Essential Services Commission of South Australia (“ESCOSA”) and the NPR Framework objectives align, whereby both bodies are committed to protect consumers and ensure that water services are operating in an efficient and cost-effective manner.⁹

⁵ NPR Framework Indicator Review, *Draft Findings and Recommendations* (29 October 2021), p. 49 < <https://www.npr.harc.com.au/draft-npr-indicators/> >.

⁶ LGA of SA submission to the Productivity Commission Inquiry into Local Government Costs and Efficiency, p. 6 <lga.sa.gov.au/news-and-events/news/submissions>.

⁷ <http://www.bom.gov.au/water/npr/framework-review/>

⁸ NPR Framework Indicator Review, *Draft Findings and Recommendations* (29 October 2021), p. 18.

⁹ <https://www.escosa.sa.gov.au/projects-and-publications/projects/corporate/verified-trust-accountability-regulatory-approach-to-small-scale-networks>
<http://www.bom.gov.au/water/npr/framework-review/>

In February 2021, ESCOSA released its final report on its Inquiry into the regulatory arrangements for small-scale and off-grid water, gas and electricity services. The Inquiry was undertaken to identify enhancements and refinements to ESCOSA's existing economic regulatory framework for small scale networks in alignment with ESCOSA's primary objective: "to protect South Australian consumers long-term interests with respect to the price, quality and reliability of essential services."¹⁰

A key change to ESCOSA's regulatory framework, arising from the Inquiry, was the adoption of a new targeted and flexible regulatory approach for licensed small-scale networks which is called a verified trust and accountability (VTA) regulatory approach.¹¹ ESCOSA considers that it is important that regulation of small scale networks is proportionate and responsive to emerging issues.¹²

Under ESCOSA's new VTA framework, many small retailers will have reduced reporting obligations.

Inclusion of service providers with less than 10,000 connected properties in the NPR Framework would negate the benefits offered by the VTA and place a greater burden on small retailers.

Given the aligning vision, aims and objectives of ESCOSA and the NPR Framework, the rationale for including service providers with less than 10,000 connected properties becomes unclear.

Assumptions in reporting framework

The framework seeks a vast range of information across reporting themes. The discussion paper provides the following amended reporting themes:

1. Customers and communities
2. Finance and pricing
3. Water resources
4. Assets and operations
5. Public health and environment
6. Contextual information

It is clear from a review of the reporting themes, sub-themes and indicators that the NPR Framework has been designed for large businesses where their sole or major focus is providing water services. Councils in South Australia are different to these entities as they provide a wide range of different services for the benefit of the community.

Councils have inherent and unique factors (beyond that of having a small number of water connections) that differ to other water entities. These factors reduce financial risks and motivates them to operate in an efficient and transparent manner that ensures high level service delivery.

Some examples of these unique factors are that councils:

- exist in perpetuity¹³
- have unique abilities to access additional financing if required
- have strong reputational and/or political risks associated with poor service delivery or management
- have additional wide-ranging reporting and transparency requirements
- are subject to additional regulatory oversight bodies.

¹⁰ <https://www.escosa.sa.gov.au/projects-and-publications/projects/inquiries/inquiry-into-small-scale-water-sewerage-and-energy-services>

¹¹ <https://www.escosa.sa.gov.au/projects-and-publications/projects/corporate/verified-trust-accountability-regulatory-approach-to-small-scale-networks>

¹² *Ibid.*

¹³ *Local Government Act 1999* (SA) s 35(1).

The vast range of services offered by councils, data capture and other processes (asset registers, customer complaints, records management and other policies connected to water services) are often in the context of the entire organisation and are subject to other significant regulatory oversight.

It can be difficult, and time consuming to extract and report specific water related data in the proposed format.

In addition to the wide-ranging reporting requirements councils undertake additional specific reporting in relation to water services offered. Councils provide reports and data in relation to water services to various bodies including, but not limited to, the Office of the Technical Regulator (SA Government), the Department for Environment and Water (SA Government), ESCOSA and the Australian Bureau of Statistics.

The proposed reporting indicators fail to consider the inherent difference between councils and medium and larger water entities and this results in duplication of reporting efforts.

Examples of assumptions in proposed indicators

The vast majority of indicators appear to assume that drinking water or wastewater services are supplied to a large customer base, including residential customers. Most of the 'water supply' questions do not appear to relate to non-residential stormwater supplies.

A sample of some of the indicators are included below:

- population receiving water services – this implies a residential population
- the number of connections – there does not appear to be a separate category for non-drinking water connections
- the number of connections – the categories that are there (water and wastewater) report the number of connections in the thousands
 - a large number of councils in South Australia have less than 1000 connections therefore they would need to report zero
- average bill as a percentage of gross household income – could be a very misleading statistic if applied to non-residential bills
- first nations engagement – which appears inappropriate for small non-residential supply and does not capture broader first nations engagement activities undertaken by councils
- hardship program and affordability indicators – which relates to residential customers
- water quality references to microbial compliance, 'boil water' alerts and 'do not drink' notices – which are not relevant to stormwater reuse.

There are also many questions that would be a burden for small providers to calculate:

- the 80th percentile of unplanned interruptions
- the calculation of real water losses
- annual financial statement information such as net debt, Funds From Operations (FFO) to net debt, FFO to interest etc., reported at the "utility" level – no such information is currently collated at the utility level as this is captured more broadly in council reporting.

Conclusion

The LGA welcomes the opportunity to respond to the discussion paper and is pleased to continue to work as partners in government to inform this process and help develop a sustainable framework for the benefit of the South Australian community.

Contact

Please direct any queries about this submission to [Brianna McGee](#), Senior Policy Officer.



Local Government Association
of South Australia

The voice of local government.

148 Frome St
Adelaide SA 5000

GPO Box 2693
Adelaide SA 5001

T (08) 8224 2000

E lgasa@lga.sa.gov.au

www.lga.sa.gov.au