

Legislative Assembly Standing Committee on Investment, Industry and Regional Development

Inquiry into Support for Drought Affected Communities in New South Wales

LGNSW Submission

February 2020

Contents

1.	Opening	3
2.	Summary of key issues and recommendations	4
	Engagement, collaboration and partnerships	4
	Securing emergency town water supplies	4
	Supporting individuals and community wellbeing	5
	Long term community resilience.....	6
	Investment in water supply infrastructure and demand management initiatives	6
3.	Background.....	8
3.1	Local government’s role during drought	8
3.2	Scope and focus of LGNSW’s submission	8
3.3	LGNSW’s policy platform	9
3.4	Development of LGNSW’s drought policies	9
4.	Government actions to support drought-affected communities... ..	11
4.1	Engagement, collaboration and partnerships	11
4.2.	Securing emergency town water supplies	12
	Safe and Secure Water Program red tape	13
	Regional Town Water Supply Coordinator resources	14
	Section 60 approvals processes	14
	Integrated Water Cycle Management (IWCM) guidelines.....	15
4.3	Supporting individuals and community wellbeing	16
	Emergency financial support.....	16
	Relief from taxes, charges and levies.....	16
	Maintaining local economic activity	17
	Mental health and wellbeing.....	17
	Coordination and delivery of support.....	17
	Drought recovery plan.....	18
4.4	Long term community resilience.....	19
	National drought preparedness policy	19
	NSW drought preparedness plan	19
4.5.	Investment in water supply infrastructure and demand management initiatives	20
	Increasing storage and supply capacity	20
	Demand management, conservation and efficiency	21
5.	Conclusion	23
	Appendix A: Terms of reference.....	24
	Appendix B: LGNSW 2019 Annual Conference - Drought-related resolutions	25

1. Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing general purpose councils and related entities.

LGNSW aims to strengthen and protect an effective, democratic system of local government across NSW by supporting and advocating on behalf of member councils and delivering a range of relevant, quality services.

LGNSW welcomes this inquiry into support for drought affected communities in NSW and the opportunity to make this submission, which we trust will assist the Committee in addressing its terms of reference. We would also be pleased to appear before Committee to expand on this submission and respond to any questions from the Committee.

In doing so, LGNSW thanks the Committee for accepting the late lodgement of this submission.

1.1 Introduction

The drought is having a deleterious impact on the economic and social wellbeing of communities throughout regional NSW.

LGNSW acknowledges the NSW Government's actions to address the needs of NSW communities through a range of programs and we welcome the significant financial assistance and technical support being provided to councils to help secure emergency water supplies.

However, communities will need ongoing support to aid with recovery. There is also a need to make a substantial investment to secure town water supplies and build community resilience. LGNSW looks forward to working collaboratively with governments, industry and stakeholders on agreed solutions.

2. Executive Summary - key issues and recommendations

Engagement, collaboration and partnerships

There needs to be real engagement, collaboration and partnerships with local government and their communities by the State and Commonwealth Governments.

Recommendation 1: LGNSW recommends the NSW Government:

- 1.1. Commits to actively engage local government in development of all State water policies and plans and establishes a formal mechanism to facilitate local government input.
- 1.2. Develops and implements a strategic and coordinated approach to inform and engage with local communities on water related matters.

Securing emergency town water supplies

Greater assistance is needed to help councils and LWUs urgently address the town water supply crisis.

Recommendation 2: LGNSW recommends the NSW Government:

- 2.1 Develops a comprehensive, integrated and funded emergency plan to address the immediate water supply crisis afflicting NSW towns and communities which, among other things:
 - Provides greater flexibility, such as allowing temporary transfer of water, where the water does not have current allocations/licensing and it is within the same water source.
 - Ensures that town water supplies will be secured and maintained.
 - Ensures that appropriate consultation is undertaken, when issuing bore licences and other relief measures.
- 2.2 Fully funds the cost of emergency water carting, including the first \$50,000 which councils are currently required to pay.
- 2.3 Urgently reviews the current Safe and Secure Water Program (SSWP) application processes and requirements to identify and remove business-as-usual processes that prevent, delay or frustrate the approval and roll-out of emergency water sourcing projects.
- 2.4 Provides sufficient additional resources to the Regional Town Water Supply Coordinator to enable all communities with emergency supply needs to access the Coordinator's support in a timely manner.
- 2.5 Urgently reviews Section 60 of the *Local Government Act 1993*, in consultation with local government, to identify the benefits, costs and risks to councils and the NSW Government of the current approval process and opportunities for improvement, including removing the approval requirement.

2.6 Urgently reviews the IWCM guidelines, in consultation with local government, to simplify and streamline requirements, particularly for small LWUs.

Supporting individuals and community wellbeing

Rural and regional communities need greater assistance to help them get through the drought and then rebuild when it breaks.

