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### 14.3 ERA WATER INDEPENDENT REVIEW – REQUEST FROM THE TOWN OF WALKERVILLE

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**REPORT AUTHOR:** General Manager, Governance & Civic Affairs  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4549  
**FILE REFERENCE:** qA87866  
**ATTACHMENTS:** A

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#### PURPOSE OF REPORT

The purpose of this report is to present to the Council, a request which has been initiated by the Town of Walkerville for the ERA Water Constituent Councils to undertake an independent review of ERA Water for the Council's consideration.

#### BACKGROUND

ERA Water is a Regional Subsidiary that has been established pursuant to Section 43 of the *Local Government Act 1999*, for the primary purpose of implementing the Waterproofing Eastern Adelaide Project (the Scheme), which involves the establishment of wetland bio-filters, aquifer recharge and recovery, pipeline installations and water storage facilities. ERA Water manages the Scheme on behalf of the Constituent Councils and provides recycled stormwater for the irrigation of parks and reserves to Constituent Councils. The City of Norwood Payneham & St Peters, together with the City of Burnside and the Town of Walkerville make up the Constituent Councils of ERA Water.

ERA Water has been in operation since December 2018. In forming the Regional Subsidiary, the Constituent Councils recognised financial benefits in terms of reducing operational spending on irrigation of local parks and reserves, particularly during times of drought, enhancing the quality of water discharged into the Spencer Gulf and reducing the demand on the Murray River by using recycled water.

ERA Water comprises two (2) treatment sites and 46 kilometres of pipeline as part of the distribution network across the three (3) Local Government Areas. The distribution network is also designed to provide recycled water to other customers within and beyond the Council areas.

However, a number of factors impacted on the operation of ERA Water in the first few years, including dry weather conditions and lower than expected water injection rates and sales to third party customers.

In addition, in 2020, SA Water reduced the cost of water by 18.5% which impacted significantly on ERA Water as ERA Water sells water at or below the SA Water rate.

However, ERA Water has made significant progress in improving its operations and financial performance, recognising that strategically ERA Water must concentrate on establishing sales and contracts with third parties or supplying additional Council parks and reserves to reduce the financial impact on the Constituent Councils.

Notwithstanding the above, on 1 November 2023, a letter was forwarded to the Council from the Town of Walkerville requesting that the Council agrees to undertake an independent external review of the feasibility and sustainability of ERA Water.

A copy of the letter dated 1 November 2023 is contained within **Attachment A**.

#### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

#### FINANCIAL AND BUDGET IMPLICATIONS

The Town of Walkerville has advised that they are of the view that an external review of ERA Water would cost approximately \$30,000.

The Council has not allocated funding for this purpose as part of the 2023-2024 Budget.

## EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

## SOCIAL ISSUES

Not Applicable.

## CULTURAL ISSUES

Not Applicable.

## ENVIRONMENTAL ISSUES

Not Applicable.

## RESOURCE ISSUES

Not Applicable.

## RISK MANAGEMENT

Schedule 2(6)(c) of the *Local Government Act 1999*, sets out the following requirements in respect to the Board of ERA Water to ensure that any risks associated with ERA Water can be considered and managed by the Constituent Councils as required:

*“the council is advised, as soon as practicable, of any material development that affects the financial or operating capacity of the subsidiary or gives rise to the expectation that the subsidiary may not be able to meet its debts as and when they fall due.”*

## CONSULTATION

- **Elected Members**  
Cr Grant Piggott is a member of the ERA Water Board.
- **Community**  
Not Applicable.
- **Staff**  
Not Applicable.
- **Other Agencies**  
Not Applicable.

## DISCUSSION

At its meeting held on 15 May 2023, the Town of Walkerville resolved to commence discussions with the Constituent Councils of ERA Water to undertake an external review of ERA Water. The Town of Walkerville has advised that the review should consider the long-term sustainability of ERA Water and any risks associated with the continuation and/or cessation of ERA Water.

At the ERA Water Constituent Council's Chief Executive Officer meeting held on 11 October 2023, in accordance with the Town of Walkerville's decision, the Chief Executive Officer of the Town of Walkerville raised this matter with the Chief Executive Officers of both this Council and the City of Burnside. It was agreed at that time that any such request should be considered by the Constituent Councils.

Whilst the Town of Walkerville has not advised the Council why it has formally requested an independent review of ERA Water be undertaken, at its meeting held on 27 April 2023, the Town of Walkerville's Audit & Risk Committee, determined that ERA Water represented the *“most substantial risk to the Town of Walkerville.”*

Whilst the Town of Walkerville can request that the other Constituent Councils agree to conduct an independent review, this request is not supported at this stage for the reasons set out below.

Following a significant volume of work through the Eastern Region Stormwater Harvesting Project (also known as the *Waterproofing Eastern Adelaide*), ERA Water was formally established.

The Project was originally initiated by the Town of Walkerville.

Since its establishment, ERA Water has been subject to a number of reviews, including a review which was conducted in 2019 by Tonkin who were engaged to undertake an independent review of some aspects of the ERA Water for the purpose of responding to a number of questions that had been raised by the City of Burnside and more recently in 2020 following an approach by Water Utilities Australia (WUA), to acquire ERA Water's assets and to discuss options for WUA to make an offer to ERA Water.

In respect to the approach which was made by WUA, ERA Water and WUA entered into a Confidentiality Agreement to exchange commercial information which resulted in an Indicative Non-binding Offer (the Offer), from WUA for the lease and eventual transfer of ERA Water to WUA.

As part of this process, BRM Advisory were engaged to undertake a financial and commercial assessment of the Offer.

BRM Advisory, as part of the process to determine the financial and commercial impacts of the Offer, including the financial and risk outcomes, assessed the forecast outcomes with ERA Water continuing to operate the assets over a 40 year period, based on ERA Water's Long Term Plan at that time.

