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**IT'LL COME OUT IN THE MELBOURNE WASSH**

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**ABSTRACT**

The Federal Government's special call for stormwater harvesting projects as part of the National Urban Water and Desalination Plan generated a huge amount of interest across the industry as Council's and organisations looked at ways to develop projects that fit within the Governments funding criteria. For many Local Government agencies the minimum project value was seen as a major obstacle as the matching funding component couldn't be guaranteed through Council's capital works processes. The Federal Government's willingness to entertain consortium applications provided scope for Council's to pool resources and projects to meet the find requirement and deliver a range of viable projects.

The Melbourne WaSSH (Water Security through Stormwater Harvesting) was a collaborative effort involving 16 Councils across Eastern Melbourne and representing a combined demographic of almost half of Melbourne. The application was entirely led by Local Government with support from local water utilities and umbrella supporting agencies.

The unique structure of the application allowed the quality of projects to be improved through a combined process of expert review and peer learning, ultimately reducing the number of included projects down from over 40 to 29 with a combined estimated water saving of 570ML. A highlight of the application preparation was a special peer review session in which each Council was given the opportunity to present technical aspects of their projects and key points in their funding pitch (i.e. In relation to water quality, drainage, environment, local needs etc) to a group of fellow Council staff and expert and external agency staff in a Café style format. The resulting learning through this process alone resulted in the overall technical and written quality of the individual project summaries.

Each individual Council project was 'shadow' reviewed by specialist technical (Storm Consulting) and application writing (HGA and Associates) consultants to ensure that the applications were technically robust, believable, well written and structured to highlight the local benefits and need for each project.

Support from each Council was secured through a negotiated Memorandum of Understanding which highlighted the process that would be followed to prepare the application, to identify the basis on which individual projects may be included or excluded and to develop a structure that would be attractive as a governance model if the application were ultimately successful. A further level of interest and complexity was derived from the fact that the Melbourne WaSSH developed from two separate clusters of Local Governments who were aligned on a geographical basis with a few overlapping Councils along the middle. Throughout the initial stages it was important to ensure that there were sufficient similarities to allow the separate applications to be combined if it made sense to do so. In the end it became a logical decision to combine two bids of similar size and water savings to a larger one which fitted comfortably within the eligible criteria, delivered larger aggregate water savings and a larger geographical and demographic target.

The process used to prepare the Melbourne WaSSH demonstrates how the right 'carrots' can be used to generate regional co-operation and excitement within Local Government, and strong peer and technical review process can significantly improve the quality of the applications and deliver more refined proposal to the find administrators.

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## **INTRODUCTION**

The Federal Government's special call for stormwater harvesting projects as part of the National Urban Water and Desalination Plan generated a huge amount of interest across the industry as Council's and organisations looked at ways to develop projects that fit within the Governments funding criteria.

For many Local Government agencies the minimum project value was seen as a major obstacle as the matching funding component couldn't be guaranteed through Council's capital works processes.

The Federal Government's willingness to entertain consortium applications provided scope for Council's to pool resources and projects to meet the fund requirement and deliver a range of viable projects.

The Melbourne WaSSH (Water Security through Stormwater Harvesting) was a collaborative effort involving 16 Councils across eastern and southern Melbourne with a combined demographic representation of almost half of Melbourne's population. The application was entirely led by Local Government with support from local water utilities and a number of umbrella supporting agencies and sporting peak bodies.

## **APPLICATION OVERVIEW**

The unique structure of the application allowed the quality of projects to be improved through a combined process of expert review and peer learning, ultimately reducing the number of included projects down from over 40 to 29 with combined water savings estimated to be 570ML.

## **APPLICATION PROCESS**

The \$200 million special call for stormwater projects was announced in May 2009 as part of the larger National Urban Water and Desalination Plan. A 'threshold' project value of \$4 million was required as one of the project eligibility criteria.