Recommendation 3: LGNSW recommends the NSW Government:

- 3.1 Expands eligibility for its emergency financial support initiatives to include any resident that has lost income and is suffering financial hardship due to the drought.
- 3.2 Develops and implements programs to support local businesses through the drought.
- 3.3 Establishes a program to provide temporary relief from council rates to ratepayers suffering financial hardship due to the drought, subject to the following conditions:
 - It is fully funded by the State and/or Commonwealth Government.
 - Available to all ratepayers suffering hardship from the drought.
 - Designed and implemented in collaboration with local government.
 - Made permanent, so when a local government area is declared a drought zone the relief mechanism triggers automatically.
- 3.4 Adopts the following initiatives to stimulate local economies:
 - Establish a grant program for local government, modelled on the Commonwealth Government's Drought Communities Program, to fund employment generating projects.
 - Develop a regional tourism campaign in consultation with local government.
 - Maintain or increase State public sector employment numbers and funding levels for existing programs (e.g. funding for preschools) in drought affected areas.
 - Implement a temporary policy to actively preference local contractors and suppliers for all major infrastructure projects the State Government undertakes in rural and regional areas.
 - Increase funding under the Fixing Local Roads program, prioritising works that can support employment of displaced workers in the agricultural and farming community.
 - Provide ongoing funding to the Joint Organisations to employ a regional Biodiversity Project Officer to assist communities build capacity and capability in biodiversity land management.
 - Direct NSW Treasury Corporation (TCorp) to amend its guidelines to allow councils to access no or low interest loans for drought-related works.

- 3.5 Increase funding for mental health resources and support services and allocate trained social workers to work directly with schools and preschools to address the mental health and wellbeing of children impacted by the drought.
- 3.6 Fund the establishment of local drought coordinator positions in drought declared LGAs to coordinate service delivery and make it easier for those seeking assistance to access and understand.
- 3.7 Develop a drought recovery plan setting out the strategies, programs and actions it proposes to help communities and local economies recover from the impacts of drought.

Long term community resilience

There needs to be a major shift in governments' focus, and funding, toward drought preparedness, mitigation and resilience for our communities.

Recommendation 4: LGNSW recommends the NSW Government:

- 4.1 Lobbies the Commonwealth Government to develop with State and local Government a national drought preparedness policy and related processes.
- 4.2 Develops a State preparedness plan in consultation with councils and communities.
- 4.3 Works with councils, Local Water Utilities (LWUs), Sydney Water and Hunter Water to develop a State-wide water restriction regime so all water authorities have the same number of restriction levels and with consistent restrictions applying under each level.
- 4.4 Commissions research into the impacts of drought and proven approaches to building resilience and preparedness.

Investment in water supply infrastructure and demand management initiatives

If communities in regional NSW are to have equitable access to a sustainable town water supply of suitable quality, a substantial investment by State and/or Commonwealth Government in local water supply solutions will be required. These solutions must include greater use of recycled water, stormwater harvesting, together with a major investment in water efficiency and conservation measures.

Recommendation 5: LGNSW recommends the NSW Government:

- 5.1 Commits to ensuring that communities in regional NSW have equitable access to a sustainable town water supply of suitable quality.
- 5.2 Brings forward planned water infrastructure projects and identifies new infrastructure projects, including ambitious infrastructure projects of the scale of the Snowy Mountain Scheme, that will assist in providing long term water security.
- 5.3 Acknowledges that it has a community service obligation (CSO) to subsidise water and sewerage infrastructure and services in small rural and regional communities.

5.4 Develops a major water efficiency and conservation program, supported by a public awareness campaign, and including a variety of funded programs for:

- 5.4.1 A water meter upgrade program for LWUs to assist them in the roll out of smart meters.
- 5.4.2 Industrial and large-scale water users to improve water use efficiency (for example by providing help with the planning and design of systems which capture and reuse rain and stormwater).
- 5.4.3 A leak detection program for LWUs to assist them in identifying and fixing network leaks.
- 5.4.4 A program for low-income households to fund the installation of household water saving upgrades.
- 5.4.5 Increasing the rebates available for the replacement of evaporative coolers and the installation of water storage tanks.

5.5 Installs a network of electronic water quality and level sensors throughout NSW river systems to collect accurate real time data to improve water planning and management.

3. Background

Like bushfires and floods, drought is a natural disaster and a recurring event in Australia. However, unlike bushfires and floods, drought is a “slow motion” disaster: It develops gradually, its impact and severity increasing over time. Despite this, there has been an ongoing lack of planning and preparedness in Australia to effectively mitigate against the impacts of drought and inadequate mechanisms for responding to prolonged severe drought.

It is widely accepted that climate change and other factors will result in hotter, drier conditions in future, with an increase in the frequency and duration of droughts. It is less than 10 years since the end of Millennium Drought - the worst drought recorded since European settlement – and there are already many areas of NSW that have historically been relatively free from droughts that are becoming susceptible to them.

We are now experiencing the most severe drought since records began, with water supplies throughout the State falling to unprecedented low levels. As a result, there are towns and regional cities with water supply systems that were designed to be drought-proof, yet their potable water supplies are nearly exhausted.

3.1 Local government’s role during drought

All spheres of government have a vital role to play in planning, preparing, responding to, and recovering (PPRR) from, drought. This includes planning for future droughts, implementing drought proofing and water security measures and providing assistance to individuals and communities suffering the impact of droughts and helping communities recover from drought.

