



# Notice

30 May 2016

## Shire of Lake Grace

### DEFERRAL OF DECISION - ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has given the Shire of Lake Grace until September 2016 to address some remaining problems with its asset management system and the storage ponds at its sewage treatment plant.

The ERA published a notice on 16 July 2015, stating it had deferred the decision on the period of time to be covered by the next asset management system review (**Review**) of the Shire of Lake Grace's (**Shire**) water services licence WL22, until after the Shire provided an updated post-review implementation plan in November 2015.

The ERA received the first update of the Shire's post-review implementation plan in November 2015, which identified that, due to staffing issues, the majority of the actions in the post-review implementation plan had been delayed until February 2016. The ERA decided to grant the Shire an extension, until April 2016, to address the actions in the post-review implementation plan.

The Shire provided the updated post-review implementation plan to the ERA on 31 March 2016. The updated plan showed that two out of the 11 recommendations in the plan had been addressed. In response to the Shire's lack of progress with completing the actions in the plan, the ERA decided to undertake an inspection to assess the Shire's asset management system (**AMS**), and the condition of the Shire's sewerage assets.

On 3 May 2016, the ERA received the report on the inspection (**Inspection Report**) to the ERA from the inspector.<sup>1</sup>

### Action by the ERA

The ERA has decided to give the Shire an additional four months, until September 2016, to complete the actions in the post-review implementation plan, and to address some remaining problems with the condition of the storage ponds at the sewage treatment plant. The ERA has also informed the Shire that it will not provide any further extensions to the deadline for the remaining actions in the post-review implementation plan to be completed.

The Shire is required to provide an updated post-review implementation plan, and a copy of its updated asset management plan (**AMP**) to the ERA by not later than 30 September 2016. The ERA will make its final decision on the period of time until the next Review when it has received the updated post-review implementation plan, and a report on the progress made with rectifying the treatment plant pond problems.

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<sup>1</sup> The inspector is an independent consultant appointed by the ERA under section 210 of the *Water Services Act 2012*.

## **BACKGROUND**

### **Findings of the Inspection Report**

The Inspection Report states that the majority of the assets are in good working condition; however, the inspector also concluded that:

[...] Significant additional input to the documentation of the Asset Management Plan, its procedures and implementation is required to rectify the deficiencies identified by the Operational Audit and Asset Management Review Report prepared by Quantum in 2015.

#### ***Updated Post-Review Implementation Plan***

The inspector reported that the Shire had only made modest progress in addressing the nine recommendations that address asset management deficiencies in the post-review implementation plan: two recommendations were assessed as being between 40% and 50% complete, one was assessed as being 20% complete, and no progress had been made with the remaining six recommendations.

#### ***Asset Condition Assessments***

The inspector reported the majority of the Shire's sewerage assets were well maintained, and in good condition. However, the treatment ponds require urgent maintenance, as previously recommended by the Department of Health (**DoH**), and also referred to in the 2014 Review report. The Inspection Report includes further recommendations to bring the condition of the treatment ponds to an acceptable standard, including: weed and rush removal from the pond and the banks, and the installation of erosion protection along the water line of the pond banks. The ERA has provided these recommendations to the Shire for action.

The treated effluent system used to irrigate the sporting grounds in Lake Grace has been de-commissioned, and the Shire's authority to supply recycled effluent rescinded by DoH. Accordingly, the inspector did not undertake an assessment of the condition of the recycled effluent scheme assets.

#### ***Asset Maintenance Issues***

The Inspection Report states:

[...] Inspector found the principal of the [plumbing] company [contracted to undertake the operation and maintenance of the sewerage system] to be responsible, capable and possessed of detailed knowledge of all the assets and their operation.

By informal agreement, with the Shire, the [plumbing] company undertakes all operations and maintenance it deems necessary and bills the Shire accordingly. Accounts are submitted and paid with little or no written reference to operational, maintenance, or repair tasks. The Shire therefore has little or no record or control over maintenance or other tasks undertaken on the system.

With relation to this issue, the inspector has recommended the Shire enter into a formal agreement with the plumbing company. The ERA concurs with the inspector's recommendation; the current informal agreement with the plumber appears to have resulted in a lack of effective oversight of the contractor's maintenance work, or the contractor's invoices for work undertaken.

#### ***ERA's Response to the Inspection Report***

The ERA acknowledges that the maintenance of the sewerage assets by the contract plumber has resulted in the majority of the assets (excluding the treatment ponds) being kept in good condition. While there is evidence of regular maintenance being undertaken, the frequency and tasks performed appear to be at the

total discretion of the plumber with little regard to the asset maintenance processes in the AMP. There also appears to be a complete lack of oversight by the Shire in the activities of the plumber.

Additionally, the outstanding problems with the Shire's AMP and related policies and procedures need to be addressed if the Shire is going to have an adequate framework in place to ensure the assets remain in good condition into the future.

The Inspection Report findings show that more needs to be done to address the sub-standard AMP and the maintenance issues with the treatment ponds. The Shire also needs to formalise the maintenance contract for an external plumber to undertake asset operations and maintenance on its behalf.

The ERA expects the Shire to address all the AMS deficiencies in the post-review implementation plan by 30 September 2016. The ERA has advised the Shire that no further extensions of time to address the recommendations will be provided. The Shire has also been advised that further compliance action may be taken, including serving a rectification notice under section 31 of the Act (failure to comply with licence), should the Shire fail to address the outstanding recommendations in the post-review implementation plan by September 2016.

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