



## 11.2 Marion Water Business - context, strategy and proposed expansion

<b>Report Reference</b>	GC230228F11.2
<b>Originating Officer</b>	Water Resources Coordinator – Glynn Ricketts
<b>Corporate Manager</b>	Manager Engineering, Assets and Environment - Mathew Allen
<b>General Manager</b>	General Manager City Services - Ben Keen

### CONFIDENTIAL MOTION

That pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Services, General Manager City Development, General Manager Corporate Services, Chief Financial officer, Manager Engineering, Assets & Environment, Manager Office of the Chief Executive, Unit Manager Engineering, Water Resources Coordinator, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to Marion Water Business Section 48 Prudential Report, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to matters that may impact commercial contracts with 3<sup>rd</sup> parties.

### Report History

Report Reference	Report Title
FRAC230221F	Section 48 Prudential Report; proposed expansion project
SGC220823F8.2	City of Marion Water Business Update
GC220524F11.2	City of Marion Water Business Update
ASC220505F9.1	City of Marion Water Business Update
GC201124F01	Alternative Water Supply Efficiency Measures Pilot Project: Seacliff Park Extension
GC270411R05	Oakland Wetlands and 3 <sup>rd</sup> party supply options

### REPORT OBJECTIVE

To provide Elected Members with the key information necessary to make an informed decision on a proposed expansion of the Water Business.

### EXECUTIVE SUMMARY

This report considers a project to deliver an extension to the Marion Water distribution network and associated ancillary infrastructure, to replace 144ML of potable water, at an estimated capital cost of \$5.67 million (which includes a \$500k contingency) resulting in the price point for the sale of water at \$2.47 per kL. The project is proposed to be funded as follows:

- \$1.795M from Council reserves (previously endorsed contribution by Council)

- \$1.79M from Federal Grant Funding (to be endorsed by Council)
- \$2.08M additional funding (to be incorporated into the 2023/24 Annual Business Plan LTFP)

## RECOMMENDATION

That Council:

1. **Adopts the attached Section 48 Prudential Report (Attachment 1) and notes that the Report addresses the Section 48 requirements within the Act:**
  - a. The project's support of Council's strategic objectives.
  - b. The project's alignment with the objectives of the Council's Development Plan.
  - c. Assessment of the potential economic impacts of the Project.
  - d. The level of consultation identified for the Project.
  - e. The assessment of the Project's risks and the appropriateness of the mitigation strategies developed.
  - f. The Project's financial viability in the short and long term.
  - g. Council's capacity to deliver the project within its financial sustainability targets.
2. **Allocates funding of up to \$2.08M (including \$0.5M contingency) for the extension of the Marion Water distribution network and associated ancillary infrastructure, through the 2023/24 Annual Business Planning process.**
3. **Authorises the Mayor and Chief Executive Officer to affix the Common Seal of the Corporation of the City of Marion and to sign, as may be required, any documentation required to finalise the grant (Attachment 3) between the Minister for Climate, Environment and Water, and the City of Marion.**
4. **Delegates Authority to the CEO to execute the construction contract for the extension of the Marion Water distribution network.**
5. **Endorses the proposed Governance and Reporting framework for Marion Water.**
6. **Nominates Councillor xxxxx as a Council Member on the Marion Water Steering Group and endorses the Terms of Reference (Attachment 4)**
7. **Supports the draft Marion Water Strategy (Attachment 2) for public consultation.**
8. **Notes the continued contract discussions with Clean Peak Energy.**
9. **Endorses the Mayor and CEO to be authorised to make any public statements to the media in relation to the Marion Water Business Project, ensuring no commercial information is released that may jeopardise the contract or tendering process.**
10. **In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Marion Water Business Section 48 Prudential Report, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2023.**

## DISCUSSION

At the General Council meeting on the 23 September 2022 (220823F8.2) Council noted:

1. An extension of time to sign the funding deed for the Off Farm Efficiency Grant at a value of \$1.79M has been granted by the Department for Environment and Water until February 2023.
2. That a further report will be presented to an Elected Member Forum in February 2023 regarding the Off Farm Efficiency Grant, the ongoing contract negotiations with Clean Peak Energy and a proposed Governance arrangement for the management of the Water Business.

This report addresses these outstanding issues enabling Council to make a comprehensive, evidence-based decision on the proposed expansion of the distribution network from Oaklands Wetlands.

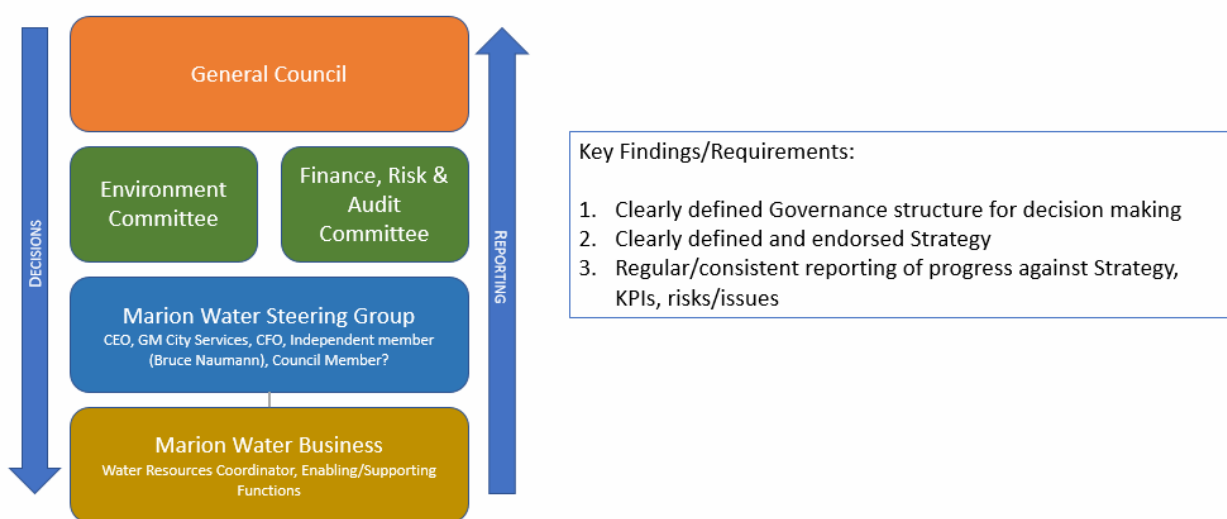
### **Marion Water Governance**

Marion Water is the newly rebranded name for the previously Council-endorsed Business Unit. The effectiveness of the existing business unit was independently assessed and steps to improve the governance, reporting and strategic direction of the Business were delivered and presented to Council at an Elected Member Forum on the 31st January 2023. A public facing strategic planning document, Marion Water Strategy (Attachment 2) is presented for endorsement for public consultation.

Improved interim governance and reporting arrangements have been put in place, as shown in Fig 1. Council endorsement is now required to formalise the Governance arrangements.

Council has the option to include an Elected Member representative on the Steering Group. The draft Terms of Reference are attached for endorsement (Attachment 4).

**Figure 1 Governance Arrangement for Marion Water**



### **Section 48 Prudential Report**

A S48 Prudential Report, prepared by BRM Advisory (Attachment 1) was recently presented to the Finance, Risk and Audit Committee (FRAC) for review.

The supporting financial model, that was reviewed by BRM as part of the process, includes the cost and additional revenue generated by the project as well as the cost of the current business and other committed expansions, such as the supply of treated water into the Oaklands Green Development. This financial model was developed by the Managed Aquifer User Group, after receiving a Research and Development Grant from the Local Government Association. The model was then presented to the Essential Services Commission of South Australia (ESCOSA).

The model applies the National Water Initiatives Pricing Principles (pricing transparency, full cost recovery, no cross subsidies). This model generates the sale price of water and was subsequently

submitted to Asset Sustainability Committee (SC220505F9.1) for discussion and then to Council (GC20230228) for approval.

Although the S48 Prudential Report addresses the project, the overarching business model is presented also, as they are intrinsically linked.

The S48 report dealt with the project viability and concluded that the City of Marion has acted with due care, diligence and foresight in planning the project and Council has been provided with sufficient information in order to make an informed decision on progression of the project. The Report also concludes that the requirements of Council's Prudential Management Policy and Section 48 of the Local Government Act have been satisfied.

- FRAC endorsed that the project be presented to Council on the basis that the contingency be increased from \$200k set aside for latent conditions (drilling in rock and hence increasing unit rate) to \$500k. This is now included in the proposed project funding.

### **Funding and Grant Implications**

At the General Council meeting on 24 November 2020 (GC201124F01), Council agreed to fund up to \$1,795,164 (subject to grant funding) for the Seaclyff/Flinders extension. The grant (refer Attachment 3) is based on the State Government returning a River Murray extraction license to the Federal Government of 144ML per annum due to the City of Marion displacing 144ML of potable water supply.

The Council's contribution of \$1.795M is made up from the Asset Sustainability Reserve (ASR) and Water Reserve.

In order to proceed with the project to meet the overall extension and subsequent supply of 144ML to meet the grant requirement, Council will need to endorse additional funding of up to \$2.08M. This is factored into the financial modelling to be repaid from revenue from significantly increased sales from the network extension. The modelling also factors in all Operational and Capital costs, plus the cost of any required borrowings, whilst providing a 5% weighted average cost of capital. The budget now includes a \$500K contingency after including advice from FRAC.

The additional funds required for the project if debt-funded (worst case scenario), based on a 10-year loan at the current indicative borrowing rates are estimated to average ~\$51,000 per annum over the 10-year term of the loan.

The project will enable the sale of water to customers along the proposed network extension route which provides a source of revenue. While the Scheme can produce more than 144ML for sale, the conditions of the government grant require the replacement of 144ML of potable water, accordingly this has been used as the basis for revenue estimates as a minimum.

Based on the demand estimate of 144ML and the five-year renewal price estimate of \$2.47/kL (NC Economics Pricing Model) revenue from FY2024 (when water is available for sale) would be circa \$0.372 million per annum.

The smoothed renewal price is ~\$0.37 cheaper than the SA Water Tier 2 price.

Staff have been regularly updating ESCOSA, Renewal SA, DEW, and potential new customers (subject to commercial confidentiality requirements) on these opportunities.

### **Procurement Strategy and Construction timelines**

A procurement strategy was used where the market was engaged holistically, providing a best value outcome, at the lowest risk for our residents and customers, as detailed below. Noting Council reserved the right to award one or more (or none) of the separable portions to one or more contractors:

- Portion 1; Seaclyff pipeline Extension (D & C).
- Portion 2; 1 new bore at Oaklands/pumps and Scada upgrades.
- Portion 3; Flinders and Office of Sport and Recreation pipeline extension (D & C).

- Portion 4; Chlorination dosing at Oaklands (D & C).
- Portion 5; Stage 1; New tank and shed. Stage 2; 3.5 Km replacement mainline pipe and pump set for Marion Golf Club (D & C).

Any decision on Local or Regional chlorination treatment can now be delayed until volumes that require treatment (from multiple staged developments) meet critical mass. A business case will then be presented to Council for further consideration.

A preferred contractor was selected for portions 1 and 3, after a comprehensive tender and evaluation process. Due to delays with the project (as described above) the decision was made to undertake design for portions 1 and 3 separately, in order to reduce further delays and provide greater price assurance. A tender exemption report will be submitted to a Tender Board for approval once Council endorses the project. This strategy will fast track construction delivery of the 12 km of pipeline before the end of November 2023. Different stages of the pipeline extension will come online, in a staged manner enabling early connections to customers.

A separate contract was let for portion 5 stage 1. The intent is to re-approach the market for Electrical and Mechanical aspects of the project (portion 2).

### **Negotiations with Clean Peak Energy**

Clean Peak Energy is primarily an off-grid energy supply business. Water is not Clean Peak's core business, and the supply of water does not generate much margin. Clean Peak has a different supply philosophy to that of Enwave (original contract owner for embedded network provision within Tonsley).

All negotiations with Clean Peak have considered the following:

- No cross subsidies, one price for all customers;
- Full cost recovery including renewal;
- A 5% rate of return (includes cost of any borrowings); and
- Annuity pricing model (not long run incremental cost of supply).

NC Economics assessed future water price under several scenarios driven by various volumes to be sold (as presented at GC 220504F18.2). The results of the modelling informed negotiations with Clean Peak.

In addition to the financial modelling and risk transfer negotiations, the ability to move water through Tonsley was assessed as part of the detailed design stage. Another route around Tonsley is available that offers Council a better value proposition and provides direct access to the extra volume required to acquit the grant.

Consequently, Clean Peak is now considered a volumetric customer, like all other customers and not a strategic partner. As such they will not contribute to any capital expenditure, will pay the same price as all other customers, and are required to treat the water for dual reticulation standard into residential houses, within Tonsley, to displace the current potable water supply (timing TBC).

### **ATTACHMENTS**

1. Attachment 1 - Section 48 Prudential Report [**11.2.1** - 33 pages]
2. Attachment 2 - Draft Marion Water Strategy for Public Consultation [**11.2.2** - 5 pages]
3. Attachment 3 - Draft Grant Agreement [**11.2.3** - 17 pages]
4. Attachment 4 - Draft Marion Water Steering Group Terms of Reference [**11.2.4** - 3 pages]



City of Marion

Section 48 Prudential Report:  
Seacliff and Flinders Pipeline Extension

February 2023

Final Report

BUSINESS • RESOURCE • MANAGEMENT



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## EXECUTIVE SUMMARY

### Purpose

The following report has been prepared to satisfy the requirements of the City of Marion's Prudential Management Policy and Section 48 of the Local Government Act 1999 (Act) which requires a Council to consider the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a project which meets certain specified criteria. The purpose of a Prudential Report is to ensure the Elected Members have the necessary information to enable an informed decision whether or not to proceed with a project.