As the sphere of government closest to the community, local government¹ has a most critical role in supporting and sustaining communities during prolonged drought and in partnering with the State and Commonwealth Governments to deliver services and assistance, particularly in terms of:

- Securing town water supplies and water quality through council-owned Local Water Utilities (LWUs).
- Managing the delivery and use of town water supplies (e.g. water restrictions).
- Providing local leadership and building social capital.
- Maintaining employment to support the local economy.
- Connecting councils and communities to provide additional support when possible.

3.2 Scope and focus of LGNSW’s submission

The Committee’s terms of reference, which are presented in Appendix A, can be summarised as having two key requirements:

¹ Councils in regional and rural areas have a particularly critical role in this regard.

- To inquire into the impacts of drought on regional NSW.
- To identify potential government action.

LGNSW's submission focusses on potential actions for the NSW Government, which have been identified and proposed by councils and are reflected in LGNSW's policy platform.

3.3 LGNSW's policy platform

LGNSW's policy platform consolidates the voice of councils across NSW². It presents the collective positions of local government on issues of importance to the sector and guides LGNSW in its advocacy on councils' behalf.

Reflecting the policy platform's Drought Position Statement, LGNSW's drought-related advocacy priorities are:

1. Recognition that drought is a natural disaster and should be eligible for natural disaster funding.
2. Increased State and Commonwealth Government funding assistance to councils to enable them to build resilient communities and support those suffering hardship as the result of drought, including farmers, small businesses and individuals (who may have lost employment as the result of drought).
3. Recognition of local government as a trusted partner to deliver local water supplies.
4. Development by the State and Commonwealth Governments of:
 - A policy framework which clearly defines when an area is deemed to be in "drought".
 - A range of assistance measures and provides clear criteria so that assistance can be accessed in a timely fashion.
5. Increased State and Commonwealth funding for drought proofing and water security measures and infrastructure.
6. Management of river systems to ensure the best possible social, economic and environmental outcomes are achieved, particularly during drought.

3.4 Development of LGNSW's drought policies

The current drought started impacting NSW in the north of the State in latter 2017³. It spread rapidly and by August 2018, 100 per cent of NSW was declared to be in drought. By early

² LGNSW's Policy Platform (June 2019) can be found [here](#).

³ Glyn Wittwer (2018), *Estimating the regional economic impacts of the present drought on NSW*, Centre of Policy Studies, Victoria University.

2019, as local water supply and dam storage levels continued to fall, the severity of the drought and the threat it posed to regional communities was becoming clear.

LGNSW's submission to the 2019-2020 State Budget⁴ highlighted these concerns and called on the NSW Government to make the drought the Budget's highest priority. Specifically, LGNSW called on the NSW Government to:

- Help drought-stricken councils and their communities by matching the \$1 million grant funding provided by the Commonwealth Government under its Drought Communities extension program.
- Provide secure and safe town water supplies where the need exists and to guarantee that funding to secure/augment town water supplies is not capped or limited in any way (e.g. requiring a funding contribution from the council).

While the 2019-2020 State Budget didn't provide for grants to councils to match the Commonwealth funding, it did identify drought as a key challenge for NSW, and provided financial support for primary producers (i.e. adding \$350 million to the Farm Innovation Fund for concessional interest rate loans) and funding to fast track the development of regional water strategies and investigating mass water infrastructure projects.

In early October 2019, LGNSW convened a drought forum⁵ to identify and discuss the challenges local communities and councils are currently dealing with, the challenges they will confront when the drought breaks and how these challenges could be addressed.

During the forum, the following key themes emerged:

1. There must be real **engagement, collaboration and partnerships** with local government and their communities.
2. The immediate priority must be **securing emergency town water supplies**.
3. More **emergency support is needed** for those in hardship and for community wellbeing.
4. We must plan, fund and support **long term community resilience**.
5. Long-term water security requires substantial **investment in water supply infrastructure and demand management** initiatives.

The outcomes from the forum subsequently informed debate at LGNSW's 2019 Annual Conference, leading to the adoption of four drought-related resolutions. These resolutions, which are provided in **Appendix B**, form the basis for the recommendations contained in this submission.

⁴ Local Government NSW, [2019-2020 State Budget – NSW Local Government Priorities](#), May 2019.

⁵ Over 50 local government representatives participated in the forum, including representatives from 12 Joint Organisations.

4. Government actions to support drought-affected communities

This section provides LGNSW's response to the Committee's terms of reference, as they impact local government. It presents a series of recommendations for the NSW Government which councils believe are needed to support drought-affected communities through the drought; to help them rebuild when the drought breaks; and to foster their resilience to future droughts.

These recommendations align with the key themes from LGNSW's drought forum and address, in full or in part, the following elements of the terms of reference:

- (a) *Population loss and loss of key trades, skills and businesses, and community services such as schools and medical services.*
- (d) *Transition and recovery from drought when drought conditions begin to improve.*
- (e) *Preparedness for future drought events.*
- (f) *Assessment of current Government programs.*
- (g) *Temporary relief from state taxes, charges and levies for drought affected businesses.*
- (h) *Capacity and coordination of town water supplies and further recycling opportunities.*

4.1 Engagement, collaboration and partnerships

A collaborative approach from all spheres of government, and the rural and business sectors, is needed to deliver the most appropriate drought assistance to those in need and to ensure the long-term sustainability of regional and rural communities.

