

CONFIDENTIAL

ITEM 650

BROWNHILL KESWICK CREEK FUNDING

MOVED: Councillor Rabbitt

SECONDED: Councillor Koumi

That:

1. The report be received.
2. Council notes and accepts the State Government's offer to allocate a 50% contribution to the total cost of the works in the Stormwater Management Plan (SMP) from the Stormwater Management Fund, allowing for indexing against CPI, over the next 20 years.
3. Council reaffirms its current total financial commitment to the Project will be in accordance with the funding model submitted as part of the 2016 SMP, that is, 21% of the one-third Local Government share being approximately \$10 million.
4. Council commits to review its funding commitment beyond that currently approved if Federal funding cannot be secured for the Project given that the requirement for Council to commit to funding 21% of a one-half Local Government share, being approximately \$15 million, is beyond the capacity of the Council at this stage taking account of the number of substantial capital works projects currently planned.
5. Council's acceptance of the State Government offer to fund 50% of the Brown Hill Keswick Creek Project over a twenty (20) year period is subject to the other four (4) catchment Councils namely, Adelaide, Burnside, Mitcham, and Unley agreeing similarly to accept the offer.
6. Council maintains that the Commonwealth Government has a responsibility to protect Commonwealth funded or owned transport infrastructure such as the North-South corridor, the Keswick interstate rail terminal and Adelaide international airport. Although Council supports acceptance of the State Government funding proposal, Council anticipates that ongoing efforts will continue to obtain Commonwealth Government funding to either reduce the funding commitment from State and Local Government and/or reduce the 20 year time frame of the project, to 10 years.
7. The Chief Executive Officer is delegated authority to do all things necessary to finalise and clarify items relating to the funding mechanism with the Stormwater Management Authority in accordance with Council's funding

position, including but not limited to, further investigation of options and possible savings to implement the Brown Hill Keswick Creek SMP.

8. Council notes the request for a joint announcement by the State Government and the five (5) catchment Councils pending formal acceptance of the funding proposal in accordance with Council's funding position.

CARRIED UNANIMOUSLY

CONFIDENTIAL

DECISION REPORT

REPORT TITLE: BROWNHILL KESWICK CREEK FUNDING
ITEM NUMBER: 650
DATE OF MEETING: 24 OCTOBER 2016
AUTHOR: JOHN DEVINE
JOB TITLE: GENERAL MANAGER CITY DEVELOPMENT

1. EXECUTIVE SUMMARY

Council was last updated on the status of the Brownhill Keswick Creek Stormwater Management Plan (BHKC SMP) revision in September 2016. Council was informed that while the SMP had been submitted to the Stormwater Management Authority (SMA) for review and endorsement in February 2016, this endorsement had still not been forthcoming.

The Mayors of the five Catchment Councils have received a letter from the Minister for Water and the River Murray, dated 4 October 2016, seeking each council's consideration of a funding approach by the State Government to support the implementation of the BHKC SMP.

The funding proposal indicates that the State Government will, if supported by the five catchment councils, commit an allocation of 50% contribution of the total cost of the works in the SMP from the Stormwater Management Fund, allowing for indexation against CPI, over the next 20 years.

The Minister is seeking a response to this proposal prior the end of October 2016, where upon a joint announcement would be made between the State Government and the five catchment councils.

If agreed to, Unley Council's contribution to the works is estimated to be approximately \$15M. Currently this amount has been allocated in the Council's long term financial plan over a 10 year period.

2. RECOMMENDATION

That:

1. The report be received.
2. Council notes and accepts the State Government's offer to allocate a 50% contribution to the total cost of the works in the Stormwater

Management Plan (SMP) from the Stormwater Management Fund, allowing for indexing against CPI, over the next 20 years.