*[Drafting Note: to be inserted if confidentiality is an issue]*

*[Council has been provided with the full prudential report which was prepared in accordance with requirements of Section 48 of the Act. This redacted version of the full report has been specifically prepared for publication, having regard to Section 48 (6) of the LG Act which enables the Council to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person].*

### The Project

The Project is the extension of the Marion Water distribution network and associated ancillary infrastructure, to replace 144ML of potable water in the Seacliff area, Flinders University and the Women's Memorial Playing Field at an estimated capital cost of \$5.293 million.

### Summary Conclusion

In our view, the City of Marion has acted with due care, diligence and foresight in planning the Project and the Council has been provided with sufficient information in order to make an informed decision on progression of the Project. The requirements of Council's Prudential Management Policy and Section 48 of the Local Government Act have been satisfied.

### Prudential Review Issues and Findings

The City of Marion owns and operates a stormwater harvesting and reuse scheme which irrigates more than 30 Council reserves through an underground pipe distribution network. The City of Marion has been offered \$1.790 million in government grant funding to extend the distribution network and replace the use of 144ML of potable water. The existing scheme is capable of supplying more than the 144ML of water.

The Project is strongly aligned with the City of Marion's Community Vision and Strategic Plan, it is also consistent with state and national plans to ensure the sustainable management of water resources.

The City of Marion has identified the potential to replace 37ML of potable water used to irrigate its own public spaces and has held discussions with four other potential customers who are large users of water to purchase the balance. There are no contracts in place with these potential customers, but each has provided a letter of support and signified their intent to become customers subject to commercial and contractual terms. Two of the four customers have already begun to upgrade irrigation systems to receive treated water.

The City of Marion should develop standard commercial and contractual terms for these potential customers to consider.

If the City of Marion proceeds with the Project it would generate an estimated saving of \$0.162 million in irrigating its own public spaces over the 10 year life the LTFP when compared to the price of potable water. If no other customers were to purchase water, the incremental cost of the Project over the life of the LTFP is forecast to be \$0.533 million. This cost includes operating costs, debt servicing and depreciation.

The sale of water can provide a source of revenue for the City of Marion. Based on the independently prepared pricing model – which is ~13% below the current SA Water price - the sale of 144ML at \$2.47/kL would generate \$0.372 million per annum (included internal sales). Provided 20ML of water is sold to external customers the Project will have a marginally positive financial impact over the life of the LTFP and will be generating operating surpluses from year six onwards. The City of Marion has other reserves and public spaces that are currently irrigated with potable water that could be irrigated with treated water with an additional capital investment to expand the distribution network to Majors Road.

In order to meet the Project delivery timeframes for the government grant an exemption may be required from the Procurement Policy to deal directly with a preferred supplier.

Our report follows.

## Prudential Review Key Findings

S48 (2)	Description	Comments	Finding
(a)	The relationship with <b>strategic management plans</b> .	The Project is aligned with CoM's Community Vision and Strategic Plan, it is also consistent with state and national plans. The LTFP will need to be updated to reflect the impact of the Project.	Requirements of S48 (2) (a) have been met.
(b)	The objectives of the <b>Development Plan</b> .	The Project does not involve works that constitute development under the PDI Act. Road permits will be required for the network construction.	Requirements of S48 (2) (b) are not applicable.
(c)	Expected contribution to the local area's <b>economic development</b> . Impact on <b>businesses</b> . Impacts on <b>fair competition</b> .	The economic impact assessment identified a total positive economic impact of \$10.992 million and the creation of 27 jobs from progressing the Project. The Project is not expected to have a negative impact on business.	Requirements of S48 (2) (c) have been met.
(d)	<b>Consultation</b> with the local community and community influence on the project.	The Project is not an activity that requires consultation under the Act. However, the Project was subject to consultation at the Community Summit and for the Annual Business Plan and Budget.	Requirements of S48 (2) (d) have been met.
(e)	<b>Revenue projections</b> and <b>potential financial risks</b> .	Revenue estimates have been prepared and financial risks identified. Water pricing is linked to demand and sensitive to operating costs.	Requirements of S48 (2) (e) have been met.
(f)	<b>Recurrent</b> and <b>whole-of-life costs</b> , any <b>financial arrangements</b>	Recurrent costs have been estimated and a whole of life cost estimate has been prepared. The funding required for the Project is not yet in place.	Requirements of S48 (2) (f) have been <b>partially</b> met.
(g)	<b>Financial viability</b> of the project.	The Project is estimated to have a positive impact on the key financial indicators provided the CoM can source customers for ~20ML of the identified demand for recycled water.	Requirements of S48 (2) (g) have been met.
(h)	<b>Risks</b> associated with the project, and steps taken to manage, reduce or eliminate risks.	A risk assessment has been undertaken, of the 65 risks identified, after treatment 16 were assessed as Medium and 49 were assessed as Low.	Requirements of S48 (2) (h) have been met.
(i)	Appropriate mechanisms or arrangements for <b>carrying out the project</b> .	CoM will deliver the Project through a construction contract. The contingency allowance is lower than we would expect which may require the Project to be re-scoped or a budget variation. A procurement exemption will be required to deal directly with a preferred contractor.	Requirements of S48 (2) (i) have been met.
(j)	If the project involves the <b>sale of land</b> , the valuation of the land by a qualified valuer	The Project does not involve the sale of Land.	Requirements of S48 (2) (j) are not applicable.
	An <b>appropriate level of due diligence</b> is applied to the proposed project.	An appropriate level of 'due diligence' has been applied to the Project to ensure Council is sufficiently informed.	Complies with Prudential Management Policy.



## 1. BACKGROUND

### 1.1 Background

- 1.1.1 The City of Marion (CoM) has an existing stormwater harvesting and reuse scheme (Scheme) located at 237-265 Oaklands Road, Oaklands Park (the Oaklands Wetland) built in 2013, which was originally designed with the intent to supply water to third parties.
- 1.1.2 The Scheme was originally developed as a partnership between the CoM and the (former) Adelaide and Mount Lofty Ranges Natural Resources Management (AMLRNRM) Board, with additional funding support from the Australian Government.
- 1.1.3 The Scheme is a Managed Aquifer Recharge (MAR) scheme which diverts stormwater from Sturt Creek at Oaklands Park, passively treats this through detention in the Oaklands Wetland, for natural treatment before injecting the water into an aquifer for storage. The injected water is extracted during drier months and distributed via an underground pipe network, which is over 12 km in length, for irrigation of more than 30 CoM owned public spaces and other non-drinking uses.
- 1.1.4 MAR is currently comprised of four bores adjacent to the Oaklands Wetland, which are capable of accepting up to 10 L/s during injection and produce up to 14 L/s during extraction. The MAR system has been designed to expand up to seven bores at the site as demand for water increases.
- 1.1.5 The Oaklands Wetland system is designed to passively treat up to 400ML each year, CoM has a licence to extract and inject up to 700ML (over time). The wetland currently treats approximately 250ML per annum and supplies between 100ML and 120ML per annum.
- 1.1.6 The Scheme first delivered recycled water in 2015, with supply between 110ML and 120ML per annum over the past two years, predominantly for internal use.
- 1.1.7 An opportunity has been identified to increase supply from the existing Oaklands scheme through an extension of approximately 12km to the distribution network (trunk main) to service demand for recycled water. The Australian Government has offered the CoM grant funding of \$1.790 million to support this network extension on the basis that it services demand of 144ML/year starting in 2024. This is not the maximum demand the network extension will provide access to, simply the contractual requirement of the Government.
- 1.1.8 The proposed extension to the distribution network is south to the Seacliff area which has the potential to supply schools and Council reserves in both the CoM and the City of Holdfast Bay and east to Flinders University and the Women's Memorial Playing Field (WMPF). The proposed extension to supply Flinders University and the Women's Memorial Playing Field was originally to be funded in part by a private sector strategic partner of CoM however this is no longer the case. The proposed extension is shown in Attachment One.



- 1.1.9 The extension would service sites which are currently irrigated using SA Water's mains water supply network replacing River Murray water used for open space irrigation and have the design capacity for future extensions.
- 1.1.10 The CoM engaged Hydroplan to identify the irrigation water demand requirements based on the following three scenarios:
- 1) High ET Low Rain (i.e. a hot, dry year),
  - 2) Average ET Average Rain (i.e. an average year), and
  - 3) Low ET High Rain (i.e. a cooler, wet year)

The identified demand was 115ML, 74ML and 45ML respectively. This demand was identified in schools, Clubs and reserves (predominantly those owned by CoM but also the City of Holdfast Bay).

- 1.1.11 The Average demand estimates used in support the grant application is shown in Figure One.

**Figure One: Demand Estimates**

Site	Customer	Area (ha)	TQVS	Av. ET.	High ET
				Av. rain (ML/a)	Low rain (ML/a)
Brolga Place Reserve	City of Marion	1.88	4	6.21	9.57
Cadell Avenue Reserve	City of Marion	2.46	4	8.13	12.52
Darlington Primary School	Education Department	1.46	3	4.82	7.43
Gully Road North Reserve	City of Marion	1.97	4	6.51	10.02
Gully Road South Reserve	City of Marion	3.00	4	9.91	15.25
John Mathwin Reserve	City of Holdfast Bay	2.68	4	8.85	13.64
Mitchell Street Reserve	City of Marion	0.86	4	2.86	4.40
Ramsay Avenue Reserve	City of Marion	0.38	4	1.26	1.93
RSL Bowling Club	City of Marion	0.61	4	2.02	3.10
Seacliff Primary School	Education Department	0.55	3	1.82	2.80
Seaview Downs Primary School	Education Department	1.69	3	5.58	8.60
Seaview High School	Education Department	3.53	3	11.66	17.96
Susan Grace Benny Reserve	City of Holdfast Bay	1.47	4	4.86	7.48
Women's Memorial Playing Fields	Office of Recreation and Sport	5.00	2	30.00	46.17
Flinders University Sports Fields	Flinders University	5.10	2	32.00	49.12
Sturt Oval (Flinders University Sturt Precinct)	Flinders University	1.43	2	7.00	10.75
<b>Total</b>		<b>34.07</b>		<b>143.49</b>	<b>220.74</b>

## 1.2 The Project

- 1.2.1 The extension of the Marion Water distribution network and associated ancillary infrastructure, being a new ASR Well at the Oaklands Wetland, new pumps and power supply, to service the Seacliff area and areas of Flinders University and the Women's Memorial Playing Field.
- 1.2.2 The proposed extensions have the potential to replace 144ML of potable water per annum at an estimated capital cost of \$5.293 million (subject to detailed design and final costings). This would reduce the CoM reliance on SA Water while also generating revenue from the sale of (un) treated water to third parties.



### 1.3 Project Rationale

The CoM has set the following key water management objectives which will be directly advanced by the Project:

- to conserve water resources, protect water quality and provide water for the environment; and
- to become a Water Sensitive City.

### 1.4 Purpose of a Prudential Review

1.4.1 Section 48 of the Local Government Act 1999 (Act) states that a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—

- (a) acts with due care, diligence and foresight; and
- (b) identifies and manages risks associated with a project; and
- (c) makes informed decisions; and
- (d) is accountable for the use of council and other public resources.

1.4.2 The CoM has adopted a Prudential Management Policy which was last authorised on 14 September 2021 which satisfies the requirements of the Act. The objectives of the CoM Prudential Management Policy are:

*"To ensure the appropriate level of due care, diligence, risk management and foresight is applied before Council undertakes any Project; and*

*To ensure Council is provided with appropriate information to make informed and accountable decisions when using Council and public resources."*

1.4.3 The Prudential Management Policy and the Act 1999 require Council to consider a report addressing the prudential issues set out in subsection 2 of section 48 when a project meets certain criteria, specified in (1) (b), namely where a council:

*"(b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)-*

*(i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or*

*(ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or*

*(iii) where the council considers that it is necessary or appropriate."*



- 1.4.4 The prudential issues set out Section 48 of the Act are reproduced in full as Attachment Two.
- 1.4.5 The Prudential Management Policy defines a Major Project to be a project that meets one of more of the criteria set out in section 48 (b) (i) and (ii) or where the risk profile of the project is high or extreme, as determined by Council Staff under the Risk Management Framework. A Prudential Report, which is the highest level of due diligence prescribed under the Policy.
- 1.4.6 As the Project meets the threshold requirements for a Prudential Report, CoM has commissioned the preparation of this report to ascertain whether the provisions of the Prudential Management Policy and Section 48 of the Act have been satisfied in the due diligence processes that have accompanied the Project to date.
- 1.4.7 Under the provision of the Act and the Policy the Prudential Report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues section 48(4) and must not be a person who has an interest in the relevant project as defined in section 48(6a) - (6c).
- 1.4.8 BRM Advisory has been engaged to prepare a report to satisfy the requirements of 'Section 48 and the Prudential Management Policy. We confirm we do not have an interest in the Project, as defined in section 48(6a) - (6c) of the Act.

## 1.5 Presentation of Report

A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).