While the importance of informing and engaging with local councils and their communities on water policy issues, including drought, is generally well recognised, it is often poorly executed. Consultations on the various draft Water Resource Plans is a case in point.

The unpredictability and longevity of drought naturally creates anxiety and stress for communities and research shows this is reduced when the community is well informed and kept in the loop⁶. Unfortunately, recent media coverage regarding town water shortages has increased community anxiety and undermined confidence in local water utilities. Providing consistent and timely information on supply levels and drought mitigation measures would allow community members to judge the veracity of such media coverage.

⁶ *What can historical 'mega droughts' tell us about future water supply?* Australian Water Association, Sept 2019, <https://watersource.awa.asn.au/environment/natural-environment/what-can-historical-mega-droughts-tell-us-about-future-water-supply/>

Recommendation 1: LGNSW recommends the NSW Government:

- 1.1. Commits to actively engage local government in development of all State water policies and plans and establishes a formal mechanism to facilitate local government input.
- 1.2. Develops and implements a strategic and coordinated approach to inform and engage with local communities on water related matters.

4.2. Securing emergency town water supplies

While the supply of water for domestic use represents only a fraction of total water consumption in NSW⁷, it is the most critical component of our water use.

Over 1.8 million people throughout rural and regional NSW - approximately 30% of the State - rely on a council-owned local water utility (LWU) for their water and sewer services. This represents a significant area of responsibility, skill and knowledge for local government and it is well-recognised that NSW councils perform this function to a very high standard, within the constraints of the existing regulatory framework and operating environment⁸.

Despite many town water supply systems being designed to be drought-proof, the severity and rapid onset of this drought has seen storage levels throughout the State rapidly plummet, with some water supplies nearly exhausted.

With the prospect of large regional cities running out of water within weeks or months, addressing this supply crisis is clearly the immediate priority for councils and LWUs.

LGNSW therefore calls on the Government to develop a comprehensive, integrated and funded emergency plan to address the immediate water supply crisis afflicting NSW towns and communities which, among other things:

- Provides greater flexibility, such as allowing temporary transfer of water, where the water does not have current allocations/licensing and it is within the same water source.
- Ensures that town water supplies will be secured and maintained.
- Ensures that appropriate consultation is undertaken, when issuing bore licences and other relief measures.

LGNSW acknowledges the invaluable emergency assistance the NSW Government is already providing LWUs, which includes technical advice and financial assistance to help meet the cost of emergency capital works and water carting. However, LGNSW believes the NSW

⁷ Only 2% of total storage in State dams is for town water supply.

⁸ For example, Productivity Commission, *Inquiry into National Water Reform* (2018) at <https://www.pc.gov.au/inquiries/completed/water-reform/report>

Government should fully fund the cost of emergency water carting, including the first \$50,000 which councils are currently required to pay.

Major water infrastructure solutions, such as new dams, will be an important part of the supply solution and LGNSW supports bringing forward planned water infrastructure projects and investigating potential new infrastructure projects that will assist in providing long term water security. LGNSW welcomed the NSW Government's *Water Supply (Critical Needs) Act 2019*, which will fast track infrastructure projects in Orange, Dubbo and Tamworth, and has provided much needed longer-term certainty for these communities.

However, several regulatory and operational hurdles remain that are not responsive to the pace of the current drought emergency. These include:

- Safe and Secure Water Program red tape.
- Regional Town Water Supply Coordinator resources.
- Section 60 approvals processes.
- Integrated Water Cycle Management (IWCM) requirements.

Safe and Secure Water Program red tape

The Safe and Secure Water Program (SSWP) is the NSW Government's \$1 billion regional water infrastructure co-funding program. It was established in 2017 as a 10-year program to address key risks to regional water safety and security in NSW, and to provide safe, secure and sustainable water and wastewater services to regional NSW towns.

Initially, funding was only available for projects that resulted in a positive economic benefit. However, in October 2018, the Government revised the criteria to:

- Prioritise projects that address the highest risks and issues for regional NSW water.
- Ensure a minimum level of service in smaller towns where the cost of critical infrastructure outweighs the economic benefits provided.
- Provide more flexibility by including non-infrastructure options, where this is cost-effective.

LGNSW strongly supports this change in funding criteria. However, a continued focus by DPIE Water on business-as-usual processes under the SSWP remains a significant frustration across regional LWUs, particularly in terms of time delays and a perceived lack of value-add. This includes, for example, DPIE Water using a LWUs IWCM plan as the core source of information for a risk assessment to inform their infrastructure prioritisation framework for the funding of projects.

LGNSW acknowledges there have been some recent improvements, however these do not go far enough. For example, while LGNSW welcomed the decision to allow Joint Organisations to apply for co-funding under SSWP to develop regional water management strategies and plans across LWU boundaries, it is disappointing that each LWU will still need to have in place an IWCM strategy, including strategic business planning, asset management and financial planning.

Regional Town Water Supply Coordinator resources

Many local solutions including pipelines, bores, recycling and storm water harvesting schemes are being implemented by councils, but it is challenging to identify, plan and deliver the infrastructure required to drought proof towns in large parts of inland NSW and some coastal areas into the future. These extend well beyond an individual council's remit.

