



**KEMPSEY**  
Shire Council

## **DIRECTOR SHIRE SERVICES REPORT**

11<sup>th</sup> December 2007

<b>DSS2</b>	<b>NSW PERFORMANCE MONITORING REPORTS – MACLEAY WATER RESULTS FOR 2005/06 FILE: 588 TAK {Folio No. *}</b>
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### **SUMMARY:**

Reporting Macleay Water's benchmarking results for 2005 / 06.

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### **DESCRIPTION:**

Macleay Water has received its benchmarking results for the 2005 / 06 NSW Performance Monitoring Reports [Appendix A – Page H1 Part 1, Part 2](#).

The Department of Water and Energy (DWE) compile these Performance Monitoring Reports annually following the water utility's completion of a comprehensive survey. The surveys are generally submitted August through to September depending on the timeframe for finalisation of the end of year financials. The reports take a Triple Bottom Line approach and are conducted across all NSW water utilities.

Upon receipt of the benchmarking results, the water utility is to then undertake a Review of Performance to identify issues and create action plans for improvement. The Macleay Water Review of Performance for the 2005 / 06 financial year is attached at [Appendix B – Page H8](#).

The performance report process has facilitated a continued improvement focus, enabling the identification and address of areas of concern and an improved business performance. To gain most benefit from the performance reports quality assurance has been incorporated into the data collection. The quality assurance has also enabled streamlining of data gathering through automation (CivicView programming and use of high level data manipulation functions in Excel) and better delegation of data collection across Council.

Macleay Water's performance trends for water supply in the 2005 / 06 financial year show an overall good performance. A balanced number of employees per 1,000 properties to the state-wide median is shown and this is a reasonable number in view of Council's 39 groundwater bores and 17 water pumping stations, 7 separate water supply schemes and the spatial separation of this infrastructure. Microbiological compliance is good at 100%, higher water quality complaints are focused around the South West Rocks iron issues which are being addressed through the

completion of the new water treatment plant. Main breaks have reduced from 2004 / 05 and this result was assisted by favourable weather (consistent dry). The operating and management costs are good despite low customer density. Pumping costs and energy costs were consistently higher than the state-wide median as expected given the characteristics of the schemes and considered reasonable.

Overall for the water business, the Social, Environmental and Economic scores were pleasing. The lower ranking scores are being progressively improved by targeted programmes.

The consistent concern of Typical Residential Bill (TRB) and percentage of revenue gained from residential usage charges is not currently being targeted. The poor scoring in these indicators through the social and economic indicators relates to the principles adopted with the 3-year phased introduction of user-pays water pricing. In the first year of the pricing phase-in (2004 / 05), the Department of Water and Energy (DWE) changed the principles of user-pays pricing. The firm cost definitions for access and usage charges were relaxed; access charges represented asset renewal costs and usage charges represented operational costs. As considerable community consultation had occurred as part of the water pricing phase-in and those principles continued into the phase-in of user-pays sewerage charges of non-residential customers until 2006 / 07, a commitment of exclusion from the new principles was gained from DWE. DWE acknowledged the phase-in occurring and the additional phase-in that would be required to then change those principles. However, poor scorings will consistently result in these areas as the changed user-pays pricing principles and the targets of income components are now part of the best practice guidelines. Through the latter part of 2007/08 and earlier part of 2008 / 09 a major review of the water income processes is programmed, including aspects such as assessment of moving to quarterly water accounts and changing the defined components for access and usage charges to meet current best practice. This would also allow time to address the reserves (tariff equalisation component) to sufficiently buffer against the significant income loss posed by a wet year. It is proposed that following the assessment, any changes to address the TRB and component revenue streams introduction would occur in the 2009 / 10 budget year.

Macleay Water's performance trends for sewerage services in the 2005 / 06 financial year show an improving sewer business. Areas of concern are being progressively addressed within budget constraints. A balanced number of employees is shown which is a further reduction on the results of previous years. The investment in employee training is acknowledged and holds Macleay Water in a good position to meet today's heavy compliance regime. There were no major malfunctions of the treatment processes. The introduction of non residential sewer usage charges within this financial year has produced a very good result as well as fulfilling the further commitment to Best-Practice compliance criteria as set by State Government. OMA costs score low comparatively but are steady and improving. These OMA costs are considered reasonable in view of the 7 sewerage schemes providing advanced secondary and tertiary processes, the infrastructure age and form and the low density of properties per kilometre of main. Further improvement is envisaged with the programmed renewals of aging infrastructure.

## **REPORT IMPLICATIONS:**

- *Environmental*

*There are no Environmental implications arising from this report.*

- *Social*

*There are no Social implications arising from this report.*

- *Economic (Financial)*

*There are no Economic (Financial) implications arising from this report.*

- *Policy or Statutory*

*There are no Policy or Statutory implications arising from this report.*

**RECOMMENDATION:**

**That the report be received and noted.**

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**Kevin Smith**  
**ACTING DIRECTOR SHIRE SERVICES**