## 2. RELATIONSHIP WITH STRATEGIC MANAGEMENT PLANS

*Section 48 (2) (a) the relationship between the project and relevant strategic management plans;"*

Elements	Relevant Documents	Prudential Review Comments
<b>Council Plans</b>	<p>Community Vision – Towards 2040 Strategic Plan 2019-2029 endorsed by Council August 2019 Business Plan 2019-2023 endorsed by Council June 2019 Annual Business Plan 2022-23 (ABP) Long Term Financial Plan 2022-2032 (LTFP) Water Treatment and Resources Asset Management Plan 2020-2030 (AMP)</p>	<p>The Project will assist to progress the 'Valuing Nature' theme in the CoM Community Vision and VN3 a related 10 year strategy in the Strategic Plan. The Project is not specifically referenced in the Business Plan.</p> <p>The LTFP (which reflects the known impacts of Projects included in the Business Plan) contains provisions from the Water Reserve and the Asset Sustainability Reserve totalling \$1.795 million for the Project and a notional grant allocation of \$0.800 million, this is less than the capital required to undertake the Project. The LTFP does not have any provisions for future operating costs or revenues associated with the Project. The LTFP will need to be updated to reflect the total capital cost of the Project, additional grant funding, loan funding and future incremental operating costs and estimated revenues if the Project proceeds.</p> <p>The Project is identified (in part) in the ABP (termed Alternative Water Supply) with \$1.8 million to be allocated from the Asset Sustainability and Water Reserves for the CoM contribution to the capital expenditure subject to receiving matching grant funding. The provision in the ABP is insufficient to undertake the Project as scoped, Council will need to allocate additional funds if the Project is to proceed. Should the Project proceed then once construction is complete, the AMP will need to be updated to reflect the newly constructed assets.</p>
<b>State Plans</b>	<p>Water Security Statement Urban Water Directions Statement</p>	<p>The State Government Water Security Statement gave rise to the development of the Urban Water Directions Statement which sets a state framework for optimising the use of all urban water sources in a way that supports growth, greening and liveable towns and cities; efficient and cost-effective water use; and the release of recycled water for productive use outside urban areas.</p> <p>Securing water supplies in a changing climate is one of the key areas of the Statement, within this ensuring water policy and regulation supports stormwater harvesting and managed aquifer recharge is an identified strategy.</p> <p>The Project is consistent with this strategy.</p>

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Elements	Relevant Documents	Prudential Review Comments
<b>Regional Plans</b>	Green Adelaide Regional Landscape Plan 2021-26	Green Adelaide was established as part of the 2019 South Australian natural resources management reform and has an area of responsibility across Adelaide's 17 metropolitan Councils. Water resources and wetlands are one of Green Adelaide's seven identified priorities.  The Regional Landscape Plan recognises that responsibility for managing Adelaide's water resources is shared by all landholders, including state government, local councils, businesses and individuals.
<b>National Plans</b>	National Water Initiative (NWI) Water Efficiency Program	The NWI is Australia's blueprint for national water reform, agreed by all states and territories, this shared commitment provides a framework and principles to underpin the sustainable management of water resource.  The Project will assist with the sustainable management of water resources.
<b>Findings:</b> <p>Requirements of Section 48 (2) (a) <b>have been met.</b></p> <p>The Project will contribute to the "Valuing Nature" theme in the Community Vision and advance a related strategy in the Strategic Plan, it is also consistent with state and national plans.</p> <p>While part of the capital cost is specifically referenced in the ABP, to be funded through Reserves, the allocation is insufficient to undertake the Project as scoped. Council will need to allocate additional funding if it wishes to proceed with the Project.</p> <p>There are no future operating costs or any revenues recognised in the LTFP, this will need to be updated if the Project proceeds.</p> <p>Should the Project proceed then once construction is complete, the AMP will need to be updated to reflect the newly constructed assets.</p>		

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### 3. OBJECTIVES OF THE DEVELOPMENT PLAN

*Section 48 (2) (b) the objectives of the Development Plan in the area where the project is to occur;*

Elements	Relevant Documents	Prudential Review Comments
<b>Development approval</b>	Planning, Development and Infrastructure Act 2016 Planning and Design Code	The Project is the expansion of a pipe network which does not constitute development under the PDI Act and therefore the objectives of the Development Plan are not relevant.  The ancillary pump infrastructure will be located within the existing shed infrastructure.  CoM will require Road Permits to be issued by the relevant local authority to undertake the network extension.
<b>Development zone</b>	Planning, Development and Infrastructure Act 2016 Planning and Design Code	Not applicable.
<b>Approving Authority</b>	Planning, Development and Infrastructure Act 2016.	Not applicable.
<b>Findings:</b> Requirements of Section 48 (2) (b) <b>have been met.</b> The Project does not involve works that constitute development under the PDI Act. CoM will require Road Permits to be issued by the relevant local authority to undertake the network extension.		

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#### 4. CONTRIBUTION TO ECONOMIC DEVELOPMENT

*Section 48 (2) (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;"*

Elements	Relevant Documents	Prudential Review Comments																									
Contribution to economic development	REMPAN report	<p>Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.</p> <p>The Project will provide a short term economic stimulus through the procurement of goods and services for the detailed design and construction. The CoM prepared a REMPLAN Economic Impact report based on capital expenditure of \$5.300 million in order to estimate the expected impact the construction phase of the Project will have on economic activity and jobs. This assessment has identified that a direct increase in output of \$5.300 million (the Project investment) would have the following economic impacts.</p> <p><b>Impact Summary</b></p> <table><tr><th>Impact Summary</th><th>Direct Effect</th><th>Supply-Chain Effect</th><th>Consumption Effect</th><th>Total Effect</th></tr><tr><td>Output (\$M)</td><td>\$5.300</td><td>\$4.406</td><td>\$1.285</td><td>\$10.992</td></tr><tr><td>Employment (Jobs)</td><td>8</td><td>14</td><td>5</td><td>27</td></tr><tr><td>Wages and Salaries (\$M)</td><td>\$0.620</td><td>\$0.914</td><td>\$0.292</td><td>\$1.827</td></tr><tr><td>Value-added (\$M)</td><td>\$1.299</td><td>\$1.588</td><td>\$0.729</td><td>\$3.616</td></tr></table> <p>Further, according to CoM research the Water Services Association of Australia (WSAA) suggest that for every \$1 million in capital investment in water infrastructure, 12 direct and indirect jobs are created (WSAA 2020) – this suggests the Project will support 60 jobs.</p>	Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect	Output (\$M)	\$5.300	\$4.406	\$1.285	\$10.992	Employment (Jobs)	8	14	5	27	Wages and Salaries (\$M)	\$0.620	\$0.914	\$0.292	\$1.827	Value-added (\$M)	\$1.299	\$1.588	\$0.729	\$3.616
Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect																							
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Value-added (\$M)	\$1.299	\$1.588	\$0.729	\$3.616																							
Impact on businesses in the proximity		<p>The Project involves the installation of pipes to extend the Marion Water distribution network which may have minor and short term impacts during construction however this is unlikely to materially impact business on the network route.</p>																									

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Elements	Relevant Documents	Prudential Review Comments
<b>Fair competition</b>	National Competition Policy (NCP) National Water Initiative (NWI)	<p>The NCP supports economic reform from practices that restrain Australian markets and industries. This policy identifies various principles to encourage competitive markets that would enhance national productivity for the benefit of the community whilst eliminating any unfair advantages. In relation to government activities, it specifies that government should not enjoy any competitive advantage simply as a result of their public ownership. By virtue of Clause 7, of the NCP Principles Agreement, local government is also bound.</p> <p>As a retailer of water the CoM will need to give consideration as to whether this activity constitutes a "significant business activity" in accordance with the Clause 7 Statement of the Competition Principles Agreement and the Government Business Enterprises (Competition) Act 1996 which provides the framework for implementing NCP by local government entities in South Australia. If these activities were considered to constitute a significant business activity, deemed to be significant within the definitions of Clause 7, then CoM would need to give consideration to whether competitive neutrality principles will need to be applied to their activities.</p> <p>The application of competitive neutrality principles is about transparent cost identification and pricing in a way which removes or neutralises the net cost advantages arising from public ownership when compared to private sector operators, these principles do not apply to those activities which are non-business, or non-profit activities. It should be noted that the NWI Pricing Principles for recycled water specify that prices should recover the efficient full, direct costs of supplying the service. In addition to recovering operating, maintenance and administration costs, the full cost of supply should include an allowance for capital recovery. Thus, if these principles are being applied CoM has gone some way towards the application of the competitive neutrality principles.</p> <p>In considering this issue CoM should be mindful of whether there are other companies who may have aspirations (now or in future) to supply treated water to any of the customers CoM may seek to service.</p>
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (c) <b>have been met.</b></p> <p>CoM has prepared an economic impact assessment for the Project showing a positive impact on economic output and jobs.</p> <p>The CoM sets the price for water in accordance with the National Water Initiative Pricing Principles, notwithstanding this CoM will need to give consideration as to whether their activities as water retailer constitute a significant business activity and whether competitive neutrality principles should apply.</p>		

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## 5. COMMUNITY CONSULTATION

*Section 48 (2) (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

Elements	Relevant Documents	Prudential Review Comments
<b>Level of consultation</b>	<p>CoM Public Consultation Policy (Authorisation Date GC190514)</p> <p>CoM Public Consultation Procedure (Last updated March 2019)</p> <p>Local Government Act 1999</p>	<p>The CoM Community Consultation Policy, prepared pursuant to Section 50 of the Act, sets out the steps that Council intends to take to deliver effective community consultation, whilst fulfilling Council's requirements under the Act.</p> <p>The Policy should be read in conjunction with the Community Engagement Strategy and only applies to matters that require public consultation as per the Act.</p> <p>The Project is not an activity that requires consultation under the Act.</p> <p>The Project was identified in the Annual Business Plan and Budget which was the subject of a public consultation process.</p> <p>The Marion 100 Community Engagement Summit brings together residents from different genders, ages, suburbs and backgrounds for specific consultations. The summit held on 17 March 2022 was attended by 28 community members and focused on the annual business plan, specifically to prioritise eleven unfunded projects and to allocate expenditure across 12 key areas. At the summit the 'Alternative Water Supply Measures Project' scored more than double any other unfunded project. The Summit reported there was a real push from residents to Green the CoM, irrigation of ovals, parks and gardens was seen as a priority.</p>
<b>Level of community influence to the Project</b>		The community has (properly) not been consulted on the sale of the Land.
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (d) <b>have been met.</b></p> <p>The Project is not an activity that requires consultation under the Act.</p>		



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## 6. FINANCIAL ASSESSMENT

### 6.1 Revenue, Revenue Projections and Potential Financial Risks

*Section 48 (2) (e) if the project is intended to produce revenue, revenue projections and potential financial risks"*

Elements	Relevant Documents	Prudential Review Comments																		
Revenue projections	CoM Business Case	<p>The Project will enable the sale of water to potential customers along the proposed network extension route which provides a source of revenue for the CoM. While the Scheme can produce more than 144ML for sale, the conditions of the government grant require the replacement of 144ML of potable water, accordingly this has been used as the basis for revenue estimates.</p> <p>The Business Case and High level Pricing Models include revenue estimates for the sale of water for a range of demand scenarios (including incorporating the 144ML from the Project).</p> <p>The Project assumes internal sales to the CoM of 37ML which replaces potable water used on Council reserves. The benefit of this over 10 years is forecast to be \$0.162 million (which should be viewed as a reduction in costs rather than as a revenue).</p> <p>Based on the demand estimate of 144ML and the five year smoothed renewal price estimate of \$2.47/kL (NC Economics Pricing Model) revenue in FY2024 (when water is available for sale) would be circa \$0.372 million per annum. Demand and potential revenue per identified customer are shown below in FY2024 (CPI adjusted).</p> <table><thead><tr><th>Customer</th><th>Demand (ML)</th><th>Amount</th></tr></thead><tbody><tr><td>City of Marion</td><td>37</td><td>\$95,960</td></tr><tr><td>City of Holdfast Bay</td><td>14</td><td>\$35,557</td></tr><tr><td>Education Department</td><td>24</td><td>\$61,933</td></tr><tr><td>Flinders University</td><td>39</td><td>\$101,147</td></tr><tr><td>Office of Recreation and Sport</td><td>30</td><td>\$77,805</td></tr></tbody></table> <p>The smoothed water price is sensitive to the estimated operating costs. If these are higher than estimated in the High Level Pricing Model the price would rise, however if they are lower than estimated the price would fall.</p> <p>We note the smoothed renewal price is ~\$0.37 cheaper than the SA Water Tier 2 price.</p>	Customer	Demand (ML)	Amount	City of Marion	37	\$95,960	City of Holdfast Bay	14	\$35,557	Education Department	24	\$61,933	Flinders University	39	\$101,147	Office of Recreation and Sport	30	\$77,805
	Customer		Demand (ML)	Amount																
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	Marion MAR Water Pricing Draft Report January 2023 (NC Economics)																			
	Marion High Level Pricing Models 240123.xls (NC Economics)																			

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Elements	Relevant Documents	Prudential Review Comments															
		<p>Based on the Pricing Model the estimated smoothed renewal price provides a marginal positive benefit to customers compared to SA Water pricing (13%). In addition to the sale of 144ML of water for the Project, the smoothed renewal price assumes water sales to:</p> <ul style="list-style-type: none"><li>the CoM (120ML) per annum;</li><li>Tonsley (1.5ML rising to 15ML by 2033); and</li><li>Oaklands (3.2ML rising to 32ML by 2034).</li></ul> <p>The CoM has historically used approximately ~110ML for internal use, the 37ML is in addition to this volume.</p> <p>Should these sales not eventuate the smoothed price would need to increase due to the decrease in revenue which would reduce the difference between the SA Water price and the price to be charged by the CoM. However, we note that CoM has also previously sold ~\$0.100 million in water to the Department of Infrastructure and Transport for use in dust suppression on roadway construction, this may be another source of demand and revenue as major roadworks continue around metropolitan Adelaide.</p> <p>The Project revenue assumptions are sensitive to the level of demand.</p> <table><thead><tr><th>Scenario</th><th>Volume (ML)</th><th>Estimated Revenue per annum</th></tr></thead><tbody><tr><td>CoM only</td><td>37</td><td>\$95,960</td></tr><tr><td>Sale of 25% of available water</td><td>64</td><td>\$165,070</td></tr><tr><td>Sale of 75% of available water</td><td>117</td><td>\$303,290</td></tr><tr><td>Sale of 100% of available water</td><td>144</td><td>\$372,401</td></tr></tbody></table>	Scenario	Volume (ML)	Estimated Revenue per annum	CoM only	37	\$95,960	Sale of 25% of available water	64	\$165,070	Sale of 75% of available water	117	\$303,290	Sale of 100% of available water	144	\$372,401
Scenario	Volume (ML)	Estimated Revenue per annum															
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Sale of 100% of available water	144	\$372,401															
<b>Potential financial risks</b>	<p>Project Risk Register</p> <p>Risk Management Policy (Authorisation date: 25 February 2020)</p> <p>Risk Management Framework</p> <p>Oaklands Seacliff Extension Demand Report prepared by Hydroplan (21 May 2020)</p>	<p>A Risk Register for the Project has been prepared which details controls and treatment plans for a number of identified risks including financial risks. We have highlighted what we consider to be the key financial risks.</p> <table><thead><tr><th>Risk</th><th>Potential Mitigation</th></tr></thead><tbody><tr><td>Capital costs are higher than estimated</td><td>The government grant includes CPI and escalation costs. CoM should also seek to enter into a fixed price contract or ensure there is adequate contingency in the pricing.</td></tr></tbody></table>	Risk	Potential Mitigation	Capital costs are higher than estimated	The government grant includes CPI and escalation costs. CoM should also seek to enter into a fixed price contract or ensure there is adequate contingency in the pricing.											
Risk	Potential Mitigation																
Capital costs are higher than estimated	The government grant includes CPI and escalation costs. CoM should also seek to enter into a fixed price contract or ensure there is adequate contingency in the pricing.																

