

ANNUAL REPORT

2021-22



ERA WATER ANNUAL REPORT 2021-22

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

We acknowledge that the land upon which ERA Water conducts its operations and meets is the traditional land of the Kurna People and that we respect their spiritual relationship with their country. We also acknowledge the Kurna people as the custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the Kurna people today. We pay respect to the cultural authority of Aboriginal people visiting or attending from other areas of South Australia and Australia.

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PRESIDING MEMBER'S REPORT

I was pleased to be appointed by the three Constituent Councils to chair the Board of ERA Water from mid July 2021 and thank them for showing confidence in me for this important role.

The concept of a scheme to harvest stormwater for irrigation purposes comes from the period of the millennium drought in the early 2000's when severe water restrictions were in place for several years. The period and intensity of that drought impacted heavily on public open spaces such as parks, gardens, and sportsgrounds in the three Council areas. Capturing, cleaning, and storing stormwater in above ground tanks and the aquifer was pursued as a form of insurance against similar impacts with future droughts. Other Councils in Adelaide have implemented similar schemes, some at the time of the millennium drought and some before that time.

Any entity involved in stormwater harvesting will have its challenges and that has been the case with ERA Water. It has taken a lot of work by the three Councils and previous Boards and their staff to design, construct, and implement the scheme. We are in the early years of operating the scheme which has effectively been operational for two full financial years. Experience with similar schemes indicates that they take 5-10 years to reach 'maturity' in their operations, as both customer demand and network capacity grows (source: [Managed aquifer recharge schemes in the Adelaide Metropolitan Area](#), DEWNR SA 2017).

It is easy to lose sight of why the scheme was put in place with the drought now just a memory. The Board's Charter makes it clear that the scheme is intended to "maximise economic, environmental and social benefits to the community by developing and implementing innovative water management principles and techniques". While those benefits are discussed in general terms, the Board's new strategic plan calls for them to be identified and quantified where possible. In any event, we know that there will be more droughts in the future with predictions of climate change leading to drier conditions overall for Adelaide. I and the other Board members see the ERA Water scheme as an important part of responding to those conditions with the benefit of a distribution system of irrigation pipes across the three Council areas to take water to public open spaces, as well as the harvesting, cleaning, and storage facilities.

I thank the other Board members, our previous General Manager Wally Iasiello, current Acting General Manager Terry Sutcliffe, and business services advisor Michael Richardson of BRM Advisory for their enthusiastic dedication to getting the best outcomes from ERA Water for the Constituent Councils and their communities.

JEFF TATE
ERA WATER PRESIDING MEMBER

GENERAL MANAGER'S REPORT

The 2021-2022 Financial Year has been focused on reviewing and re-building with an objective of ensuring that ERA Water is on an improved, sustainable, footing for the years ahead.

Mr Jeff Tate was appointed as Independent Chairperson of the ERA Water Board in July 2021. Mr Wally Iasiello was appointed as interim General Manager in April 2021 pending appointment of a General Manager. Mr Terry Sutcliffe was subsequently appointed as Acting General Manager commencing in January 2022.

To provide a foundation for the direction of ERA Water and future decision making, a revised Strategic Plan 2022-2025 was adopted by the Board and approved by the Constituent Councils.

Consistent with the Strategic Plan, during the year a review of the financial sustainability of ERA Water was undertaken by the Board and Management, in recognition that the operations of ERA Water are not yet at a point of long term financial sustainability without the continuing support of Constituent Councils.

In order to improve financial sustainability, during the course of the year the ERA Water Board proposed and the Constituent Councils approved an initial capital injection for the 2022-2023 financial year to enable identification of options to enhance the operations of the scheme and to identify options for water supply, and the development of business cases for the options. The business cases will then be used as a basis for decision making for project prioritisation and funding for subsequent budgets.

Whilst the financial stability of the operations of ERA Water is critical, it is also important to recognise the environmental and social dividends that the ERA Water scheme brings. The ERA Water MAR scheme provides a sustainable source of irrigation water reducing demand on potable water supplies, including the River Murray, and for use during drought conditions to ensure that public spaces remain green, usable and of high amenity. This in turn has benefits in reducing heat island effects in comparison to dry reserve areas in times of drought. There is also significant community benefit in having access to high quality and fit-for-purpose open spaces, including reserves and sports grounds.

