

# REVIEW OF PERFORMANCE INDICATORS FOR LOCAL WATER UTILITIES OCTOBER 2023



**CENTRAL NSW  
JOINT ORGANISATION**

Bathurst  
Blayney  
Cabonne  
Cowra  
Forbes  
Lachlan  
Lithgow  
Oberon  
Orange  
Parkes  
Weddin

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Chair Cr Kevin Beatty, Mayor, Cabonne Council

31 October 2023

Reference: jb:mm231031  
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Local Water Utilities Branch | Water Group  
NSW Department of Planning and Environment- Water  
Email: [regional.town.water@dpie.nsw.gov.au](mailto:regional.town.water@dpie.nsw.gov.au)

Dear Sascha,

**Re: Review of Performance Indicators for Local Water Utilities**

Central NSW Joint Organisation speaks with a unified voice for its collective priorities. This region has a proud history of working collaboratively, representing over 180,000 people covering an area of more than 53,000sq kms comprising the local government areas of its membership - Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes and Weddin.

Tasked with intergovernmental cooperation, leadership and prioritisation, the CNSWJO has consulted with its stakeholders to identify key strategic regional priorities. The CNSWJO Strategic Plan can be found here - [www.centraljo.nsw.gov.au](http://www.centraljo.nsw.gov.au).

**Context**

CNSWJO member councils all operate local water utilities (LWUs), so the delivery of secure, quality, urban water services to the communities in Central NSW is core business for the councils in this region.

Where our member councils may provide separate submissions, this response is informed by policy developed in region and endorsed by the CNSWJO Board.

It is also informed by the CNSWJO Water Utilities Alliance Performance and Benchmarking Program which includes one-off audits of performance reporting data for water supply and sewerage, as required by the Department of Planning and Environment - Water (DPE - Water) for Local Water Utilities serving over 10,000 connected properties.

While audits are only mandatory for LWUs with over 10,000 connections, all Alliance member councils participate to demonstrate good practice.

One-off audits have now been conducted three times since 2015 and examine:

- Processes – the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- Integrity of performance reporting – the completeness and accuracy of the utility's performance reporting.

Audits include the provision of individual council reports that benchmark councils and suggest areas for improvements.

A regional findings and opportunities report is also prepared for the CNSWJO that informs future programming. The most recent audit conducted in 2023 included a presentation to the region's General Managers and a follow up performance monitoring data process improvement workshop. A series of online meetings have also been facilitated for council staff to provide peer support through the performance monitoring reporting process.

Through this independent audit process the CNSWJO has an informed understanding of the implications of the collection and reporting of data required by DPE Water on council's operations and its usefulness for the management of council's LWU businesses.

As you know the CNSWJO was also very engaged in all aspects of the Town Water Risk Reduction Program (TWRRP) phase one. This has provided insight to the consultative processes including to review the department's approach to collecting, and reporting on, annual performance of local water utilities and its commitment to rationalising the department's indicator set in consultation with key stakeholders in the sector.

Firstly, we thank you for the opportunity to provide feedback on:

- the proposed additional, NSW-specific indicators that are part of the full list of NSW performance indicators; and
- the proposed list of key performance indicators for focused reporting and benchmarking products on key performance information for utilities and their customers.

### **CNSWJO response**

This submission does not intend to review and make comments on the proposed individual additional NSW – specific indicators. We will leave this to individual councils LWUs. It does, however, provide overarching feedback from our member councils on what appears to be an impost on LG LWUs to provide data that is of no direct benefit to them in managing their businesses.

Through the Town Water Risk Reduction Program (TWRRP) LWUs sought a less paternalistic approach that meets their needs in managing their businesses, avoids duplication and onerous reporting and meets the Government's regulatory requirements. The success of advocacy by the sector on the new Regulatory and Assurance Framework remains to be seen with the key challenge being its implementation. Added to this is ever increasing regulatory requirements particularly in drinking water and dam safety management.

While we thank you for what is understood to ultimately be a reduction in the number of data sets required from LWUs by DPE Water, we are concerned that there continues to be a layer of reporting that does little to support those LWUs who most need the support to manage their risks.

### **Feedback on the proposed additional NSW-specific indicators**

Advice from those involved in the TWRRP focus group is that there has been rationalisation of the department's indicator set in consultation with key stakeholders in the sector. Our concerns lie more in the fact that this 'rationalised' data is more for the regulators than the regulated.