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Elements	Relevant Documents	Prudential Review Comments
		<p>Council reallocates funding</p> <p>Operating costs are higher than forecast</p> <p>Loss of grant funding due to an inability to deliver the Project within stated timeframes</p> <p>Inability to supply</p> <p>The basis of any future contractual arrangements has not been established</p> <p>The forecast price does not offer a sufficiently attractive discount on the SA Water price to be attractive to customers</p> <p>The demand risk is important to understand because of its impact on price, if water sales fall below the levels in the Pricing Model then the sale price will need to increase. Over time, if the Project was to sell 100ML the smoothed renewal price would rise to parity with the SA Water price unless operating costs were reduced.</p>
		<p>Council has previously resolved to roll over Water Business funding for FY2023.</p> <p>CoM has a High Level Pricing Model which is based on historical operating costs providing some mitigation for this risk. There are economies of scale benefits from increased volumes.</p> <p>CoM may require a procurement exemption to meet the grant timeframes.</p> <p><b>This risk has a residual rating of Low which may be understated.</b></p> <p>The MAR scheme is functioning as designed and the wetlands are designed to treat 400ML, the aquifer is licenced to inject and extract (on a sliding scale) up to 700ML. The CoM licence for FY2023 is 399ML, FY2024 is 432ML, and FY2025 is 465ML.</p> <p>There are no contractual arrangements in place with potential customers nor are there any binding commitments to take water. The CoM should develop pro-forma terms and condition for the sale of water.</p> <p>The Pricing Model is based on a 12.6% discount to SA Water and there are environmental benefits from using the water. Should water sales not eventuate as modelled the price will need to rise. The Pricing Model shows that increased demand produces a lower price. CoM should look to increase supply from the network</p>

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Elements	Relevant Documents	Prudential Review Comments
		<p>Flinders University has written to confirm their commitment to the use of recycled water on their Bedford Park campus and that subject to commercial considerations intends to connect to the CoM recycled water network, the University has begun upgrading irrigation system to enable the use of recycled water. Flinders University demand has been modelled at 39ML however other estimates suggest that this could range to between 50ML and 75ML per annum.</p> <p>The Department for Education has written to confirm they are actively connecting schools to recycled water mains for the irrigation of ovals and non-edible gardens. They confirm also that this is occurring in partnership with a number of councils in various Local Government Areas. Education demand has been estimated at 24ML.</p> <p>There is other potential demand that can be serviced through the network or with further extensions to the network.</p> <p>There is a realistic prospect that the Department of Infrastructure and Transport would purchase water for dust suppression in road construction, although the volume and timing are not known.</p> <p>The CoM has other demand that could be serviced through a further extension to the network, including the Golf Club, BMX and Soccer Ground on Majors Road (estimated at 40ML of water).</p> <p>We note also that both the City of Holdfast Bay and the City of Mitcham have written to express their interest in potential to connect to the CoM recycled stormwater scheme subject to costs and contract conditions. It is likely that additional capital works would be required to supply these potential customers. There are currently no firm estimates of the demand (beyond the 14ML already identified for City of Holdfast Bay) for each of these potential customers.</p>
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (e) <b>have been met.</b></p> <p>The CoM uses a high level pricing model to set prices in accordance with the NWI principles, this includes water sales from the Project but also incorporates water sales associated with other works.</p>		

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## 6.2 Recurrent and Whole of Life Costs

*Section 48 (2) (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*

Elements	Relevant Documents	Prudential Review Comments
<b>Recurrent costs</b>	<p>CoM Business Case</p> <p>Marion MAR Water Pricing Draft Report January 2023 (NC Economics)</p> <p>Marion High Level Pricing Models 240123.xls (NC Economics)</p> <p>Long Term Financial Plan 2022-2032 (LTFP)</p> <p>Treasury Management Policy (Authorisation GC210622R08)</p>	<p>The CoM has critically reviewed operating costs for the past five years to inform the preparation of the High Level Pricing Model to ensure it is based on accurate data. The additional recurrent costs identified include provisions of \$30,000 for increased operating and administrative or corporate costs. The operating costs include electricity, water monitoring, plant renewal and refurbishment, silt removal and an increase in contract fees for the mechanical and electrical support required and depreciation. The administrative or corporate costs include corporate support, vehicle usage, insurance, IT and scada coding and finance.</p> <p>Electricity is the highest and most variable of the Project operating costs. Given the uncertainty in electricity prices we have included an increase of 20% over the historical costs in the financial modelling and this is inflated by CPI thereafter.</p> <p>There will also be some one-off costs associated with legal advice for any customer contracts and professional advice on water pricing to ensure compliance with ESCOSA pricing principles. The CoM already incurs water licencing costs and these are not expected to change.</p> <p>The Project is not expected to result in an increase in staffing or administrative costs, however staff time will need to be redirected to securing customers to support the recovery of the additional recurrent and one-off costs of undertaking the Project and to set up administrative systems to issue bills to customers.</p> <p>The additional funds required for the Project will need to be debt funded, based on a 10 year loan at the current LGFA rate of 5.45% interest costs are estimated to average ~\$51,000 per annum over the 10 year term of the loan. A shorter term loan would have a positive impact on the Project.</p> <p>While strictly speaking it is not a cost of the Project, the CoM manages its finances holistically in accordance with the Treasury Management Policy and the application of \$1.795 million from the cash backed Water and Asset Sustainability Reserves has an opportunity cost of ~\$54,000 assuming the need to borrow for other projects.</p>

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Elements	Relevant Documents	Prudential Review Comments																																																							
Whole of life costs	<p>Marion MAR Water Pricing Draft Report January 2023 (NC Economics)</p> <p>Marion High Level Pricing Models 240123.xls (NC Economics)</p>	<p>The CoM has prepared a high level whole of life cost for the Project, which is \$26.184 million and excludes financing and potential revenues.</p> <p>Subject to the estimated increase in recurrent costs being an accurate reflection of the Project costs, the Project should have a positive whole of life calculation provided that the CoM demand replaces water that would otherwise be purchased from SA Water at or above the price in the High Level Pricing Model and there are enough customers who are prepared to take 19% of the identified demand for water (this equates to 20ML) who are also willing to pay the forecast price in the Pricing Model.</p> <p>The impact of the Project on the CoM Operating Surplus (or Deficit) is shown in the chart below which has been prepared for a range of demand scenarios.</p> <div><p>Seacliff Flinders Network Extension 10-Year Operating Surplus / (Deficit)</p><p>Non-CoM demand %: 0% 25% 75% 100%</p><table><thead><tr><th>Fiscal Year</th><th>0%</th><th>25%</th><th>75%</th><th>100%</th></tr></thead><tbody><tr><td>FY2024</td><td>-\$120,000</td><td>-\$30,000</td><td>\$80,000</td><td>\$150,000</td></tr><tr><td>FY2025</td><td>-\$110,000</td><td>-\$20,000</td><td>\$90,000</td><td>\$170,000</td></tr><tr><td>FY2026</td><td>-\$100,000</td><td>-\$10,000</td><td>\$100,000</td><td>\$190,000</td></tr><tr><td>FY2027</td><td>-\$90,000</td><td>\$0</td><td>\$110,000</td><td>\$210,000</td></tr><tr><td>FY2028</td><td>-\$80,000</td><td>\$10,000</td><td>\$120,000</td><td>\$230,000</td></tr><tr><td>FY2029</td><td>-\$70,000</td><td>\$20,000</td><td>\$130,000</td><td>\$250,000</td></tr><tr><td>FY2030</td><td>-\$60,000</td><td>\$30,000</td><td>\$140,000</td><td>\$270,000</td></tr><tr><td>FY2031</td><td>-\$50,000</td><td>\$40,000</td><td>\$150,000</td><td>\$290,000</td></tr><tr><td>FY2032</td><td>-\$40,000</td><td>\$50,000</td><td>\$160,000</td><td>\$310,000</td></tr><tr><td>FY2033</td><td>-\$30,000</td><td>\$60,000</td><td>\$170,000</td><td>\$330,000</td></tr></tbody></table></div> <p>This impact does not account for the benefit to the CoM from paying a 13% lower cost to irrigate public spaces compared to the current cost of potable water.</p>	Fiscal Year	0%	25%	75%	100%	FY2024	-\$120,000	-\$30,000	\$80,000	\$150,000	FY2025	-\$110,000	-\$20,000	\$90,000	\$170,000	FY2026	-\$100,000	-\$10,000	\$100,000	\$190,000	FY2027	-\$90,000	\$0	\$110,000	\$210,000	FY2028	-\$80,000	\$10,000	\$120,000	\$230,000	FY2029	-\$70,000	\$20,000	\$130,000	\$250,000	FY2030	-\$60,000	\$30,000	\$140,000	\$270,000	FY2031	-\$50,000	\$40,000	\$150,000	\$290,000	FY2032	-\$40,000	\$50,000	\$160,000	\$310,000	FY2033	-\$30,000	\$60,000	\$170,000	\$330,000
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FY2025	-\$110,000	-\$20,000	\$90,000	\$170,000																																																					
FY2026	-\$100,000	-\$10,000	\$100,000	\$190,000																																																					
FY2027	-\$90,000	\$0	\$110,000	\$210,000																																																					
FY2028	-\$80,000	\$10,000	\$120,000	\$230,000																																																					
FY2029	-\$70,000	\$20,000	\$130,000	\$250,000																																																					
FY2030	-\$60,000	\$30,000	\$140,000	\$270,000																																																					
FY2031	-\$50,000	\$40,000	\$150,000	\$290,000																																																					
FY2032	-\$40,000	\$50,000	\$160,000	\$310,000																																																					
FY2033	-\$30,000	\$60,000	\$170,000	\$330,000																																																					

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Elements	Relevant Documents	Prudential Review Comments
<b>Financial arrangements</b>	Annual Business Plan 2022-23 (ABP) Long Term Financial Plan 2022-2032 (LTFP)	<p>The Project is intended to be funded from the following sources:</p> <ul style="list-style-type: none"> <li>• CoM (approved subject to matching grant funding) \$1.795m</li> <li>• CoM (additional funding sought) \$1.708m</li> <li>• Government grant \$1.790m</li> </ul> <p>The CoM has not yet decided whether to accept the government grant required to undertake the Project.</p> <p>The CoM will consider whether to allocate the additional funds required to undertake the Project at a Council meeting to be held in February 2023.</p>
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (f) <b>have been partially met.</b></p> <p>Recurrent costs have been estimated and a whole of life cost estimate has been prepared.</p> <p>The requirements are partially met as the funding required for the Project is not yet in place.</p>		

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### 6.3 Financial Viability

*Section 48 (2) (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;”*

Elements	Relevant Documents	Prudential Review Comments
<b>Financial viability</b>	<p>Long Term Financial Plan 2022-2032 (LTFP)</p> <p>Treasury Management Policy (Authorisation GC210622RO8)</p> <p>Marion MAR Water Pricing Draft Report January 2023 (NC Economics)</p> <p>Marion High Level Pricing Models 240123.xls (NC Economics)</p>	<p>The financial viability of the Project is considered in the context of the impact it will have on the CoM's financial position.</p> <p>A council is financially sustainable where planned long-term services and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services. The three ratios used by the local government sector as a simple way of indicating the extent to which the Council is financially sustainable are shown below, along with the target set by the CoM.</p> <ul style="list-style-type: none"> <li>• Operating Surplus Ratio - averaging between 0% to 10% over 5 year period</li> <li>• Net Financial Liabilities Ratio (NFL) - between 0% and 50%</li> <li>• Asset Renewal Funding Ratio – between 90% to 110% is acceptable</li> </ul> <p>The CoM also uses the following indicators to measure financial performance:</p> <ul style="list-style-type: none"> <li>• Debt Servicing Ratio - between 0% and 5%</li> <li>• Asset Consumption Ratio - greater than 80% and less than 100%</li> </ul> <p>The LTFP shows that the CoM is well within the adopted targets for the key financial ratios. The NFL ratio is negative from 2028/29 onwards which indicates CoM is in a financially favourable position with more financial assets than liabilities (more cash than debt).</p> <p>Due to the lower capital expenditure reflected in the LTFP it currently partially reflects the impact of the Project on the key financial indicators. This will need to be updated in due course.</p> <p>If the CoM was the only customer for water from the Project it would have a negative impact on the key financial indicators but would not result in CoM operating outside of the identified target ranges.</p> <p>If the CoM was to sell 19% of the available water (20ML) we estimate the Project would have a minor negative impact on the Operating Surplus for five years but</p>