The appointment of James McTavish as a Regional Town Water Supply Coordinator has been a practical and effective initiative and feedback from councils working with the Coordinator, including Tenterfield, Dubbo, Bathurst and Orange, has been positive. Among other things, the Coordinator has been able to help address some of bureaucratic pinch-points in progressing emergency town water supply works.

Unfortunately, the Coordinator has been provided limited resources to perform this valuable task. LGNSW believes the Government should allocate additional resources to the Coordinator to enable all councils with emergency supply needs to access the Coordinator's support in a timely manner.

Section 60 approvals processes

Under section 60 of the *Local Government Act 1993*, LWUs are required to obtain ministerial approval for the construction or modification of water or sewage treatment works. The intent of section 60 is to provide an independent assessment of the proposed works to ensure they are fit for purpose and provide robust, safe, cost-effective and soundly based solutions that meet public health and environmental requirements. LWUs have, however, expressed several concerns and frustrations regarding this process, arguing that it does not add value for LWUs or local communities. For example:

- There is a lack of transparency, as there is no documented process or guideline against which projects are assessed.
- It relies heavily on the assessors' professional and technical judgement, leading to inconsistent outcomes for councils.
- There is no escalation or appeals process to resolve these technical differences of opinion.
- There is restricted ability to trial innovative new treatment technologies or approaches, with the process favouring traditional solutions and inhibiting innovation.
- It is not an effective tool in managing risk.
- The assessment process is not time-limited, so there can be significant project time overruns which can increase councils' exposure to construction price index increases, delay the benefit of the new infrastructure and increase risk from the extended use of existing infrastructure.
- With water and sewerage projects currently taking up to 10 years to deliver, there is a risk that councils will not be eligible for Commonwealth capital grant funding or they may have to return funding if milestones are not met.

- The assessment process does not give adequate regard to local environmental factors. The treatment processes required to meet robust, safe and public health solutions is largely influenced by the quality of the local water source.
- Solutions must also meet the local community's expectations, while cost effectiveness should reflect the community's capacity and willingness to pay. Under the existing process, however, DPIE Water uses internal departmental information to assess cost effectiveness rather than consulting the local community on the issue.
- The treatment expectations of NSW Health can make proposed supply solutions unviable for a community. A process to determine acceptable, safe and timely use in extreme drought needs to be identified.

Integrated Water Cycle Management (IWCM) guidelines

To be eligible for funding under the SSWP, or to obtain ministerial approval for works under Section 60 of the *Local Government Act*, councils must prepare an IWCM plan in accordance with the Government's IWCM guidelines⁹.

While LGNSW and councils support the principles of IWCM, the "one-size-fits-all" requirements imposed on LWUs through the guidelines are overly prescriptive and impose significant costs, particularly for small LWUs.

The large amount of information required in an IWCM (much of it duplicated from asset management plans) means that councils' IWCM reports are very lengthy and complex, which makes community and regulator engagement more difficult.

LGNSW believes there are opportunities to simplify the IWCM requirements for LWUs, without increasing risk.

Recommendation 2: LGNSW recommends the NSW Government:

2.1 Develops a comprehensive, integrated and funded emergency plan to address the immediate water supply crisis afflicting NSW towns and communities which, among other things:

- Provides greater flexibility, such as allowing temporary transfer of water, where the water does not have current allocations/licensing and it is within the same water source.
- Ensures that town water supplies will be secured and maintained.
- Ensures that appropriate consultation is undertaken, when issuing bore licences and other relief measures.

2.2 Fully funds the cost of emergency water carting, including the first \$50,000 which councils are currently required to pay.

⁹ The Integrated Water Cycle Management (IWCM) guidelines and checklist are available [here](#).

- 2.3 Urgently reviews the current SSWP application processes and requirements to identify and remove business-as-usual processes that prevent, delay or frustrate the approval and roll-out of emergency water sourcing projects.
- 2.4 Provides sufficient additional resources to the Regional Town Water Supply Coordinator to enable all communities with emergency supply needs to access the Coordinator's support in a timely manner.
- 2.5 Urgently reviews Section 60 of the *Local Government Act 1993*, in consultation with local government, to identify the benefits, costs and risks to councils and the NSW Government of the current approval process and opportunities for improvement, including removing the approval requirement.
- 2.6 Urgently reviews the IWCM guidelines, in consultation with local government, to simplify and streamline requirements, particularly for small LWUs.

4.3 Supporting individuals and community wellbeing

Councils understand and appreciate how the drought is impacting their local communities and they are well-placed to know what support and assistance their communities need.

Emergency financial support

While farmers and primary producers are most likely to suffer financial hardship directly from the drought, local businesses and those employed in farming related activities are also at risk of losing income and suffering financial hardship.

Eligibility for emergency financial support initiatives should therefore be expanded to include businesses and individuals suffering financial hardship due to the drought.

Relief from taxes, charges and levies

Temporarily waiving or discounting of taxes, charges and levies provides an effective means to deliver short term financial assistance to those in financial hardship.

Council rates can be a significant burden for ratepayers during drought and councils would like to be able to provide some relief to landowners suffering hardship as the result of drought. However, the *Local Government Act 1993* does not allow councils to waiver and write-off recoverable debts, so this help is generally restricted to rate deferrals and negotiated debt repayment arrangements.