3. Council reaffirms its current total financial commitment to the Project will be in accordance with the funding model submitted as part of the 2016 SMP, that is, 21% of the one-third Local Government share being approximately \$10 million.
 4. Council commits to review its funding commitment beyond that currently approved if Federal funding cannot be secured for the Project given that the requirement for Council to commit to funding 21% of a one-half Local Government share, being approximately \$15 million, is beyond the capacity of the Council at this stage taking account of the number of substantial capital works projects currently planned.
 5. Council's acceptance of the State Government offer to fund 50% of the Brown Hill Keswick Creek Project over a twenty (20) year period is subject to the other four (4) catchment Councils namely, Adelaide, Burnside, Mitcham, and Unley agreeing similarly to accept the offer.
 6. Council maintains that the Commonwealth Government has a responsibility to protect Commonwealth funded or owned transport infrastructure such as the North-South corridor, the Keswick interstate rail terminal and Adelaide international airport. Although Council supports acceptance of the State Government funding proposal, Council anticipates that ongoing efforts will continue to obtain Commonwealth Government funding to either reduce the funding commitment from State and Local Government and/or reduce the 20 year time frame of the project, to perhaps 10 years.
 7. The Chief Executive Officer is delegated authority to do all things necessary to finalise and clarify items relating to the funding mechanism with the Stormwater Management Authority in accordance with Council's funding position, including but not limited to, further investigation of options and possible savings to implement the Brown Hill Keswick Creek SMP.
 8. Council notes the request for a joint announcement by the State Government and the five (5) catchment Councils pending formal acceptance of the funding proposal in accordance with Council's funding position.
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1. RELEVANT CORE STRATEGIES/POLICIES

Since 2010, the five catchment councils have been acting in response to Notices and Orders issued by the Stormwater Management Authority and subject to its direction from time to time, with respect to the Brown Hill Keswick Creek Catchment. On 19 May 2015, the Stormwater Management Authority issued the Mayors of each of the five councils, a Notice pursuant to Clause 14(1) of Schedule 1A of the Local Government Act 1999 to prepare a revised Stormwater Management Plan for the Brown Hill Keswick Creek catchment by 30 September 2015.

2. DISCUSSION

At its meeting on 26 September 2016, Council was provided with a Confidential Information Report on the status of the revised Brown Hill Keswick Creek (BHKC) Stormwater Management Plan (SMP). Council was informed that while the SMP had been submitted to the Stormwater Management Authority (SMA) for review and endorsement in February 2016, this endorsement had still not been forthcoming. The report also mentioned that the Project had requested the Minister to write to the Mayors of the five catchment councils to formally present the State Government's offer and outline any conditions that are attached to the funding.

The Mayor has now received a letter from the State Government through the Minister for Water and the River Murray, The Honourable Ian Hunter MLC, on 4 October 2016 seeking each council's consideration of a funding approach by the State Government to support the implementation of the BHKC SMP. The Mayors of all five Catchment Councils have received a similar letter.

Attachment 1

The funding proposal indicates that the State Government will, if supported by the five catchment councils, commit an allocation of 50% contribution of the total cost of the works in the SMP from the Stormwater Management Fund, allowing for indexation against CPI, over the next 20 years.

It has been indicated that the contribution will be cash flowed against the likely expenditure pattern for the major works elements outlined in the plan.

The Minister is seeking a response to this proposal prior the end of October 2016, where upon a joint announcement would be made between the State Government and the five catchment councils.

In addition, it has been indicated that the SMA has reviewed the revised SMP and is satisfied that it meets the relevant statutory requirements and will now be submitted for gazetting.

The estimated capital cost of flood mitigation infrastructure in the SMP is approximately \$140 million for which the SMP proposes the following cost sharing arrangements:

- Between the spheres of Federal, State and Local Government – each paying a one third share;
- Sharing the Local Government portion of the costs between the partner Councils – West Torrens 49%; Unley 21%; Burnside 12%; Mitcham 10% and Adelaide City 8%.

All five catchment councils have recognised their contribution and made provision for the funding requirement over a 10 year period; (City of West Torrens 15 years).

Unley Council has allocated approximately \$15M over 10 years to fund its portion of the project.

Of the \$140M estimated project cost, \$7.8M has been spent on completed works to date and funded on a 50:50 contribution basis with the SMA; Brown Hill Creek diversion culvert at Goodwood (\$5M) and the Ridge Park dam (\$2.8M). Unley's remaining capital cost to complete the SMP is estimated at approximately \$14M.

Clarification on Funding Proposal

The five catchment councils have indicated a number of matters that require further consideration, including:

- The current timing and alignment of funding between State Government and the five catchment councils are at odds with each other.
- Four councils have notionally made provisions for 10 years and the City of West Torrens has made a provision over 15 years based on a contribution of 49% of the council contribution. However, based on the recent severe storm events which impacted each council, there is real concern that to delay the completion of the project to 2036 brings with it significant flooding risk to the residents and businesses.
- Whilst the proposal indicates that the State Government has made several funding representations to the Federal Government which have so far been unsuccessful, it is silent on what occurs if funding requests at a later date are successful. If this eventuality occurs the implications should be clearly referenced within the funding proposal.
- It is recognised that the State Government's funding proposal is above the suggested 1/3 funding requirement as requested within the SMP. However, based on the endorsed SMP indicating a Federal, State and Local Government each paying a one third share, this places a significant funding burden on the five catchment councils and in particular, the City of West Torrens.
- Finally, based on the proposed 20 year funding model the five catchment councils may wish to accelerate the project based on risk exposure or to capitalise on present day costings.
- Further consideration and discussion with the State Government and/or the SMA is required to understand how the funding model will allow for rise and fall due to key parcels of works and the potential requirement to accelerate the project. This may mean that the five catchment councils may wish to consider borrowing for the project assuming an acceptable arrangement were negotiated.

- It is important that the five catchment councils retain flexibility (even if this means borrowing) to bring forward works beyond the 20 year timing of State Government funding proposal. There may be sound and potentially even cost-effective 'engineering economy' reasons for doing so and the cost penalties (earlier interest payments) may be quite small relative to the benefits.

While all of these matters will be further discussed with the State Government through its agency the SMA, it is believed that the matters do not pose a significant risk and as such, the funding proposal could at this time be agreed 'in principle', subject to further funding clarification.

3. ANALYSIS OF OPTIONS

Option 1

Council notes and accepts the State Government's offer to allocate a 50% contribution to the total cost of the works in the Stormwater Management Plan (SMP) from the Stormwater Management Fund, allowing for indexing against CPI, over the next 20 years.

Council reaffirms its current total financial commitment to the Project will be in accordance with the funding model submitted as part of the 2016 SMP, that is, 21% of the one-third Local Government share being approximately \$10 million.

Council commits to review its funding commitment beyond that currently approved if Federal funding cannot be secured for the Project given that the requirement for Council to commit to funding 21% of a one-half Local Government share, being approximately \$10 million, is beyond the capacity of the Council at this stage taking account of the number of substantial capital works projects currently planned.

Council's acceptance of the State Government offer to fund 50% of the Brown Hill Keswick Creek Project over a twenty (20) year period is subject to the other four (4) catchment Councils namely, Adelaide, Burnside, Mitcham, and Unley agreeing similarly to accept the offer.

Council maintains that the Commonwealth Government has a responsibility to protect Commonwealth funded or owned transport infrastructure such as the North-South corridor, the Keswick interstate rail terminal and Adelaide international airport. Although Council supports acceptance of the State Government funding proposal, Council anticipates that ongoing efforts will continue to obtain Commonwealth Government funding to either reduce the funding commitment from State and Local Government and/or reduce the 20 year time frame of the project, to perhaps 10 years.

The Chief Executive Officer is delegated authority to do all things necessary to finalise and clarify items relating to the funding mechanism with the Stormwater Management Authority in accordance with Council's

funding position, including but not limited to, further investigation of options and possible savings to implement the Brown Hill Keswick Creek SMP.

Council notes the request for a joint announcement by the State Government and the five (5) catchment Councils pending formal acceptance of the funding proposal in accordance with Council's funding position.

This option is in line with the recommendation going to the other four Catchment Councils and with the State Government's funding offer.

Option 2 – Provide an alternative recommendation

By not supporting Option 1, Unley could be recommending an option that is inconsistent with the other four Catchment Councils, and not in line with the State Government's funding offer.

By having a different resolution to the other Catchment Councils progressing with the SMP could be at risk.

4. RECOMMENDED OPTION

Option 1 is the recommended option.

5. POLICY IMPLICATIONS

5.1 *Financial/budget*

- The recommended option is consistent with the funding identified in the Long Term Financial Plan.

5.2 *Legislative/Risk Management*

- Proceeding with the recommended option will help ensure that the BHKC SMP can be implemented, alleviating significant flooding risks across the BHKC catchments.

5.3 *Staffing/Work Plans*

- A Regional Subsidiary will be established to complete the delivery of the works outlined in the SMP

5.4 *Environmental/Social/Economic*

- Implementation of the SMP will improve the environmental quality of the BHKC channel and water quality running through the catchment to the coast.
- The economic benefits of completing the stormwater works are outlined in the SMP.

55 Stakeholder Engagement

- N/A

6. REPORT CONSULTATION

The BHKC Steering Group has been consulted in preparing the contents and recommendations of this report.

7. ATTACHMENTS

1 – Funding Proposal Correspondence

8. REPORT AUTHORISERS

<u>Name</u>	<u>Title</u>
Peter Tsokas	Chief Executive Officer