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Elements	Relevant Documents	Prudential Review Comments																		
		<p>again would not result in CoM operating outside of the identified target ranges. If the CoM was to sell 25% of the available water (64ML) we estimate the Project would have a positive impact on the Operating Surplus from year five onwards.</p> <p>At the Project level financial viability can be defined as the ability to generate sufficient income to meet operating expenses, financial obligations and to provide the potential for future growth.</p> <p>The following chart shows the financial impact of water sales at a range of volume scenarios, with the cost of finance averaged over the term of the loan.</p> <table border="1"> <caption>Seacliff Flinders Network Extension Data</caption> <thead> <tr> <th>% of Volume</th> <th>Volume (ML)</th> <th>Profit / Loss (\$)</th> </tr> </thead> <tbody> <tr> <td>25%</td> <td>36 ML</td> <td>-\$25,000</td> </tr> <tr> <td>40%</td> <td>56 ML</td> <td>\$25,000</td> </tr> <tr> <td>50%</td> <td>72 ML</td> <td>\$50,000</td> </tr> <tr> <td>75%</td> <td>108 ML</td> <td>\$125,000</td> </tr> <tr> <td>100%</td> <td>144 ML</td> <td>\$200,000</td> </tr> </tbody> </table>	% of Volume	Volume (ML)	Profit / Loss (\$)	25%	36 ML	-\$25,000	40%	56 ML	\$25,000	50%	72 ML	\$50,000	75%	108 ML	\$125,000	100%	144 ML	\$200,000
% of Volume	Volume (ML)	Profit / Loss (\$)																		
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75%	108 ML	\$125,000																		
100%	144 ML	\$200,000																		
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (g) <b>have been met.</b></p> <p>The Project is estimated to have a positive impact on the key financial indicators provided the CoM can source customers for ~20ML of the identified demand.</p>																				

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## 7. RISK MANAGEMENT

*Section 48 (2) (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);"*

Elements	Relevant Documents	Prudential Review Comments
<b>Risk assessment</b>	<p>Risk Strategic Plan 2020-23</p> <p>Risk Management Policy (Authorisation date: 25 February 2020)</p> <p>Risk Management Framework</p> <p>Project Risk Register</p>	<p>The Risk Management Policy requires the establishment of a Risk Management Framework in accordance with consistent with the International Standard ISO31000:2018 Risk Management Guidelines which seek to manage rather than eliminate risk. The Risk Management Framework seeks to achieve integration of CoM's risk management across its significant activities and functions.</p> <p>A Project Risk Register has been prepared that identifies the mitigation strategies to be implemented to reduce the identified risks associated with the Project to acceptable levels. Prior to the application of treatment actions 12 risks were rated as "High" which is the second level of risk.</p> <p>Of the 65 risks, none have a residual risk rating of "Extreme" (the highest level of risk), none are rated as "High", 16 are rated as "Medium" and 49 are rated as "Low".</p> <p>Controls and treatment actions have been identified for all risks.</p> <p>The Project has a relatively low risk rating overall.</p> <p>If the Project moves to the implementation phases, it would benefit from the preparation of a Risk Management Plan to outline the risk management processes to be applied to the Project through the construction phase.</p>
<b>Risk mitigation</b>	<p>Project Risk Register</p>	<p>For each for the current 65 active risks identified in this risk assessment, the Risk Register:</p> <ul style="list-style-type: none"> <li>determines the risk rating, based on the likelihood and the consequence of an event occurring;</li> <li>identifies critical controls and provides a treatment plan for the mitigation of the risk; and</li> </ul>

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Elements	Relevant Documents	Prudential Review Comments
		<ul style="list-style-type: none"> <li>identifies a revised risk rating based on the likelihood and consequence of the risk with regard to the mitigating activities and controls.</li> </ul> <p>CoM should ensure that the mitigation strategies identified for the risks associated with the Project are implemented and that these are progressively updated as the Project is implemented.</p> <p>As the Project progresses any negative change to the risk profile of the Project should be reported to the General Manager and as appropriate to the Finance Risk and Audit Committee and Council.</p>
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (h) <b>have been met.</b></p> <p>The CoM has prepared a Project Risk Register consistent with Council's Policy and Risk Management Framework.</p> <p>The Project would benefit from the preparation of a Risk Management Plan to outline the risk management processes to be applied to the Project.</p>		

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## 8. PROJECT DELIVERY

*Section 48 (2) (i) the most appropriate mechanisms or arrangements for carrying out the project;"*

Elements	Relevant Documents	Prudential Review Comments
<b>Project Delivery</b>		<p>Detailed design for the Project network extension has been completed.</p> <p>Project construction is to be undertaken by an external contractor under a Construction Contract for Services. The CoM has previously undertaken an open procurement process (for a related but different procurement) which has resulted in a qualified and experienced contractor being identified.</p> <p>Negotiations have continued with this supplier to undertake the majority of the Project works and the contractor has provided a quote for the works as per the previous tender discussions all pricing is based on a March 2023 commencement to complete project within a 6-month period in order to achieve the milestone for water supply and irrigation in October 2023. As per the post tender negotiations the contractor has made allocation for resources during this period. Pricing for pipe and fittings is only current for 45 days (from 18 January 2023).</p> <p>The price is based on detailed design works and includes an allowance of \$0.200 million for rock, which as a contingency is ~3.8% of construction costs which is low and may need to be reviewed. Should there be any increase in costs CoM may need to re-scope the Project to remain within budget, this may impact the volume of water that can be sold.</p> <p>The Project would benefit from the preparation of a document which to outline how resources and governance will be managed throughout the life of the Project including what activities will be undertaken, what are the responsibilities of various parties with respect to risk management, scope changes and budget variations (e.g. a Project Charter). The Project would benefit from the preparation of a Procurement Plan.</p>
<b>Procurement</b>	<p>Procurement and Contract Management Policy (Authorised 23 November 2021)</p> <p>Procurement Procedure (Authorisation Date: December 2021)</p>	<p>Procurement and contract management activity associated with the acquisition of goods, services, consultants, and construction works for the CoM is to occur in accordance with the key principles and requirements of the Policy.</p> <p>The Policy requires that CoM only approaches the market through a formal tender process if it has budget approval, internal approval for the expenditure and a clear</p>

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Elements	Relevant Documents	Prudential Review Comments
		<p>intent to contract unless it is seeking prices for budgeting purposes only and this intent is made clear to contractors.</p> <p>The CoM issued an Open Tender through Tenders SA for the Design and Construct of five separate portions of works which included the Project works. This tender closed on 7 July 2022. This occurred without having the full budget approval in place which was made clear to respondents during briefings. A Tender Report was prepared consistent with the Procurement Procedure. This report considered only the Seacliff pipeline extension and a new distribution pipe for Marion Golf Club (which is not part of the Project). As funding had not been approved no contract was issued. Given the passage of time the tendered prices received through the Open Tender are no longer valid.</p> <p>Following the completion of the Open Tender process it was decided to engage a design consultant at a cost of \$0.100 million through a direct engagement to prepare detailed designs for the Project. The Procurement Framework requires a Select Tender to be undertaken for expenditures of this value unless an exemption is obtained from the Manager Strategic Procurement Services. This exemption was provided by ELT at a meeting on 25 August 2022.</p> <p>Should the CoM proceed with the Project it will need to seek an exemption from the requirements of the Policy to deal direct with a contractor without undertaking an open procurement process in order to deliver the Project within the timeframes associated with the grant funding.</p> <p>Given the value of the works this exemption will need to be approved by the Tender Board. The Tender Board is an internal panel. The Policy delegates the authority to provide an exemption from relevant procurement procedures to officers of Council.</p>
<p><b>Findings:</b></p> <p>Requirements of Section 48 (2) (i) <b>have been met.</b></p> <p>CoM will deliver the Project through a construction contract. The CoM has identified a preferred contractor, through a previous procurement process, who has allocated resources for the Project works and provided a quote based on the detailed design, while this includes an allowance of \$0.200 million for rock as a contingency it is less than we would expect for a Project of this nature, this may require CoM to re-scope the Project to remain within the allocated budget or seek a budget variation.</p> <p>A procurement exemption will be required to deal directly with a preferred contractor.</p>		

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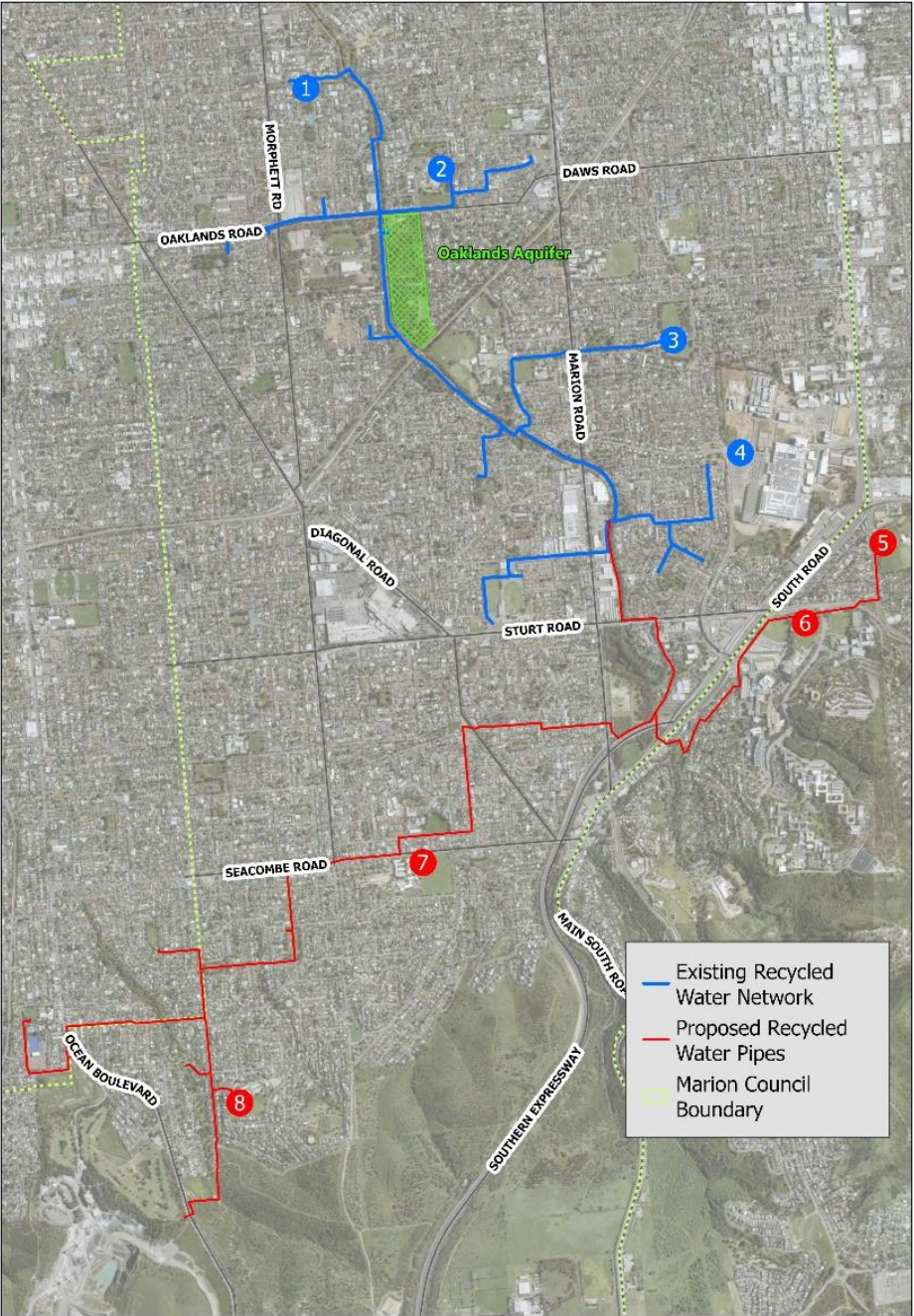
## 9. SALE OR DISPOSITION OF LAND

*Section 48 (2) (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994;"*

Elements	Relevant Documents	Prudential Review Comments
<b>Valuation of land</b>	None	The Project does not involve the sale or disposition of land.
<b>Findings:</b> Requirements of Section 48 (2) (j) are not applicable to this Project.		



**ATTACHMENT ONE: PROJECT NETWORK EXTENSION PATH**





## ATTACHMENT TWO: LOCAL GOVERNMENT ACT, 1999 SECTION 48

### Section 48 – Prudential requirements for certain activities

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
  - (a) acts with due care, diligence and foresight; and
  - (b) identifies and manages risks associated with a project; and
  - (c) makes informed decisions; and
  - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
  - (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
    - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
    - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
    - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
  - (a) the relationship between the project and relevant strategic management plans;
  - (b) the objectives of the Development Plan in the area where the project is to occur;
  - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
  - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
  - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
  - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
  - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
  - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
  - (i) the most appropriate mechanisms or arrangements for carrying out the project;
  - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.
- (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the project as a whole.
- (3) A report is not required under subsection (1) in relation to—
  - (a) road construction or maintenance; or
  - (b) drainage works.