While the desire of councils to provide more generous rate relief is laudable, the reality is councils do not have the financial capacity to fund such large rate relief measures. Council finances are already under increased pressure from the drought, with additional costs and reduced income through defaults and rate deferrals.

LGNSW therefore supports the provision of temporary relief from council rates on the condition that it is fully funded by the State and/or Commonwealth Government, it is available to all ratepayers suffering hardship from the drought and it is designed and implemented in collaboration with local government. LGNSW believes it should be made permanent, so when a local government area is declared a drought zone the relief mechanism triggers automatically.

Maintaining local economic activity

More State Government and Commonwealth funding is urgently required to help stimulate local economic activity and maintain employment in drought-affected areas. Priorities include:

- Providing new grant funding for local employment generating projects.
- Maintaining or increasing public sector employment levels in drought affected areas.
- Implementing temporary policy changes (e.g. preferencing local contractors and suppliers).
- Developing state-wide or regional initiatives (e.g. tourism campaign) to stimulate economic activity.

Mental health and wellbeing

Droughts impact negatively on the wellbeing of individuals and the community more broadly due to their unfamiliarity, unpredictability and longevity¹⁰. People who are isolated and experiencing financial hardship are more likely to experience drought-related stress and depression.

With councils reporting high demand for mental health support services, there is a need to provide additional mental health resources and support. Allocating trained social workers or counsellors to work directly with schools and preschools would help address the mental health and wellbeing of children impacted by the drought.

It is important that people maintain their social engagement and councils can play a lead role through, for example, hosting community events.

Coordination and delivery of support

There is a strong view among councils that the various drought assistance programs provided by governments and non-government organisations need to be better coordinated and made easier for those seeking assistance to access and understand.

¹⁰ *What can historical 'mega droughts' tell us about future water supply?* Australian Water Association, Sept 2019, <https://watersource.awa.asn.au/environment/natural-environment/what-can-historical-mega-droughts-tell-us-about-future-water-supply/>

Local government should be engaged from the outset to determine how they can assist, for example providing office accommodation, central operations room, communications and media facilities, consolidated stakeholder contact lists and general insights from an informed basis.

Inadequate telecommunications services and relatively low IT skill levels in rural areas means information and resources for the public must be available in a variety of forms and formats, not only online. Ideally, offering face to face services is ideal as it can improve connectedness for those that are physically isolated.

Drought recovery plan

Even if drought-breaking rains were to occur tomorrow, it will take years for the communities to recover. A drought recovery plan is therefore needed, which set out the Government's strategies, programs and actions to help communities and local economies recover from the impacts of drought. Such a plan would, among other things, provide some certainty for the future and help restore public confidence.

Recommendation 3: LGNSW recommends the NSW Government:

- 3.1 Expands eligibility for its emergency financial support initiatives to include any resident that has lost income and is suffering financial hardship due to the drought.
- 3.2 Develops and implements programs to support local businesses through the drought.
- 3.3 Establishes a program to provide temporary relief from council rates to ratepayers suffering financial hardship due to the drought, subject to the following conditions:
 - It is fully funded by the State and/or Commonwealth Government.
 - Available to all ratepayers suffering hardship from the drought.
 - Designed and implemented in collaboration with local government.
 - Made permanent, so when a local government area is declared a drought zone the relief mechanism triggers automatically.
- 3.4 Adopts the following initiatives to stimulate local economies:
 - Establish a grant program for local government, modelled on the Commonwealth Government's very successful Drought Communities Program, to fund employment generating projects.
 - Develop a regional tourism campaign in consultation with local government.
 - Maintain or increase State public sector employment numbers and funding levels for existing programs (e.g. funding for preschools) in drought affected areas.
 - Implement a temporary policy to actively preference local contractors and suppliers for all major infrastructure projects the State Government undertakes in rural and regional areas.

- Increase funding under the Fixing Local Roads program, prioritising works that can support employment of displaced workers in the agricultural and farming community.
- Provide ongoing funding the Joint Organisations to employ a regional Biodiversity Project Officer to assist communities build capacity and capability in biodiversity land management.
- Direct NSW Treasury Corporation (TCorp) to amend its guidelines to allow councils to access no or low interest loans for drought-related works.

3.5 Increases funding for mental health resources and support services and allocates trained social workers to work directly with schools and preschools to address the mental health and wellbeing of children impacted by the drought.

3.6 Funds the establishment of local drought coordinator positions in drought declared LGAs to coordinate service delivery and make it easier for those seeking assistance to access and understand.

3.7 Develops a drought recovery plan setting out the strategies, programs and actions it proposes to help communities and local economies recover from the impacts of drought.

4.4 Long term community resilience

Australia's outlook of more frequent and more severe droughts necessitates a major shift in governments' focus, and funding, toward drought preparedness, mitigation and resilience for our communities.

National drought preparedness policy

LGNSW acknowledges the establishment by the Commonwealth Government of the national Drought Resilience Fund and related funding plan, to help build more resilient communities. While this is a very important initiative, a national preparedness policy and related processes is also needed which sets out the various responses to drought (i.e. programs, tools and advisory services) and importantly the triggers to signal when those responses will commence and cease.

These responses should apply place-based and in some cases, farm based, management approaches to ensure the best allocation and actions are taken. This will require the three spheres of government to work together to integrate services.