Firstly, it must be stated that the CNSWJO supports regulation of the sector and strongly advocates for the need for robust data as the foundation of effective decision making. Data, including one source of truth in modelling and in understanding performance and where improvements need to be

made is supported. This is evident from its members' commitment to the Alliance's Performance and Benchmarking Program.

The value of having increasingly granular data for the analysis and benchmarking of performance trends for each LWU is recognised as is the need for this type of data to:

- target regulatory effort;
- drive improvements in risk management and performance;
- inform DPE's responses to applications for LWUs to develop new infrastructure; and
- provide information to customers and the community about the performance of LWUs.

Critically from an operational risk perspective it is hoped that this data is used to ensure that support is provided to LWUs where it is most needed.

The challenge here is that LWUs have never been under more pressure from resourcing and staff shortages compounded by ever increasing regulatory standards, increased costs, supply chain issues, unfunded mandates, an ageing 'infrastructure cliff' and the impacts of successive natural disasters. The LWUs who need the support the most are the ones most unable to collect and report this level of data. Indeed, even some of our more well-resourced councils are reporting challenges.

As you well know, Council LWUs operate under a comprehensive regime of health, environment and economic regulation within a stringent performance measurement framework managed by DPE Water. Aside from DPE Water's 'requirements' (be they legislative or otherwise) there are many complex and inter-woven pieces of legislation all with their own regulations that impact on the management of LWUs. In some cases, these do little to assist LWUs to manage their operational risks. On the contrary they contribute to them by adding yet another layer of onerous and often unhelpful reporting that stretch already constrained resourcing.

Asking LWUs to collect and report on data sets, some of which are not easy to collect, is doing just this. Particularly where these data sets are of limited benefit to the LWU's and is data required by DPE for transparency reporting, not for operational reasons.

What has been found, including by the NSW Auditor General in her September 2020 report is that what LWUs need is operational support to deliver services under increasingly constrained conditions.

Drawing on the audit of this region's 2022 performance monitoring data, the number of compliant indicators has decreased since the audit of 2019 data. While several councils increased compliant results, the trend is for decreased compliant results. Each council, except for one, increased non-conforming data sets. Results that were graded compliant in 2019 were often graded satisfactory in 2022 with the resulting wider data set becoming less reliable than previous years.

This decrease reflects two main factors. Importantly, staff at each council have been consumed with the operational demands of back-to-back natural disasters over the past 3 years. The immediate issues of providing essential services to customers have rightly taken priority.

Secondly, many councils have lost long serving staff, who developed systems to manage the workload associated with performance reporting. Newer staff are becoming familiar with data reporting systems, whilst concurrently managing the operational demands of water and sewerage services. Recruitment of experienced water industry practitioners is a challenge.

Several focus areas have been identified across the region and are the focus of the improvement program facilitated by the CNSWJO. These are as follows:

- Data recording systems are variable across the region. Some Councils have well developed corporate systems with a “whole of organisation” approach, others rely on manual paper-based systems where data is manually transcribed to spreadsheets.
- The workload associated with performance reporting is considerable. A “project management approach” with an adopted work practice might assist in achieving a co-ordinated approach to performance reporting across an organisation.
- Water loss management has been investigated and is understood to differing degrees.
- Meter calibration records are variable.
- Trade waste policies appear to be implemented to varying levels of enforcement and requirement, depending on the size of the council.

It is suggested that if this is the result for an Alliance of 11 councils who actively subscribe to a performance and benchmarking program, the results across the state will be similar if not worse.

It is acknowledged that performance monitoring data is used to demonstrate compliance with DPE Water’s ‘requirements’, however, beyond those data sets required to be reported through the National Performance Reporting (NPR) framework there is no legal requirement for councils to undertake this performance reporting.

Where a LWU may find this comforting when experiencing resourcing and staffing constraints, advice from DPE Water is that a LWU who chooses not to participate may be passed over when it comes to grant funding and may suffer reputational damage. This is a pretty big incentive particularly for a small regional utility in need of funding support.