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- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
  - (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
  - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
  - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
  - (d) if that person is a partner of the relevant person; or
  - (e) if that person is the employer or an employee of the relevant person; or
  - (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
  - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
  - (a) by virtue only of the fact that the person—
    - (i) is a ratepayer, elector or resident in the area of the council; or
    - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
  - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—
 

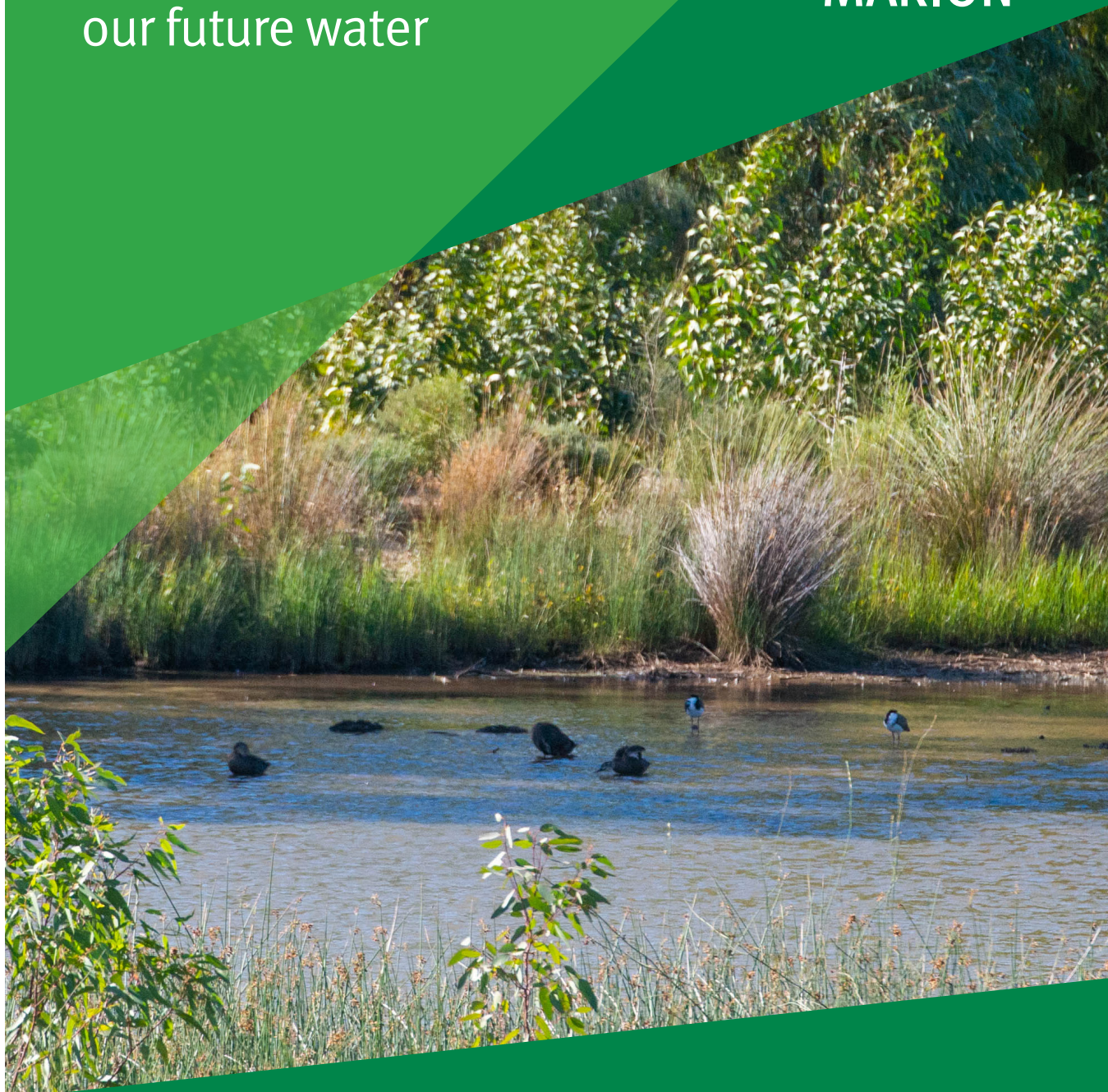
**employee** of a council includes a person working for the council on a temporary basis;

**non-profit association** means a body (whether corporate or unincorporate)—

  - (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
  - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

# Marion Water

A plan for securing  
our future water



The Marion Water Plan aims to provide strategic context around the establishment of a City of Marion water business. The plan aims to deliver the priorities of the Marion Community Vision and sits within the City of Marion Strategic Management Framework. It has been developed to support the planned expansion of the Oaklands Stormwater Reuse Scheme, but also to manage the entire suite of water resources across our city, whilst developing a professional, sustaining, full cost recovery, regulated water business.

On 8 December 2009, Council considered a report which endorsed the concept for a wetland and aquifer storage recharge scheme to be developed on the land currently occupied by the Department of Infrastructure and Transport at Oaklands Park. The project also included the development of a distribution network from the wetland to a number of council owned reserves and sporting facilities in the vicinity of the wetland that will be irrigated using the recycled stormwater.

The design intent was to deliver up to 170ML of treated stormwater to council's own parks, gardens, streetscapes and ovals. The total design capacity is for 400ML, with additional infrastructure being added when demand for stormwater increases, if economically viable to do so.

The project is now at the stage where current grant funding enables the extension of the project and the creation of Marion Water.

### Marion Water strategy

The Marion Water Plan supports our strategic framework. It sets out our high-level vision, objectives and provides:

- high level opportunities and risks
- costs and revenues
- a timeline to deliver the vision to create Marion Water
- seeks to manage all our water resources holistically.

### Vision statement

**To develop the Marion Water business into a self-sustaining, full cost recovery, non-subsidised business, that delivers environmental, financial, social and recreational benefits to the community.**

Council has resolved that the water business should be:

- financially self-sufficient, recovering all costs, including renewal, with no cross subsidies
- providing recycled water at agreed volumes and quality, and at a cost that is sustainable
- a highly regulated business unit within council, with strong governance.

### Priority statement and guiding principles

***Servicing our own water demands within the City of Marion first where it is economically viable to do so, and then seek to supply surplus water to third parties, at no cost to our ratepayers.***

### Guiding principles

- Service our own demands first, then seek to sell water to third parties.
- Avoid use of potable water for irrigation and other uses not requiring potable water.
- Avoid reliance on water supplied from the Adelaide Desalination Plant.
- Maximise opportunities to retain stormwater onsite for reuse such as rainwater tanks on developments, or, when not possible, seek to use treated stormwater from Oaklands Wetlands.
- Avoid discharges of stormwater that may exacerbate flood risk.
- Develop a best practice business to which other local governments look to for guidance on the management of recycled water.
- Ensure water access and use is equitable and extraction is within legal and fair entitlements.
- Ensure water is used to meet the needs of the City of Marion community and support delivery of the community vision.
- Ensure operations of Marion Water exceeds legislative requirement and council's best practice standards.

## Objectives

**Five objectives have been developed to guide the water business to achieve the vision and guiding principles.**

### **Objective one – Deliver social and environmental benefit to the community**

Provide a non-potable, fit for purpose water supply to green our environment. Provide alternative water for irrigating our street trees. Marion Water will provide high security water supplies that are not affected by future droughts.

### **Objective two – Drive the economic performance of the business**

The ongoing operation of the water business needs to be financially sustainable. If capital contributions are required to support growth (i.e. the development of new infrastructure), there needs to be a clear business case presented to Council (and ratepayers), and this needs to be linked to an overall strategy and vision of the business.

Staff will continue to investigate other grant or self-funded proposals to extend or consolidate the water business where environmentally and financially appropriate, subject to Council endorsement.

### **Objective three – Pursue sustainable business growth**

By delivering in excess of 250ML per annum (current supply is less than 120ML per annum).

### **Objective four – Maintain sound risk management and governance**

By having a robust and regulator approved financial model that supports and validates the business. Creating robust and rigorous risk, opportunity and governance framework. The water business will be managed by an empowered team that operates with a strong guiding strategy, and tight governance structure.

### **Objective five – Seek to deliver innovative solutions**

Marion Water will continue to seek innovative ideas and maximise potential of the emerging Water Allocation Plan.

## Marion Water four-year action plan – Proposed expansions to the water reuse scheme

**Various expansions to City of Marion's existing water reuse scheme have been proposed in discussions with Council, namely:**

### Seacliff and Flinders Link extension project

Marion Water's Seacliff and Flinders Link project is a grant opportunity from the Federal and State Government to extend the distribution of recycled water. On behalf of the City of Marion, the Department for Environment and Water successfully applied for funding from the Department of Climate Change, Energy, the Environment and Water's state-led, Off-farm Efficiency Program, designed to recover water for the environment. This program is contingent upon on the State Government returning a River Murray extraction licence equal to the average annual volume of non-potable water used to substitute existing potable supplies.

The proposed project will expand the existing scheme via a range of possible configurations and components, increasing total recycled water demand by up to 140 ML per annum (and displacing 140 ML per annum of existing potable water supplies). Key components include a pipeline extension to Seacliff Park, and a pipeline connection to Flinders University and nearby sporting fields managed by the Office for Recreation, Sport and Racing.

The greening of public land was highly rated by the community through recent consultation. A survey of 100 randomly selected residents demonstrated support for the proposed Seacliff Park extension. The project scored more than double any other unfunded project on the list, when presented to our community in March 2022.

The use of non-potable water to irrigate plants and grants is a big focus of federal, state and local governments.

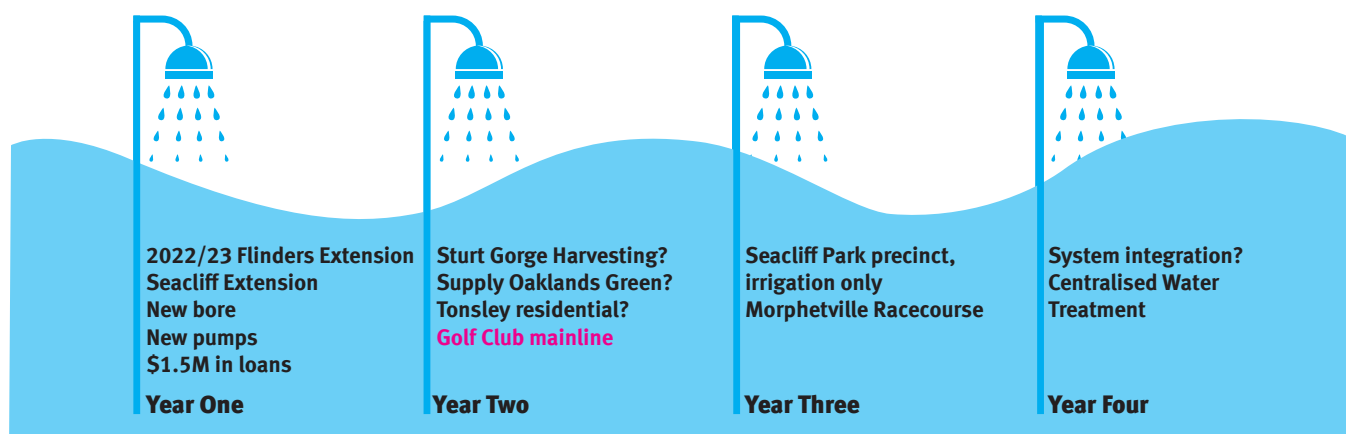
### Oaklands Green development

The Oaklands Green development is a significant urban renewal project, located across Sturt River from Oaklands Wetland, and represents an opportunity for significant recycled water demand from the scheme. The project will deliver treated recycled water to 665 homes, including upgrading more than 250 social housing properties, with construction expected to continue over the next ten years. The demand for recycled water could reach up to 30 ML per annum.

### Sturt Gorge Dam

The water business has identified a potential expansion of the scheme, whereby water will be extracted from the Sturt River, upstream of the Sturt Gorge Dam in Craighburn Farm. Extracted water could be used to irrigate local ovals, golf clubs, schools and Glenthorne Farm nature playgrounds. A preliminary design for a distribution network, and preliminary costs estimates have been completed.

## Four Year Journey



*Designed by CoM Marketing and Communications 2023*

Standard Grant Agreement (Medium/Large Scale) – DEW-D0018425

**DATED** \_\_\_\_\_ **DAY OF** \_\_\_\_\_ **2022**

**GRANT AGREEMENT**

**BETWEEN**

**THE MINISTER FOR CLIMATE, ENVIRONMENT AND WATER**  
("the Minister")

**- AND -**

**CORPORATION OF THE CITY OF MARION**  
**ABN: 37 372 162 294**  
("the Grantee")



**Government  
of South Australia**

The Crown / Minister will not be bound unless and until an Agreement is executed by the Minister and any actions taken in anticipation of approval will be at the risk of the Party taking those actions.

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**GRANT AGREEMENT**

**AGREEMENT** dated the \_\_\_\_\_ day of \_\_\_\_\_ 2022

**BETWEEN:**

**THE MINISTER FOR CLIMATE, ENVIRONMENT AND WATER** a body corporate pursuant to the *Administrative Arrangements Act 1994* (SA), of Level 13, 200 Victoria Square, Adelaide, South Australia, ("the Minister")

**AND**

**CORPORATION OF THE CITY OF MARION ABN: 37 372 162 294** a body corporate constituted pursuant to the *Local Government Act 1999* of 245 Sturt Road, Sturt, SA, 5047 ("the Grantee").