The capacity of the MAR scheme continued to grow, along with growth in customer demand primarily driven by Constituent Councils. The volume of water harvested, injected into the aquifer, and extracted increased relative to 2020-21. The volume of water injected to the aquifer increased by 35% (from 203ML to 274.5ML) and water extracted from the aquifer increased by 17% (from 186.3ML to 218.1ML). There has also been a significant increase in the water balance – the accumulated reserve of water held in the aquifer - from 250.8ML to 525.3ML, a large part of which is as a result of a one-off licence allowance by the Department of Environment and Water to not account for extraction during the 2021-22 year whilst the new Adelaide Plains Water Allocation Plan was being introduced. This significant water balance provides a buffer for times of drought where seasonal capacity to harvest stormwater for injection is exceeded by water demand for irrigation.

The volume of water harvested and injected for later extraction is below the ERA Water target of 370ML of consumption per annum. This target has been set by the Board as a cash break-even point on the basis of current costs and pricing, and is also reflective of the ERA Water scheme not yet being at 'maturity'.

The continued focus for ERA Water in future years will be the identification of opportunities for growth in water demand and thereby sales, and growth in supply to meet demand, underpinned by robust business cases. The regulatory environment is also changing with the introduction of the Adelaide Plains Water Allocation Plan on 1 July 2022, which presents both risks and opportunities for ERA Water. ERA Water's business environment continues to be challenging, and there is a strong focus on delivering the outcomes in the Strategic Plan 2022-2025.

TERRY SUTCLIFFE

ERA WATER ACTING GENERAL MANAGER

ABOUT ERA WATER

ERA Water Regional Subsidiary (ERA Water) is a regional subsidiary of the Constituent Councils established on 21 July 2015 under Section 43 of the *Local Government Act 1999*. Its Charter provides for the supply of recycled urban storm water on behalf of its Constituent Councils in the eastern suburbs of Adelaide, South Australia.

THE CONSTITUENT COUNCILS

The Constituent Councils of ERA Water are:

- The Corporation of the Town of Walkerville
- The City of Norwood, Payneham & St Peters
- The City of Burnside.

PURPOSE

ERA Water was established as an outcome of the Waterproofing Eastern Adelaide Project (Project), funded by the Constituent Councils which were supported through funding from the Australian Government's National Urban Water and Desalination Plan, and the Adelaide and Mount Lofty Ranges Natural Resources Management Board (now Green Adelaide Landscape Board).

ERA Water's current prime function is to manage a water recycling scheme which captures, treats and delivers stormwater for irrigation purposes to the Constituent Councils and other customers, which makes a significant contribution to the protection of Adelaide's environment, and which reduces the reliance of Adelaide upon water from the Murray River. The scheme included the establishment of wetlands and biofilters, aquifer recharge and recovery infrastructure, pipeline installations and water storage facilities and utilises a process known as Managed Aquifer Recharge and Recovery (MAR) - a system of harvesting, treating and injecting the cleaned water into aquifers for later extraction and use for irrigation.

The scheme comprises two treatment sites (which were modelled to be capable of harvesting 600 ML of stormwater per annum and yielding for use 458 ML of water per annum) as well as 46km of distribution pipe network covering each of the three Constituent Council areas, plus a site in each of the City of Port Adelaide Enfield and the City of Campbelltown areas. The distribution network is designed to deliver water to Constituent Council reserves as well as to other potential customers in these areas and beyond (see page 12 showing a plan of the ERA Water network).

The ERA Water scheme was designed to ultimately produce 458 ML per annum of water for sale to customers of which a minimum of 204.7 ML per annum is committed to the three Constituent Councils. An additional 253.3 ML per annum is forecast to be sold to other customers when identified and to Constituent Councils as growth in their water demand occurs.

Noting the original ERA Water scheme modelled design objectives, operational experience indicates that the current scheme extent and capacity will not be able to achieve modelled outcomes. This is not unusual with MAR schemes, and is compounded in ERA Water's case by previous decisions to not proceed with some elements of the original scheme in the pursuit of cost savings (such as a second UV injection filter, balancing storage, and injection/extraction wells) limiting the capacity of the scheme.

Notwithstanding the scheme's current limitations, it has delivered significant community benefit through the capacity for it to provide a cost-effective water supply to maintain the high standard of public open space and playing fields. This has both on-going social and environmental benefits, which will be heightened during times of drought and constrained water supply from other sources by enabling these green spaces to be maintained to a consistently high standard.

CHARTER

The Charter for ERA Water was approved by the Minister for Local Government on 21 July 2015. The Charter sets out the responsibilities of ERA Water including its governance, financials and its responsibilities to the Constituent Councils. The Charter is due for review in 2023-24, but it has also been recommended to the Board by the Audit Committee that the Charter be reviewed earlier, in 2022-23.