NSW drought preparedness plan

A State preparedness plan should, among other things, incorporate agreed town water supply actions and triggers in drought situations. This should encompass water infrastructure planning, water supply management and acknowledgement of the impact drought has on urban water supplies.

As a precondition, there needs to be greater consistency in the water restriction regimes used by water authorities, in terms of the number of restriction levels and the restrictions that apply under each level. This will require consultation and negotiation with councils, LWUs, Sydney Water and Hunter Water to develop.

To help inform NSW's plan, the Government should commission research into the regional and local economic, social, environmental and cultural impacts of drought and proven approaches to build resilience, capacity, leadership and knowledge.

Recommendation 4: LGNSW recommends the NSW Government:

- 4.1 Lobbies the Commonwealth Government to develop with State and Local Government a national drought preparedness policy and related processes.
- 4.2 Develops a State preparedness plan in consultation with councils and communities.
- 4.3 Works with councils, LWUs, Sydney Water and Hunter Water to develop a State-wide water restriction regime so all water authorities have the same number of restriction levels and with consistent restrictions applying under each level.
- 4.4 Commissions research into the impacts of drought and proven approaches to building resilience and preparedness.

4.5. Investment in water supply infrastructure and demand management initiatives

If communities in regional NSW are to have equitable access to a sustainable town water supply of suitable quality, a substantial investment in local water supply solutions is needed. It also requires bringing forward planned water infrastructure projects and identifying new infrastructure projects that will assist in providing long term water security. This should not exclude ambitious infrastructure projects of the scale of the Snowy Mountain Scheme.

Increasing storage and supply capacity

The capacity of most LWUs to fund this investment is limited. Many are already dealing with major infrastructure maintenance and renewal challenges, which is exacerbated by the accounting rules for depreciation and valuation of assets.

With the increasing investment in major infrastructure solutions to address water security, water safety, environmental performance and integrated water management, funded through grants and borrowings, there is a real risk the resulting debt servicing and depreciation costs will exacerbate financial sustainability issues, particularly for those LWUs servicing small and dispersed communities.

The NSW Government must acknowledge and accept there will be instances where full cost recovery pricing will not be feasible (nor equitable), and in these instances, a transparent

operating subsidy arrangement, or Community Service Obligation, should be considered, as recommended by the Productivity Commission.

Demand management, conservation and efficiency

The unprecedented drought conditions have raised public awareness that water is our most valuable natural resource and its supply is not limitless. There is an understanding, particularly in rural and regional communities, of the need to conserve water and broad acceptance of water restrictions. There also appears an increasing acceptance of the need to consider alternative water sources, including recycling and stormwater harvesting to augment drinking water supplies.

LGNSW believes the NSW Government should now capitalise on the current focus on the drought to implement a major water efficiency and conservation program, supported by a public awareness campaign, to quickly roll-out water saving measures and incentives and over the longer term to build public understanding and strengthen engagement.

A media campaign and educational resources should be deployed, with the immediate aim of ensuring all water users can access information regarding water-saving resources and incentives available to them. The goal of the campaign would be ubiquitous public awareness of how water is supplied, issues which have an impact on supply, alternative sources of supply and strategies to ensure sustainability of supply. Importantly, it should address and stimulate community discussion on the contentious issue of recycled water use. The NSW Water Directorate, which represents 89 LWUs in regional NSW, has been working closely with the Water Services Association of Australia on a public awareness program – *All options on the table*.

Water efficiency is generally a more cost-effective way of ensuring supply security than infrastructure-based supply solutions and technological advances provide ever increasing opportunities. Smart water metering, for example, provides water users with real time monitoring of water use (thereby increasing knowledge and engagement) and alerts when leakage occurs.

Efficiency measures, including restrictions, have traditionally been an important component of Australia's response to drought. However, they have generally been viewed and treated as temporary measures. During the Millennium Drought, several efficiency programs were implemented, and severe restrictions were applied. But when the drought broke, the water efficiency programs were generally wound back and most restrictions lifted.

Efficiencies can be achieved at a variety of stages – storage, supply and consumption. The NSW Government should therefore include a variety of funded initiatives such as:

- Funding for industrial and large-scale water users to improve water use efficiency (for example by providing help with the planning and design of systems which capture and reuse rain and stormwater).

- A water meter upgrade program to assist LWUs roll out smart meters.
- A leak detection program to assist LWUs identify and fix network leaks.
- A program for low-income households to fund the installation of household water saving upgrades.
- Substantially increasing the rebates available for the replacement of evaporative coolers and the installation of water storage tanks.

In addition, the LGNSW 2019 Annual Conference resolved to call on the NSW Government to install a network of electronic water quality and level sensors throughout NSW river systems to collect accurate real time data to improve water planning and management.