**AGREED TERMS:****1. DEFINITIONS AND INTERPRETATION**

In this Agreement unless the context otherwise requires:

- 1.1 **"ABN"** means Australian Business Number, as defined in the *A New Tax System (Australian Business Number) Act 1999* (Cth).
- 1.2 **"Agreement"** means this Grant Agreement between the Parties and includes the Schedules to this Agreement.
- 1.3 **"ANTS (GST) Act"** means the *A New Tax System (Goods and Services) Act 1999* (Cth).
- 1.4 **"Chief Executive"** means the person occupying, or acting in the position of Chief Executive of the Department, and includes an authorised delegate.
- 1.5 **"Commencement Date"** means the date specified in Item 1 of Schedule 1.
- 1.6 **"Completion Date"** means the date specified in Item 2 of Schedule 1.
- 1.7 **"Confidential Information"** means information that is disclosed by, or on behalf of, a Party to this Agreement to the other Party to this Agreement, which by its nature, or by the circumstances in which it is disclosed, is confidential. It does not include information that is public knowledge, unless it has become public knowledge by way of a breach of this Agreement.
- 1.8 **"Crown"** means the Crown in right of the State of South Australia.
- 1.9 **"Department"** means the Department for Environment and Water (South Australia) and its successors.
- 1.10 **"Funds"** means the Funds specified in Item 3 of Schedule 1.
- 1.11 **"GST"** means the Goods and Services Tax imposed by the ANTS (GST) Act.
- 1.12 **"Insolvency Administration"** means where:

- 1.12.1 an administrator is appointed to the Grantee;
  - 1.12.2 the Grantee resolves to be wound up;
  - 1.12.3 an application is made to a court for an order, or an order is made, that the Grantee be wound up (whether on grounds of insolvency or otherwise);
  - 1.12.4 the Grantee ceases to carry on business;
  - 1.12.5 a receiver or a receiver and manager of property of the Grantee is appointed whether by a court or otherwise; or
  - 1.12.6 the Grantee enters into deed of company arrangement or any other compromise or arrangement with its creditors or a class of them.
- 1.13 **“Intellectual Property”** means any copyright work or other work (including any work or item created in the future), patentable invention, design, circuit layout, new plant variety, trademark, know-how or confidential information and any other intellectual property defined in Article 2 of the *Convention Establishing the World Intellectual Property Organisation* of July 1967.
- 1.14 **“Minister”** means the Minister for Climate, Environment and Water (South Australia) including his/her successors and assigns and includes the Minister’s authorised delegate.
- 1.15 **“Party”** or **“Parties”** means one or both of the Parties to this Agreement.
- 1.16 **“Purpose”** means the Purpose or Purposes of this Agreement, as set out in Schedule 2.
- 1.17 **“Solvent”** has the meaning prescribed within the *Corporations Act 2001* (Cth).
- 1.18 **“Tax Invoice”** has the meaning prescribed within the ANTS (GST) Act.
- 1.19 **“Taxable Supply”** has the meaning prescribed within the ANTS (GST) Act.
- 1.20 **“Term”** means the Term of this Agreement as defined in Clause 2 of this Agreement.
- 1.21 Words denoting the singular include the plural and vice versa.
- 1.22 Words denoting individuals shall include corporations and vice versa.
- 1.23 Headings are for convenience only and must not be used to affect the interpretation of this Agreement.
- 1.24 Reference to any act, regulation or by-law includes that act, regulation or by-law as amended or replaced during the Term.
- 1.25 If there is any inconsistency between any term of this Agreement (excluding the Schedules) and any term comprised in the Schedules, then to the extent of that inconsistency, the terms in the Schedules will prevail.
- 1.26 A reference to a clause, schedule, or item is a reference to a clause, schedule or item of this Agreement.

1.27 A reference to a clause number is a reference to all of its subclauses.

## **2. TERM OF AGREEMENT**

2.1 The Term of this Agreement commences on the Commencement Date and expires on the Completion Date, as outlined in Items 1 and 2 of Schedule 1, unless terminated earlier in accordance with this Agreement.

## **3. GRANT OF FUNDING**

3.1 The Minister shall, subject to the terms and conditions of this Agreement, pay to the Grantee, by way of grant, the Funds of the amount referred to in Item 3 of Schedule 1.

3.2 The amount referred to in Item 3 of Schedule 1 is GST exclusive.

3.3 The Funds shall be paid to the Grantee in accordance with the payment schedule outlined in Item 4 of Schedule 1.

3.4 The Minister is not obliged to make any payment under this Agreement unless the Grantee has provided a Tax Invoice in respect of that payment.

## **4. GRANTEE'S REPRESENTATIONS AND WARRANTIES**

The Grantee represents and warrants to the Minister that:

4.1 it is qualified to meet its obligations under this Agreement;

4.2 in any dealings with the Minister, the Grantee has not provided any false, misleading or incorrect information;

4.3 it is Solvent and not under any form of Insolvency Administration;

4.4 it is registered under the *A New Tax System (Australian Business Number) Act 1999* (Cth), and that the ABN shown in Item 6 of Schedule 1 is the Grantee's ABN; and

4.5 it acknowledges that the representations and warranties made in this Clause have induced the Minister to agree to make the Funds available to the Grantee.

## **5. COMPLIANCE WITH TREASURER'S INSTRUCTION 15**

In accordance with *Treasurer's Instruction 15 – Grant Funding*:

5.1 The Grantee must, at all times, comply with:

5.1.1 the laws in force in the State of South Australia;

5.1.2 any constitution that governs the Grantee's operations; and

5.1.3 the terms of this Agreement.

5.2 The Grantee must only use the Funds for the Purpose set out in Schedule 2 and in accordance with this Agreement.

5.3 The Purpose, as set out in Schedule 2, may only be varied in accordance with the process outlined in Clause 17.

5.4 Where the Grantee:

5.4.1 applies the Funds to any purpose other than to the Purpose set out in Schedule 2; or

5.4.2 fails, in any way, to apply the Funds in accordance with this Agreement;

the Grantee shall, as required by the Minister, reimburse to the Department, all or a portion of the Funds, unless specific approval is given by the Minister to retain the Funds.

5.5 The Grantee must, on an annual basis, provide the Department with:

5.5.1 progress reports on any project or program outlined in Schedule 2 of this Agreement. These progress reports are to include details of any changes to the authorised scope of the project or program that have been made pursuant to Clause 17 of this Agreement;

5.5.2 an expenditure report, which provides itemised details of expenditure of the Funds, including the amount spent, justification of the way in which the expenditure contributes to the Purpose, and copies of invoices, receipt and other evidence to support that expenditure;

5.5.3 any further reports required by the Department, as listed in Schedule 2 of this Agreement; and

5.5.4 any further reports required by the Department.

These reports will be used by the Department to:

5.5.5 make an informed assessment as to the ongoing financial position of the Grantee;

5.5.6 monitor the Grantee's compliance with the terms of this Agreement; and

5.5.7 form an assessment as to the overall effectiveness of the grant, throughout the Term of the grant.

5.6 Upon the completion of this Agreement, the Grantee must report to the Minister, on an accrual basis, the level of Funds that remain unexpended as at the Completion Date. Any portion of the Funds that remains unexpended at the Completion Date is to be repaid to the Department, unless specific approval is given by the Minister for those monies to be retained by the Grantee.

5.7 The Grantee must ensure that financial statements, as outlined in Schedule 2, are prepared in relation to the Funds. These financial statements are to be prepared at the end of each financial year over which the Agreement spans.

The Grantee must submit to the Minister a copy of the financial statements within three (3) months after the conclusion of this Agreement.

The financial statements must:

- 5.7.1 be prepared in accordance with Australian Accounting Standards;
  - 5.7.2 be signed by the Chief Executive Officer of the Grantee or the officer of the Grantee who executed this agreement; and
  - 5.7.3 clearly establish whether the Funds paid to the Grantee were used by the Grantee for the Purpose.
- 5.8 As the grant is in excess of \$1,000,000 (GST excl) the Grantee must ensure that financial statements, as outlined in Schedule 2, are prepared in relation to the Funds. These financial statements are to be prepared in the nature of a general purpose financial report.
- 5.9 The Grantee must allow any officer authorised by the Minister to enter the Grantee's premises to inspect the operations, equipment, premises, accounting records, documents and information of the Grantee, and interview the employees of the Grantee on matters pertaining to the Grantee's operation.
- 5.10 The Minister may direct that the Grantees financial accounts be audited ("the Audit"). The Minister may specify the minimum qualifications to be held by a person appointed by the Grantee to conduct the Audit.

## **6. GOODS AND SERVICES TAX**

- 6.1 The Parties acknowledge that the payment of the Funds under this agreement are consideration in respect of a supply by the Grantee within the meaning of ANTS (GST) Act and accordingly that:
- 6.1.1 GST is payable on any amount paid by the Minister to the Grantee;
  - 6.1.2 any invoice for payment under this Agreement must be a Tax Invoice within the meaning defined in the ANTS (GST) Act; and
  - 6.1.3 if the Funds are payable in instalments, the GST payment will be payable in proportionate instalments.

## **7. AUDITOR-GENERAL**

- 7.1 Nothing in this Agreement derogates from the powers of the Auditor-General under the *Public Finance and Audit Act 1987* (SA).
- 7.2 Without limiting the previous sub-clause, the Grantee acknowledges the Auditor-General's obligations and powers under sections 32 and 34 of the *Public Finance and Audit Act 1987* (SA).

## **8. INSURANCE**

- 8.1 The Grantee is required to hold insurance cover at all times during the Term of this Agreement.
- 8.2 The type and level of insurance cover that the Grantee is required to hold is outlined in Item 5 of Schedule 1.

## **9. INTELLECTUAL PROPERTY**

All Intellectual Property created by the Grantee which results from the Grantee's work pursuant to this Agreement shall be jointly owned by the Grantee and the Crown in right of the State of South Australia. As co-owners of copyright material, the Parties agree that each Party may use or exercise their copyright rights (such as copying or altering the material, communicating the material to the public or sub-contracting of licensing others to do so) without the consent of the other Party.

9.1 The Grantee must disclose all Intellectual Property arising out of, or in connection with this Agreement.

#### **10. CONFIDENTIAL INFORMATION**

- 10.1 Subject to this Agreement, the Party to this Agreement to whom Confidential Information is disclosed ("Receiving Party") must not disclose the Confidential Information to any person without first obtaining the written consent of the Party disclosing the information ("Disclosing Party").
- 10.2 There will be no breach of the obligations of the Receiving Party under this Agreement if the Confidential Information is legally required to be disclosed or is permitted to be disclosed by this Agreement.
- 10.3 The Grantee acknowledges that the Minister may disclose Confidential Information:
  - 10.3.1 to Parliament, the Governor, Cabinet or a Parliamentary or Cabinet committee or subcommittee;
  - 10.3.2 to any agency, authority, instrumentality, minister or officer of the Crown of the State of South Australia to whom it is customary for the Minister to disclose the Confidential Information; or
  - 10.3.3 for the purposes of prosecuting or defending any legal proceedings.
- 10.4 Each Party will use its best endeavours to ensure that on completion or termination of this Agreement, all documents and other materials in possession of the Receiving Party containing Confidential Information are returned to the Disclosing Party.

#### **11. NAME AND REPUTATION OF THE MINISTER AND GOVERNMENT**

The Grantee acknowledges and agrees that in exercising its rights and in the performance of its obligations under this Agreement it:

- 11.1 will not use any logo used by the Minister, the Department, the Government of South Australia or any instrumentality or agency of the Government of South Australia, in any of its activities, except:
  - 11.1.1 with the Minister's prior written consent; and
  - 11.1.2 in a manner required or approved by the Minister.

The consent of the Minister referred to in this Clause may be granted or withheld in the Minister's absolute discretion, and if granted, it may be subject to such terms and conditions as the Minister thinks fit; and

- 11.2 must act with due care and attention at all times to avoid statements or representations which are misleading or which may have the potential to mislead the public or any person in relation to the Minister, the Department or the Government.

**12. PUBLICITY AND PROMOTION**

Neither Party may authorise the publication of any printed material, advertising, press release or publicity, or the making of a speech or lecture in relation to the Purpose, without first obtaining the consent to do so from the other Party.

**13. DISCLOSURE OF AGREEMENT**

Notwithstanding anything else contained in this Agreement, the Grantee agrees to disclosure of this Agreement in accordance with *Department of the Premier and Cabinet Circular 27 – Disclosure of Government Contracts*.

**14. RELATIONSHIP BETWEEN THE PARTIES**

- 14.1 The Parties acknowledge and agree that nothing in this Agreement:

14.1.1 constitutes a partnership or joint venture of any kind between the Parties;

14.1.2 constitutes any relationship of employer and employee or principle and agent between the Minister and the Grantee or between the Minister and any employees, agents, sub-contractors, members or volunteers of the Grantee.

**15. NO ASSIGNMENT BY THE GRANTEE**

The Grantee's rights and obligations under this Agreement are unassignable.

**16. ENTIRE AGREEMENT**

This Agreement constitutes the entire Agreement between the Parties with respect of the matters dealt with in this Agreement and supersedes any prior Agreements, understandings and negotiations in respect of the matters dealt with in this Agreement.

**17. VARIATION**

- 17.1 This Agreement may be varied by:

17.1.1 the written consent of both Parties; or

17.1.2 the Minister, upon one month's written notice, where obligations imposed upon the Minister by Government, make a variation necessary.

**18. PROPER LAW**

- 18.1 The laws in force in the State of South Australia, including the law with respect to capacity to contract and manner of performance, apply to this Agreement.

18.2 The courts of the State of South Australia have exclusive jurisdiction in connection with this Agreement.

18.3 Any proceeding brought in a Federal Court must be instituted in the Adelaide Registry of that Federal Court.

#### **19. ADMINISTRATION**

19.1 The Minister's Representative, as specified in Item 7 of Schedule 1, shall administer this Agreement on behalf of the Minister. The Chief Executive may appoint a substitute Minister's Representative at any time, upon written notice of such appointment to the Grantee.

19.2 The Grantee's Representative, as specified in Item 8 of Schedule 1, shall administer this Agreement on behalf of the Grantee. The Grantee may appoint a substitute Grantee's Representative at any time, upon written notice of such appointment to the Minister and to the Minister's Representative.

#### **20. NOTICES**

20.1 Notices must be in writing and signed by the administering Party's representative.

20.2 Notices must be given to the other Party:

20.2.1 personally;

20.2.2 by pre-paid post to the recipient's address; or

20.2.3 by email to the recipient's email.

#### **21. WAIVER OF RIGHTS**

The Minister waives a right under this Agreement only by written notice to that effect; and nothing else done or omitted to be done by the Minister in relation to the Minister's rights under this Agreement will have the effect as a waiver.

#### **22. SEVERANCE**

22.1 If any part of this Agreement is or becomes unenforceable, or if this Agreement would, if any part were not omitted, be or become void or unenforceable then:

22.1.1 that part shall be severable without affecting the remainder of this Agreement and this Agreement shall then be read as if that part were not contained in it; and

22.1.2 the Parties shall attempt to renegotiate that part in good faith.

#### **23. DISPUTE RESOLUTION**

23.1 The Parties must use all reasonable endeavours to resolve any dispute in good faith in accordance with the provisions of this Clause.