The Charter sets the Objects and Purposes of ERA Water as:

- to implement, oversee and manage the Project;
- to develop, implement, oversee and manage practical solutions to provide water supply diversity within and outside the Region;
- to supply water to the Constituent Councils and other persons for irrigation purposes within and outside the Region except that priority shall be given to the supply of water for irrigation within the Region;
- to manage and oversee the distribution of water captured as part of the Project;
- to provide strategic direction for the Project;
- to fund, lease or own physical infrastructure required to undertake the Project;
- to meet all legislative requirements for the Subsidiary;
- to be responsible for the ongoing maintenance, replacement and other capital requirements of all physical infrastructure owned by the Subsidiary;
- to utilise proven water management planning principles and technologies;
- to manage, operate and control the necessary infrastructure for the Project;
- to maximise economic, environmental and social benefits to the community by developing and implementing innovative water management principles and techniques;
- to identify, develop and implement water recycling and supply opportunities for the Constituent Councils;
- to provide technical and other expert services and advice to the Constituent Councils in the area of water management and recycling including identifying emerging issues and opportunities;
- to represent the Constituent Councils and liaise with State government regarding the implementation or alteration of legislation in relation to water and licensing;
- to be financially self-sufficient as far as possible.

GOVERNANCE

BOARD OF MANAGEMENT

ERA Water is governed by a Board of Management composed of an Independent Chairperson and a representative from each Constituent Council as shown in the Table below. The Board held seven regular meetings and four special meetings during the 2021-22 financial year. The table below details Board Member attendance for all meetings.

	Member	
Independent Chairperson	Jeff Tate	10
<i>(Noting that the first meeting of the financial year was held prior to Mr. Tate's commencement)</i>		
City of Burnside	Chris Cowley, CEO	11
City of Norwood Payneham and St Peters	Cr John Minney	10
Corporation of the Town of Walkerville	Cr MaryLou Bishop	11

Regular Meetings of the Board were held on the following dates:

- 1 July 2021
- 23 September 2021
- 4 November 2021
- 16 December 2021
- 20 January 2022
- 17 March 2022
- 19 May 2022

Special Meetings of the Board were held on the following dates:

- 20 August 2021
- 5 January 2022
- 10 May 2022
- 23 June 2022

CONFIDENTIALITY

During the 2021-22 financial year, the Board considered reports of a confidential nature at two meetings where it was necessary to exclude the public from discussion. The table below identifies the grounds on which the Board made this determination.

Local Government Act 1999

Description	Number times used
90(3)(a) Information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead);	1
90(3)(d) Information relating to commercial information of a confidential nature (not being a trade secret); 90(3)(k) Tenders for the supply of goods, the provision of services or the carrying out of works;	1

FREEDOM OF INFORMATION

No requests were received under the *Freedom of Information Act 1991* during the 2021-22 financial year.

STAFFING STRUCTURE

The Board employs an Acting General Manager. Wally Iasiello was appointed as General Manager from 27 April 2021, and upon his resignation Terry Sutcliffe was appointed as Acting General Manager on 31 January 2021.

No additional staff were employed during the year.

SUPPORT FROM CONSTITUENT COUNCILS

The Town of Walkerville continued to provide ERA Water with Board secretarial and executive support functions and services throughout the 2021-22 financial year.

The City of Burnside contributed to accounting and IT support during the year.

The City of Norwood Payneham & St Peters provided office accommodation and IT support for the Acting General Manager.

FINANCIAL MATTERS

FY2022 BUDGET and LONG TERM FINANCIAL PLAN

The FY2021-22 Budget and Long Term Financial Plan (LTFP) for ERA Water were adopted by the Constituent Councils, and subsequently approved by the Board, in accordance with the procedures and requirements under the ERA Water Charter.

The audited General Purpose Financial Statements form an attachment to the Annual Report.

AUDIT COMMITTEE

The ERA Water Audit Committee held four meetings in the 2021-22 financial year. The work of the Committee over the past financial year has included:

- reviewing ERA Water's audited Financial Statements and considering external audit matters
- reviewing 2021-22 quarterly budget reviews
- reviewing the draft 2022-23 Budget
- reviewing a recapitalisation proposal from the Board
- review of the draft Strategic Plan 2022-2025
- providing recommendations on governance policy matters
- regularly reviewing the risk register
- reviewing and recommending to the Board Terms of Reference for the Audit Committee

The Audit Committee Members in 2019-20 were:	Meetings Attended
• Michael Parkinson (Chairperson)	4
• Brigid O'Neill	4
• Cr Grant Piggott	2

Meetings were held on the following dates:

- 26 August 2021
- 16 December 2021
- 17 March 2022
- 15 June 2022

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30 June 2022 are provided as an attachment to the Annual Report and show an Operating Deficit of \$642,529 (2020-21 \$981,605) and Total Council Equity of \$4,909,850 (2020-21 \$5,552,379).