Recommendation 5: LGNSW recommends the NSW Government:

- 5.1 Commits to ensuring that communities in regional NSW have equitable access to a sustainable town water supply of suitable quality.
- 5.2 Brings forward planned water infrastructure projects and identifies new infrastructure projects, including ambitious infrastructure projects of the scale of the Snowy Mountain Scheme, that will assist in providing long term water security.
- 5.3 Acknowledges that it has a community service obligation (CSO) to subsidise water and sewerage infrastructure and services in small rural and regional communities.
- 5.4 Develops a major water efficiency and conservation program, supported by a public awareness campaign, and including a variety of funded programs for:
 - 5.4.1 A water meter upgrade program for LWUs to assist them in the roll out of smart meters.
 - 5.4.2 Industrial and large-scale water users to improve water use efficiency (for example by providing help with the planning and design of systems which capture and reuse rain and stormwater).
 - 5.4.3 A leak detection program for LWUs to assist them in identifying and fixing network leaks.
 - 5.4.4 A program for low-income households to fund the installation of household water saving upgrades.
 - 5.4.5 Increasing the rebates available for the replacement of evaporative coolers and the installation of water storage tanks.
- 5.5 Installs a network of electronic water quality and level sensors throughout NSW river systems to collect accurate real time data to improve water planning and management.

5. Conclusion

Many of our rural and regional communities are struggling under the weight of the unprecedented drought conditions. Rapidly dwindling town water supplies mean that, for some, the drought represents a real threat to their existence. In response, councils and LWUs are working tirelessly to deal with the drought's multi-faceted challenges.

LGNSW believes the NSW Government has been responding positively to the needs of NSW communities through a range of programs and councils have welcomed the significant financial assistance and technical support being provided to secure emergency water supplies.

As this submission illustrates, however, communities will need ongoing support to aid with recovery and there will need to be a substantial government investment to secure town water supplies and build community resilience. This will require extensive planning and stakeholder engagement, with all levels of Government working collectively on agreed solutions.

LGNSW welcomes the opportunity to appear before Committee to expand on this submission and respond to any questions from the Committee.

For further information in relation to this submission, please contact Mark Hely, Senior Policy Officer, on 02 9242 4045 or mark.hely@lgnsw.org.au.

Appendix A: Terms of reference

The terms of reference require the Legislative Assembly's Standing Committee on Investment, Industry and Regional Development to "...inquire into and report on the impacts of drought on regional NSW and identify potential government action with particular reference to regional businesses, economies and communities including:

- (a) *population loss and loss of key trades, skills and businesses, and community services such as schools and medical services;*
- (b) *business debt finance and responses of financial companies to the impact of drought;*
- (c) *direct and indirect impacts of drought on businesses and industries;*
- (d) *transition and recovery from drought when drought conditions begin to improve;*
- (e) *preparedness for future drought events;*
- (f) *assessment of current Government programs;*
- (g) *temporary relief from state taxes, charges and levies for drought affected businesses;*
- (h) *capacity and coordination of town water supplies and further recycling opportunities;*
- (i) *particular impacts on Indigenous communities; and*
- (j) *any other related matter."*

Appendix B: LGNSW 2019 Annual Conference - Drought-related resolutions

Resolution 3: Drought recovery

That Local Government NSW lobbies the NSW and Federal Government to provide funding to assist communities to deal with the effects of drought locally, and that funding be set aside to assist the community to recover from the drought after the immediate effects have diminished and that recovery coordinators be appointed through the Joint Organisations to facilitate drought recovery.

Resolution 4: Water Security

LGNSW calls on the NSW Government to develop, in consultation with local government and Aboriginal custodial communities:

1. A comprehensive, integrated and funded emergency plan to address the immediate water supply crisis afflicting NSW towns and communities and a disaster recovery plan for when the drought breaks. These plans should:
 - a. provide greater flexibility, such as allowing temporary transfer of water, where the water does not have current allocations/licensing and it is within the same water source;
 - b. ensure that town water supplies will be secured and maintained; and
 - c. ensure that appropriate consultation is undertaken, when issuing bore licences and other relief measures.
2. Long term (30-40 year) water supply strategies for catchments throughout the State that mitigate the risks from future droughts and the predicted impact of climate change to help ensure population and economic growth targets can be achieved and supported. These strategies should not exclude ambitious infrastructure projects of the scale of the Snowy Mountain Scheme, while storm water harvesting, reuse and recycling and demand management initiatives should feature as key elements of those plans.

Resolution 4.1: Drought response

LGNSW calls for the development and implementation of integrated long term National and State Drought Policies and Plans. Elements of drought policy must include:

1. A commitment to provide long term water security and related initiatives such as fodder banks.
2. Bringing forward planned water infrastructure projects and identifying new infrastructure projects that will assist in providing long term water security.
3. Support for demand management and water saving initiatives down to the household level.
4. Stronger support for emergency responses such as water carting.
5. A review of Water Sharing Plans, particularly in relation to need for optimisation of the management of environmental flows.

6. Commitment to actively engage councils in development of all policies and plans.
7. Provision for funding local government drought coordinators.
8. Explicit recognition by the State and Federal Governments that they have a community service obligation (CSO) to subsidise water and sewerage infrastructure and services in small rural and regional communities.
9. Increased provision of financial and mental health support for communities impacted by drought (supported by roadshows to make people aware of available assistance).

Resolution 52: Electronic water quality and level sensors for river systems

That Local Government NSW lobbies the NSW Government to install a network of electronic water quality and level sensors throughout NSW river systems to provide accurate real time data on river heights, flows and water quality to government agencies to assist with better management of the systems, especially in times of floods, droughts, algal blooms and low dissolved oxygen levels.