The feedback below from a respected LWU Manager from our region in response to this consultation echoes others feedback from across our membership:

- *There is a 100+ page document that supposedly explains how we are making the process easier.*
- *There are a number of values that DPE aren’t willing to consult on.*
- *The sooner DPE realise that less requested information = more accurate information on the remaining questions that will be a win.*
- *Smaller utilities do not have resources to do this accurately so I wouldn’t be surprised if a heap of the information going in is rubbish anyway.*

**Feedback on the proposed list of key performance indicators for focused reporting and benchmarking products on key performance information for utilities and their customers.**

Regarding the proposed list of key performance indicators for reporting and benchmarking products and dashboards to demonstrate LWU performance, it is noted that the final NPR Indicator set has not yet been released and that the indicators in this consultation paper are based on the latest version of the revised indicator set.

It is appreciated that we have no say over the NPR Indicator set but it is difficult to comment on the NSW indicators without really knowing what the implications will be for LWUs of the full final set. As they stand these indicators look reasonable and are probably useful for DPE Water from a compliance perspective, although it is unlikely that a customer would reference these.

Having said this, regarding the proposed indicators for customer satisfaction, these are the only indicators in the suite of changes that are also part of the National Performance Reporting review ([National Performance Report updates \(bom.gov.au\)](https://www.bom.gov.au/npr/))

Interestingly, the NPR Review of the Report proposes that the indicator is derived from other information, and not reported directly by service providers (LWUs), but from a customer satisfaction survey run by a third party / state or national agency (e.g., Essential Services Commission for VIC, or Water Services Association of Australia). It is noted that this is not something that DPE Water has proposed when seeking feedback on these indicators.

Through its regional membership of WSAA, the CNSWJO Water Utilities Alliance has participated in its 2-yearly Customer Perception Surveys on two occasions. Not only is this a very costly exercise but the data was not granular enough to be useful. Across the whole region we managed to get 150 respondents. It would make more sense for this data to be collected from residents through the inclusion of questions in the community surveys conducted as part of council's Integrated Planning and Reporting (IP&R). This is another example of where the integration of LWU strategic planning into the IP&R framework has merit particularly where doing stand-alone customer satisfaction surveys is hugely expensive and consultancies limited.

## Summary

Firstly, we thank you for working with key stakeholders in the sector to rationalise the data sets and for the opportunity to provide feedback on this consultation paper. In summary we suggest that DPE Water would do better to:

- consult with the 'regulated' to determine what indicators would be helpful to them in managing their risks and in supporting the operations of their businesses;
- develop a smaller more manageable data set for LWU performance monitoring that focuses on the operational needs of LWU businesses;
- develop more clearly defined reporting parameters and explanations;
- encourage LWUs to report 'no data' rather than being compelled to fabricate data for fear of missing out on much needed funding or exposing their council to reputational damage;

LWU's need to be able to qualify that 'data cannot be captured due to resources not available'. This would be a more helpful approach, as it demonstrates the resourcing limitations of smaller LWUs. Currently the link to grant funding and the possibility of the publishing of key performance indicators on dashboards is a deterrent to honest reporting;

- support fully funded audits of LWU performance monitoring data to drive improvement programs such as the one used by the CNSWJO Water Utilities Alliance; and
- rather than duplicating already onerous data collection and reporting processes, optimise the integration of LWU strategic planning into the Office of Local Government's Integrated Planning and Reporting framework for councils.

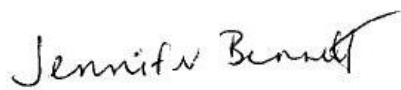
While the longer-term aim should absolutely be to obtain robust and increasingly granular data for the analysis and benchmarking of performance trends for each LWU, at this moment in time, DPE

Water would be better served in consulting with the sector on what it can do to support LWUs in identifying and managing data sets that help them to manage their businesses from an operational perspective. Addressing this need first will in the long term provide better outcomes for all – regulators, LWUs and most importantly their customers.

As succinctly put by one of our member's, *'the sooner DPE realise that less requested information = more accurate information on the remaining questions that will be a win'*.

If you require further information or clarification on comments in this submission, please do not hesitate to contact me on 0428 690 935.

Yours sincerely,

A handwritten signature in black ink that reads "Jennifer Bennett". The signature is written in a cursive, flowing style.

Jennifer Bennett  
**Executive Officer**  
Central NSW Joint Organisation (CNSWJO)