The BRM Advisory report concluded that there was no material value in the transfer of ERA Water's assets to WUA for the Constituent Councils and that the Offer did not warrant consideration by the Constituent Councils.

Notwithstanding this, BRM Advisory did recommend that there was scope to continue the discussions with WUA in terms of a more beneficial offer and whilst further negotiations were undertaken on this basis in May 2021, WUA advised, via a letter dated 14 May 2021, to ERA Water that whilst they maintained their continued interest in ERA Water's assets, they intended to suspend the current due diligence process.

Following consideration of WUA's position, the Board of ERA Water, whilst open to further discussions with WUA, has remained focussed on expanding the scheme to create value for the Constituent Councils whilst reducing the reliance on potable water from the River Murray.

The Board of ERA Water (and the Constituent Councils to date), have recognised that *"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).*

ERA Water has been in operation for six (6) years, with the first few years of operation impacted by both climatic conditions and the reduction in the SA Water rate. ERA Water is continuing to build its operations and whilst there is merit in an independent review, on the basis of the recent review conducted by BRM Advisory and a need to allow ERA Water to reach "maturity", a review at this stage is considered to be premature.

## OPTIONS

The Council can choose to support the request from the Town of Walkerville to conduct an independent review of ERA Water or not.

For the reasons set out in this report, it is recommended that the Council does not support the request to conduct an independent review at this stage.

## CONCLUSION

Whilst there has been, and indeed should be, a focus on the financial sustainability of ERA Water, it is important to ensure that the environmental benefits of ERA Water are also recognised as an important factor when considering the operations of ERA Water (ie enhancement of the quality of water discharged into the Spencer Gulf and reducing the demand on the Murray River by using recycled water), which in some cases far outweigh the costs associated with the environmental benefit.

## COMMENTS

Nil.

## RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999* the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

- (d) commercial information of a confidential nature (not being a trade secret) the disclosure of which—
  - (i) could reasonably be expected to confer a commercial advantage on a third party; and
  - (ii) would, on balance, be contrary to the public interest;

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

## RECOMMENDATION 2

That the Council advises the Town of Walkerville that it does not support the request to undertake an external independent review of ERA Water.

## RECOMMENDATION 3

Under Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that the report, discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed.

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*Cr Robinson moved:*

*That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Council staff present [Chief Executive Officer; General Manager, Governance & Civic Affairs; General Manager, Urban Planning & Environment; General Manager, Infrastructure & Major Projects; Chief Financial Officer; Manager, Strategic Communications & Advocacy; Executive Assistant, Chief Executive's Office and Administration Assistant, Governance & Civic Affairs], be excluded from the meeting on the basis that the Council will receive, discuss and consider:*

- (d) commercial information of a confidential nature (not being a trade secret) the disclosure of which—
  - (i) could reasonably be expected to confer a commercial advantage on a third party; and*
  - (ii) would, on balance, be contrary to the public interest;**

*and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.*

*Seconded by Cr Duke and carried unanimously.*

Cr Sims left the meeting at 8.16pm.  
Cr Sims returned to the meeting at 8.17pm.

*Cr Duke moved:*

*That the Council advises the Town of Walkerville that it does not support the request to undertake an external independent review of ERA Water.*

*Seconded by Cr Sims.*

Cr Callisto left the meeting at 8.24pm.

#### Amendment

*Cr Piggott moved:*

- 1. That the Council advises the Town of Walkerville that it does not support the request to undertake an external independent review of ERA Water.*
- 2. That the Chief Executive Officer engage with the Town of Walkerville to gain a clearer understanding of the Town of Walkerville's concerns regarding ERA Water.*

Cr Callisto returned to the meeting at 8.28pm.

*Seconded by Cr Clutterham.*

*The amendment was put and carried and on becoming the motion was again put and carried.*

*Cr Knoblauch moved:*

*Under Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the report, discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed.*

*Seconded by Cr Holfeld and carried unanimously.*

# Attachment A

**Confidential**

## **ERA Water Independent Review Request from the Town of Walkerville**

Released

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City of Norwood Payneham & St Peters  
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**City of  
Norwood  
Payneham  
& St Peters**



**The Corporation of the Town of Walkerville**

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File Number: 40.6.5.3

Please Quote Ref: OLT202362965

Contact Officer: EA to the Mayor & CEO, Emma Spencer

1 November 2023

Mario Barone Chief Executive Officer  
City of Norwood Payneham & St Peters

Chris Cowley Chief Executive Officer  
City of Burnside

Via Email: [MBarone@npsp.sa.gov.au](mailto:MBarone@npsp.sa.gov.au) / [CCowley@burnside.sa.gov.au](mailto:CCowley@burnside.sa.gov.au)

**Re: ERA Water Independent Review**

Dear Mario & Chris,

As you are aware at its meeting held on 15 May 2023 the Town of Walkerville Council resolved that discussions be initiated with the ERA Water constituent council Chief Executive Officers. The view of jointly engaging an independent external consultant to undertake a comprehensive review of ERA Water's feasibility and long-term sustainability. This decision resulted from concerns raised by the Town of Walkerville's Audit & Risk Committee.

As agreed at our ERA Water constituent council CEO meeting held 11 October 2023, I am writing to request the support of your council to jointly undertake the engagement of an independent external consultant to undertake a comprehensive review of ERA Water's feasibility and long-term sustainability.

I'd like to now open these discussions and welcome your feedback regarding your interest in pursuing such a review.

Yours sincerely,



Andrew MacDonald  
Chief Executive Officer.

**Copy to:**

Andrew Aitken  
General Manager  
ERA Water

[gm@erawater.com.au](mailto:gm@erawater.com.au)