Total income was \$747,963 (2020-21 \$656,791) and total expenses \$1,390,492 (2020-21 \$1,638,395).

FINANCIAL MANAGEMENT AND STRATEGIC SUPPORT

BRM Advisory continued to provide Financial and Strategic Management support to the Board and General Manager.

OPERATIONS AND MAINTENANCE

Operational management of the ERA Water network has been undertaken by Mark Millington as external operations contractor since November 2020. Engineering consultants WGA continue to provide advice and operational support, including support with licence compliance reporting.

At the end of the financial year 274.5ML from the scheme's two harvesting sites in Third Creek and Fourth Creek had been treated to the required standard and injected into the aquifer, and 218.1ML had been extracted from the aquifer for distribution to the Constituent Councils and third parties for irrigation. The total volume of metered water supplied to Constituent Councils and third parties, comprised of water extracted from the aquifer and water harvested, treated and directly distributed (without injection into the aquifer), was 253ML.

In addition, as the amount of water injected into the aquifer has been greater than the amount extracted since the start of the scheme, and the Department of Environment and Water determined not to account for extraction during the 2021-22 year whilst the new Adelaide Plains Water Allocation Plan was being introduced, a total of 525.3ML of water has now been 'banked' as the scheme's water balance. The water balance can be drawn down in drought years when extraction exceeds injection.

Above average rainfall conditions (11.9 mm above average - BOM site 203000) assisted harvesting and injection capacity. However in addition to total rainfall in any year, the ability to harvest and treat stormwater is impacted by the type of rain event. The ideal conditions for harvesting is for the catchment to get saturated by mid-June followed by regular low intensity rainfall in winter and spring. This ensures a steady flow of relatively clean water which is suitable for harvesting and injecting into the aquifer.

Maintenance requirements have included a series of pump repairs and replacements due to damage from contaminants in the network, with a resultant budget impact, which is not uncommon in the early phases of operation of such schemes. The ERA Water MAR scheme continues to require active monitoring and management by the Operations Contractor to optimise the performance of the scheme.

INJECTION AND EXTRACTION DATA

YEAR	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Ext	0.0	3.9	19.1	83.6	186.3	218.1
Inj	0.0	5.6	97.3	237.9	203.0	274.5
Water Balance	0.0	1.6	79.8	234.0	250.8	525.3

REGULATORY FRAMEWORK

ERA Water operates within a regulated framework that require licences from the Environment Protection Agency (EPA) and from the Essential Services Commission South Australia (ESCOSA), an Authorisation from the Department for Environment and Water (DEW) and Permits from the Green Adelaide Landscape Board.

The EPA Licence is to discharge stormwater to underground aquifers. There are a number of conditions attached to the licence including specifying criteria for water quality that have to be monitored on a continuous basis and have to be met to enable water to be injected into the aquifer. It also requires ERA Water to have a Managed Aquifer Recharge Risk Management Monitoring Plan (MARRMMP) which details amongst other things the sampling and testing regime for water quality monitoring as well as reporting requirements regarding injection and extraction data as well as annual reporting requirements. The MARRMMP submitted for 2021-22 did not identify any breaches of water quality requirements through regular water quality monitoring undertaken, with water quality within the specified criteria for turbidity, electrical conductivity, and pH.

The ESCOSA Licence is a Water Industry Licence and is issued subject to a number of conditions including compliance with laws and industry codes and reporting to ESCOSA on compliance.

The Authorisation from DEW is to be able to take water from the Central Adelaide Prescribed Wells Area. The amount of water able to be taken is dependent on volume of water recharged over the life of the scheme minus any volume that was extracted during those years, or the authorised annual volumetric limit of 500ML (whichever is the lesser).

The permits from the Green Adelaide Landscape Board are for Water Affecting Activity and enabled ERA Water to construct infrastructure on Third and Fourth Creeks to enable water to be harvested to inject into the aquifer. The permits were issued with a number of conditions primarily to ensure there are no adverse environmental impacts.

DISTRIBUTION NETWORK FOR ERA WATER SCHEME

