

Report from the NELA roundtable on *Urban water reform for local government leaders*

4 December 2013

Introduction

Round table participants had a stimulating conversation about the burning issues in urban water reform for leaders in local government. Participants included about 20 representatives from local government as well as representatives from Office of Living Victoria (OLV), Melbourne Water, Municipal Association of Victoria and a number consultants and lawyers from NELA. Thanks to Maree McPherson of Victorian Local Governance Association for facilitating the discussion and to OLV for hosting the event.

The program posed the following issues for discussion:

1. state and local planning policies, permit conditions, working at the catchment scale
2. structural alignment to deliver new ways to manage water
3. how the initiatives in *Melbourne's Water Future* fit within *Plan Melbourne*
4. Integrated Water Cycle Management (IWCM) and the broader sustainability agenda

Four speakers provided short presentations to start the conversation:

- **Adrian Robb**, Chief Executive Officer, Bayside City Council
- **Mike Waller**, Chief Executive Officer, Office of Living Victoria (OLV)
- **Steve Dunn**, Program Director, Metropolitan Planning Strategy, Department of Transport, Planning and Local Infrastructure
- **Amanda Stone**, councillor City of Yarra

Issues

The key issues that emerged from the discussion are summarised below. The meeting was conducted under Chatham House rules, so no comments are attributed to individuals.

1. The planning system

OLV described local government as 'the owners, makers and managers' of water reform, a theme that was picked up throughout the conversation.

Participants agreed that local government is the level of government most keenly aware of community demand for change in the way we manage water, streetscapes, waterways and public open space. This is particularly true of inner urban councils where the interest and passion of residents and elected representatives aligns with professional officers with skills in planning and implementation.

Conversely some participants said that politically water is not a big issue for many councils at present. At the same time the Inner Melbourne Action Plan (IMAP) councils and others have taken a lead with Water Sensitive Urban Design (WSUD) local planning scheme amendments, a focus on permit conditions and drainage charges.

Water issues cut across many responsibilities of councils, but every council is different in the way that water affects them.

Growth area councils have worked well at precinct and regional/catchment level with the Growth Areas Authority (now Metropolitan Planning Authority), but councils in established areas expressed deep frustration at the inability of the planning system to promote and deliver WSUD in the absence of stronger state planning policy. There may be opportunities to improve this through the current process reviewing the State Planning Policy Framework.

It was suggested that the EPA and building regulations are not responsive in this area and there is sometimes confusion about the roles of the respective systems.

The state government should provide a link between legislation, planning and performance tools. This should happen through the regional planning tools in *Plan Melbourne*.

Councils can't see the state government's program for delivering its reform agenda. It's a two term change, and a bipartisan approach should be pursued.

2. Structural alignment and partnerships

Local government is doing what it can on water reform, but there are constraints on how well placed local government is to take wider responsibility for water infrastructure.

Local government is too small to get planners for a drainage system that would achieve the bigger scale change that's required. Nor do they have the environmental and drainage engineering capacity.

Partnerships between local government, water authorities, researchers and communities were cited as enormously beneficial to assist councils to take broader responsibility for water, but it's not sustainable.

We need to rethink the alignment across the whole range of institutions with responsibility for water services, which raises a question about centralised versus decentralised service delivery. The current approach to determining this is pretty ad hoc.

The level of concern among councils about the costs of asset maintenance should not be underestimated. The current funding mechanisms for councils are not aligned to the cost burden of water infrastructure. Rural councils can use drainage Development Contribution Plans (DCP) to fund drainage and storm water infrastructure. In Melbourne, Melbourne Water's can impose charges under their regulatory regime. Some metropolitan councils are using a DCP for drainage services to recover the costs of private benefits. But there's no coherent mechanism for councils to recover costs, particularly across council boundaries.

The state government needs to look at local government water infrastructure funding mechanisms and align them to new infrastructure costs. An approach which recognises the need to operate at state, regional and local levels as appropriate for water and storm water planning and delivery was generally supported. The MPA could play a lead role.

3. Quantifying costs and benefits

Another hot topic is how we measure the costs and benefits of IWCM in the planning system and in state regulation. DCPs are a good start, particularly in greenfield and precinct structure planning areas but they haven't addressed concerns about comparative costs.

Developing the business case for WSUD and IWCM requires a long payback period. It needs to include not just the capital costs but the wider amenity benefits, community enthusiasm

for IWCM and WSUD, and potential long term economic benefits from deferred investment in water supply infrastructure and reduced reliance on water restrictions.

Apportioning the costs and benefits is a big issue. The government's policy that the beneficiary pays raises big questions about scale and defining the benefits. The elements of public and private benefits are far from clear, and the cost of some options is prohibitively high. How we allocate the cost burden between public and private interests is another challenging issue.

Some councils said OLV don't have a good grasp of cost/benefit analysis of the WSUD approach. There's a need to look at how we do cost benefit analysis in the planning system and how it's done for water authorities' capital investment.

OLV said that it has a tool to identify all costs and benefits of IWCM and WSUD across a catchment that was used as part of a pilot for the Casey-Clyde growth area. The tool seeks to put a value on intangibles like amenity, and allows all players to discuss upstream and downstream costs and benefits and who should carry them. OLV will publish new guidelines for cost/benefit analysis on its website shortly.

Research by Kingston Council has found that it's often more cost effective to put in precinct or sub-catchment scale water management such as large tanks on public land rather than individual household tanks. This has benefits for maintenance and the community use of water for public parks rather than private use.

This raises questions about getting households to contribute to the cost, and who is best placed to deliver and manage precinct level water infrastructure. Not the householder, but householders are nervous about relinquishing ownership of the water.

4. Water as part of the broader sustainability agenda

Melbourne City Council, which has a well developed policy on greening streetscapes, posed the question: What's the role of water in cooling the city and how does the city become a regenerative place – the 'city in a forest' concept.

The state government needs to recognize water is one of a range of sustainability issues, and there is a need to balance competing objectives in land use planning. Some participants said that the place of sustainability was diluted during the development of Plan Melbourne.

There's exciting potential for synergies in reforms to energy and water management and we need to have that conversation at community level.

Environmental water and groundwater resources should not be forgotten in any discussion around IWCM and sustainability.

Councils should leap into the future and learn as we go along. You can't address cost issues until you know what you want. Put nature at the heart of design and think in a way that's scalable from household to state and national level. The principles of flexibility and scalability should be part of any IWCM models.

Everyone agreed that implementing such big changes will take time, and despite the challenges it's an exciting area to be working in, with a strong sense of common purpose.