23.2 Where there is a dispute, the aggrieved Party must notify the other Party in writing of the existence and nature of the dispute.

- 23.3 Within fourteen (14) days of receipt of a notification under Clause 23.2, the Minister's Representative and the Grantee's Representative must attempt to resolve the dispute.
- 23.4 If the Parties are unable to resolve the dispute under Clause 23.3 within twenty-eight (28) days or such longer period as may be agreed between them, they will assess whether the dispute can be resolved by using formal dispute resolution techniques such as mediation, independent expert appraisal or any alternative resolution technique.
- 23.4.1 The Parties agree that in pursuing dispute resolution, their first approach will be mediation where they will approach the President of the Law Society of South Australia to supply an appropriate mediator.
- 23.5 The procedure for dealing with disputes between the Parties under this Clause will not be without prejudice to, and will not affect, the right of any Party to seek urgent or interlocutory relief from a Court in respect of any action or threatened or suspected breach of this Agreement.

#### **24. TERMINATION**

This Agreement can be terminated in the following ways:

- 24.1 by the mutual consent of the Parties. Where this occurs, the Parties must evidence the termination in writing; or
- 24.2 by the Minister:
- 24.2.1 where the Grantee has breached or failed to comply with any of the terms of this Agreement and this breach cannot be remedied by the dispute resolution process outlined in Clause 23. Where this occurs:
- 24.2.1.1 all future payments of the Funds will be withheld;
- 24.2.1.2 the Minister may require the Grantee to repay the full amount or a portion of the Funds; and
- 24.2.1.3 the Grantee may make a request in writing to the Minister that the decision to terminate the Agreement is reviewed on the basis that they have corrected the breach or that the Minister erred in finding that they were in breach of the Agreement; or
- 24.2.2 without cause, by giving 6 months' notice to the Grantee.

#### **25. COSTS**

Each Party shall bear its own costs incurred in, and incidental to the negotiation, preparation, and execution of this Agreement.

**THE PARTIES EXECUTE THIS AGREEMENT AS FOLLOWS:**

**SIGNED** for and on behalf of ) .....  
**THE MINISTER FOR CLIMATE, ENVIRONMENT** ) John Schutz  
**AND WATER** ) Chief Executive, Department for Environment  
and Water,  
by a person duly authorised )

in the presence of: ) .....  
)  
) Witness  
) .....  
) .....  
) .....  
)  
) Witness Address  
) .....  
)  
)  
) Date

**SIGNED** for and on behalf of ) .....  
**CORPORATION OF THE CITY OF MARION** ) Tony Harrison  
by a person duly authorised ) Chief Executive Officer

in the presence of: ) .....  
)  
) Witness  
) .....  
) .....  
) .....  
)  
) Witness Address  
) .....  
)  
) Date

**SCHEDULE 1****Item 1 – Commencement Date**Commencement Date: On signing of this agreement / 1<sup>st</sup> March 2023**Item 2 – Completion Date**

Completion Date: 2 February 2024

**Item 3 – Funds**

Funds \$1,739,942 (GST exclusive)

**Item 4 – Payment Schedule\***

Milestone 1: Project preliminaries – Progress report 1 Payment date: 24/03/23 Payment amount: \$150,000 GST: \$15,000	Milestone 2: Progress report (construction progress) Payment date: 28/04/23 Payment amount: \$1,000,000 GST: \$100,000	Milestone 3: Progress report (scheme performance) Payment date: 31/19/23 Payment amount: \$589,942 GST: \$58,984.20	Milestone 4: Final report (including financial report) Payment date: 23/01/04 Payment amount: \$0 GST: \$0
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\*See Schedule 3 for progress report details

**Item 5 – Insurance****Type of Insurance**

Public Liability Insurance

**Level of Insurance**

\$10,000,000

**Item 6 Grantee's Details**

Corporation of the City of Marion

ABN: 37 372 162 294

245 Sturt Road, Sturt, SA, 5047

**Item 7 – Minister's Representative**

Hannah Ellyard

Manager Urban Water Strategy

Water Security, Policy and Planning Branch | Water and River Murray Division

Department for Environment and Water

**Address for service of notices**

GPO Box 1047, Adelaide SA 5001, AUSTRALIA

**Telephone Number**

P (08) 8204 1749

**Item 8 – Grantee's Representative**

Glynn Ricketts

Water Resources Coordinator

City of Marion

**Address for service of notices**

PO Box 21 Oaklands Park SA 5046

**Telephone Number**

0478 487 473

## **SCHEDULE 2**

### **Project Name**

#### **Marion Water Efficiency Project**

### **Background**

The City of Marion (CoM) has an existing stormwater harvesting and reuse scheme at Oaklands Park (the Oaklands Wetland) built after the Millennium Drought. An opportunity has been identified to increase supply from the existing Oaklands scheme through two network extensions; one south to the Seacliff area to supply schools and Council reserves and a second east to Flinders University and the Women's Memorial Playing Field (WMPF). The sites are currently irrigated using SA Water's mains water supply network. Both extensions will replace River Murray water used for open space irrigation in the short term, with design capacity for future extensions (not part of this grant agreement) to these networks that will also service non-potable dual reticulation demands (e.g. toilets, air-conditioning) and irrigation to new housing developments (not included in the water savings calculations). Ultimately this will contribute towards a more sustainable water future, with cooler, greener urban environments achieved through stormwater recycling.

### **Purpose of Grant**

This Project will substitute the River Murray water used for open space irrigation in metropolitan Adelaide with treated stormwater from an existing scheme at Oaklands Park by:

- extending the existing supply network of pipe to transport recycled stormwater to the irrigation sites;
- installing a new tank, aquifer injection system and recovery bore for additional above and below ground storage;
- installing new pumps to meet pressure requirements.
- .

### **Outcomes/Deliverables**

The infrastructure improvements will result in the return of 143.49 ML of River Murray entitlement under the efficiency measures project.

### **Link with Government policy and/or South Australia's Strategic Plan**

Contributing to the delivery of the South Australian Labor Government's commitment to recover 450GL through Basin Plan efficiency measures and Department for Environment and Water Corporate Plan Goal 1: A healthy, resilient environment.

### **Timelines**

The project timeline is as follows:

<b>Milestone</b>	<b>Activity/report details</b>	<b>Date</b>	<b>Payment</b>
Grant agreements signed by both		1/03/2023	\$0

parties			
(Non-milestone activity)	Contribute to <i>Project Management Plan</i> , <i>Risk Plan</i> and plan/progress toward achieving project approvals and permits for start conditions.		
1: Progress report	<p>An expenditure report to date.</p> <p>Progress against the project management plan –</p> <ul style="list-style-type: none"> <li>- including statistics on the status of procurements (number, value, status) and status of all on ground works (planned, commencing, underway, completed)</li> <li>- Workplace Health and Safety outcomes and responses; risks management and treatments.</li> </ul> <p>Contribute to the <i>Stakeholder Engagement Report</i>.</p>	24/03/2023	\$150,000
2: Progress report (construction)	<p>An expenditure report to date.</p> <p>Progress against the project management plan - including statistics on the status of procurements (number, value, status) and status of all on ground works (planned, commencing, underway, completed).</p> <p>Workplace Health and Safety outcomes and responses; risks management and treatments.</p> <p>Contribute to the <i>Stakeholder Engagement Report</i></p>	28/04/2023	\$1,000,000
3: Progress report (scheme performance)	<p>An expenditure report to date.</p> <p>On ground works completed and verified-cumulative construction outcomes including;</p> <ul style="list-style-type: none"> <li>- pipe laid to transport recycled stormwater to the irrigation sites;</li> <li>- new tank, aquifer injection system and recovery bore for above and below ground storage;</li> <li>- new pumps to meet pressure requirements; and</li> <li>- appropriate water treatment</li> </ul>	31/10/2023	\$589,942

	<p>facilities.</p> <p>Confirmation of any outstanding works and project activities still to be completed for practical completion</p> <p>Contribute to: <i>Draft Final Project Report</i> describing achievements, scope changes, stakeholder engagement, risks, water savings verification assessment, and independent financial audits.</p>		
4: Final report (including financial report)	<p>Certified financial report.</p> <p>Stakeholder engagement summary and significant interactions.</p> <p>On ground works completed and verified – final cumulative construction outcomes including;</p> <ul style="list-style-type: none"> <li>- pipe laid to transport recycled stormwater to the irrigation sites;</li> <li>- new tank, aquifer injection system and recovery bore for above and below ground storage;</li> <li>- new pumps to meet pressure requirements.</li> </ul> <p>Project changes and/or modifications including unfinished works or activities.</p> <p>Summary of work, health and safety and/or other incidents impacting the project and outcomes.</p>	31/01/2024	\$0

### Reporting Requirements

The reporting requirements are as outlined in the table above.

### Financial Statements

Financial statements as per clause 5.7 and 5.8 must be provided at Milestone 4. The statements should be prepared in accordance with the Australian Accounting Standards. At least, the statements should include an acquittal prepared using the template provided as Schedule 3 to this agreement.

**SCHEDULE 3****Income and Expenditure Statement****Grantee's Information:****Name****Address****Telephone Number****Grantee's Representative:****Name****Position****Purpose of the Grant:****Nature of the Grant (one-off – ongoing):****Income and Expenditure Statement****Grant amount (a):** (GST exclusive)**Grant Expenditure (b):****Funds remaining (a-b):**

(Funds remaining are to be repaid to the Department for Environment and Water unless specific approval is received from the Minister or Chief Executive, Department for Environment and Water).

We certify that the grant was used for the purpose for which the grant was provided.

**Grantee's Representative****Signature:****Name:****Date:**

# Marion Water Steering Group Terms of Reference



## 1 ESTABLISHMENT

The City of Marion (CoM) is a licensed water retailer under the SA Water Industry Act 2012. A retail license to sell water has been issued by the Essential Services Commission of South Australia (ESCOSA).

The Marion Water Steering Group (the Group) is an administrative group established to report to Council on the operations and management of the City of Marion Water Business. It will have decision making responsibilities in accordance with delegations set by Council.

## 2 OBJECTIVES

The objectives of the Group are to set strategy and manage the operations of the Water Business Unit, understanding the market, risks, opportunities and financial responsibilities.

The Group will facilitate co-operation and foster understanding between management, and Council in initiating, developing, and implementing measures designed to ensure the environmental and financial sustainability of the Water Business.

The Group is responsible for:

- The development and implementation of the Water Business Strategic Plan.
- The financial management of the water business, in accordance with the retail license issued by ESCOSA, City of Marion's Prudential Management Policy and Local Government Act 1999 (Act).
- Management of operational matters that have been escalated by the Water Resource Coordinator that arise throughout the course of business operations.
- Ensuring compliance with relevant legislation including the SA Water Industry Act 2012, Environmental Protection Act 1993, the Work Health and Safety Act 2012 (SA) and the Landscape South Australia Act 2019, along with any supporting Regulations and Policies.
- Management of the contractual obligations that City of Marion has entered into as part of the Water Business.
- Management of risk and opportunities.
- Decision making in accordance with Council delegations.
- Reporting to Council.
- The day-to-day operations and services, marketing, negotiation with regulatory bodies and customers, and administration are undertaken by the Water Resources Coordinator, and other internal and external service providers as required.

The CoM Water Business Unit (Marion Water) within the finance system, has a ring-fenced cost and revenue model to manage the Council's obligations under the relevant Acts and all relevant regulations.

Version No: Draft

Issued: Feb 2023

Next Review: xxx

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Printed copies are considered uncontrolled.  
Before using a printed copy, verify that it is current.*

Document No: Marion Water 1

Page 1 of 3

The Group has been formed as an advisory body to the Council, who manages Marion Water through the authorities delegated by Council.

### 3 MEMBERSHIP

The Membership of the Group will be four (4) members:

- One (1) member will be the City of Marion CEO.
- Two (2) members will be the General Management responsible for the Water Business and the Chief Financial Officer.
- One (1) member will be an external independent member.
- The General Manager will chair the Group.
- The independent member will have expertise in water management, business, financial management and be conversant with the local government environment.
- The independent member will be appointed by Council
- The group will be supported by the Water Resource Coordinator, but this role is not part of the membership.

A Council Member may be appointed to the Group via Council resolution as a group observer. To ensure their decision-making position at Council is not comprised, they will have authorisation to attend all group meetings, observe the proceedings and participate, however they will have no decision-making authority on the Group.

The Council Member representatives will raise matters (within the scope of the Group's Terms of Reference), on behalf of Council and act as a conduit of information between Council and the Group, and the Group and Council.

No additional allowance will be paid to the Council Member representative over and above the allowance already received by the Council Member.

- Group members will bring skills, knowledge, and expertise in areas such as law, commerce and risk management, considered relevant to the governing role.
- The Group will undertake an assessment of its effectiveness annually.

### 4 MEETING

- The Group will meet every second month.
- An agenda and reports will be issued 3 full days before a scheduled meeting.
- Minutes of the meeting will be issued within 3 days of the meeting.
- Additional meetings shall be convened at the discretion of the Chairperson, dependent upon any urgent business need.
- The quorum of the meeting will be three.

Version No: Draft

Issued: Feb 2023

Next Review: xxx

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## 5 FUNCTIONS

- To consider and advise on the strategic directions of Marion Water, for subsequent endorsement by Council, via regular reporting to the Finance, Risk and Audit Committee.
- The group will report formally to Council at least Annually and the performance of the water business will be included in the Council's Annual Report.
- Monitor changes in the legal and regulatory environment, government policy and community attitudes.
- Inform themselves to exercise judgment about management and its processes.
- Address issues relating to risk management.
- Review major investments for referral to Council.
- Review performance against targets and objectives.
- Develop and monitor policies which provide direction for the business, including pricing.
- Ensure appropriate reporting and accountability to Council.

In all its dealings, the Group will maintain high ethical standards.

## 6 REVIEW

The Terms of Reference will be reviewed every 4 years or as required.

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