



# Notice

20 June 2016

## Shire of Gnowangerup

### DEFERRAL OF DECISION - ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has given the Shire of Gnowangerup (**Shire**) until November 2016 to address some remaining problems with the storage ponds at its sewage treatment plant.

The ERA published a notice on 29 April 2015 stating it had deferred its decision on the period of time to be covered by the next asset management system review (**Review**) of the Shire's water services licence WL11, until after the Shire provided an updated post-review implementation plan in November 2015. In June 2015, the ERA extended the deadline (until April 2016) for the updated plan to be provided, because the Department of Water was undertaking consultation on a proposed class exemption for small local government water licensees at the time.

The Shire provided the updated post-review implementation plan to the ERA on 31 May 2016. The updated plan showed the Shire has completed one of the two recommendations that address asset management deficiencies (Financial Planning). The remaining recommendation, related to Asset Maintenance, was partially completed. The outstanding asset maintenance items are: de-sludging the effluent treatment ponds; and replacing the security fencing around the treatment plant.

### Action by the ERA

The ERA has decided to give the Shire until November 2016 to complete the incomplete actions in the post-review implementation plan that address the asset maintenance deficiencies.

The Shire is required to provide an updated post-review implementation plan to the ERA by no later than 30 November 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.

### BACKGROUND

The 2014 Review report disclosed two ineffective asset management system components: asset maintenance and financial planning.

In response to the 2014 Review report's findings, the ERA deferred its decision on the period of time until the next Review until it had received an updated post-review implementation plan, setting out the actions taken by the Shire to address the asset management deficiencies identified in the Review.

### Asset Maintenance

The asset maintenance deficiencies identified in the 2014 Review included:



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- The treatment ponds required de-sludging, and did not appear to be progressively cleansing the wastewater.
- The levee bank between treatment ponds 3 and 4 had been breached, affecting the cleansing of the wastewater.
- Improvements were required to the baffles between the treatment ponds to help prevent sludge from flowing between ponds.
- The lack of secure fencing around the treatment ponds.
- A number of outstanding maintenance items on the sewer pipes and access chambers.

The 2014 Review also identified a problem with overgrown vegetation around the treatment ponds, but the auditor did not make a recommendation to address this issue; consequently, the ERA required the Shire to add this item to its post-review implementation plan.

The updated post-review implementation plan provided by the Shire stated that most of the above deficiencies had been addressed; the exceptions are the pond de-sludging and the secure fencing around the ponds.<sup>1</sup> The Shire has informed the ERA that it plans to complete these items by November 2016, subject to obtaining the necessary budget allocation from Council.

## Financial Planning

The 2014 Review found there was a funding gap between the sewerage rates collected and the forecast long-term operating, maintenance and capital renewal costs.

The updated post-review implementation plan states the Shire has increased the sewerage rates over the past two financial years by 40.5% (2014/15) and 50% (2015/16), respectively. The Shire also plans to increase the rates further in the 2016/17 financial year. The Shire also stated the current balance in the sewerage reserve fund is \$113,000.

The ERA is satisfied that the Shire has taken appropriate action to address the funding gap.

For further information contact:

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<sup>1</sup> The Shire has temporarily repaired the fencing, but plans to install new fencing during the 2016/17 financial year.