Anecdotally (and from experience) a number of Council's looked at a number of projects within their works portfolio that might meet the minimum funding threshold, and for many, their ability to raise a matching capital contribution as required by the fund. The time window in which funds were required to be spent meant a practical capital contribution in excess of \$650,000 per annum for the duration of the funding period. Additional funding pressures and logistical considerations were introduced by the timing of the Federal announcement in relation to the local government budget cycle, including:

- The initial announcement was too late and would lead to delay of almost 12 months before forward budgets were approved;
- Issues around the timing of the announcement by Canberra as it was felt that any delay in making a decision without concession on delivery timeframe would introduce additional budgetary pressures;
- For many Councils project budget and scope was likely to be conditional on a successful funding application.

When all these factors were considered together the enthusiasm for submitting projects was understandably low, and a different model for preparing an application was required.

The funding guidelines included a number of clauses that would allow 'connected' projects to be considered. The exact definition of this connection was sufficiently broad to allow catchment based or administratively

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connected projects to be bundled together to overcome the minimum project value threshold, as long as individual projects contained within the bundle met the other objectives of the fund.

From an administrative perspective a number of Eastern Melbourne Councils meet on a bi-monthly basis to consider a range of issues of common concern. During the water restriction period the ability to irrigate open space was a key topic of discussion and as a group the Eastern Region forum had already sent letters to the Premier and relevant Ministers raising these concerns. A letter sent in February 2009 (before the Special Call announcement) specifically raised the need to develop a longer term strategy to develop reliable and sustainable water sources for open space irrigation, and stormwater was mentioned as a key potential source.

With this letter in place it became a logical next step for the eastern Region Councils to look at developing a consortium application to the fund, and presentation was given to the Chief Executives group seeking their approval. Prior to this Chief Executive presentation there had been a number of discussions at a range of officer levels to identify that there was a sufficient number of projects that would make the approach viable.

The Chief Executive presentation outlined a potential list of projects and set out a broad plan to ensure that projects included in the final application would be of a suitable standard so as to not prejudice the chances of the entire application, alluded to an administration arrangement that would be attractive to the funding agency and more importantly described a process for progressing the application which allowed good technical content to be developed, provided a dispute resolution mechanism and ensured authorised sign off to meet Canberra's satisfaction.

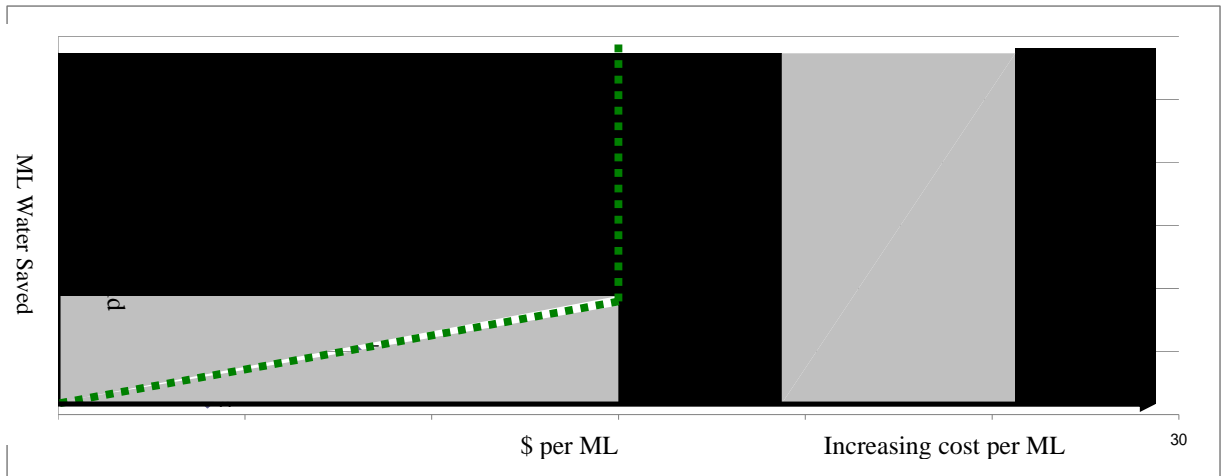
Shortly after the Chief Executive presentation another presentation was made to Council officers at a forum organised by Yarra Valley Water (whose service area includes the majority of Eastern Region Councils). A representative from South East Water was present at this forum and upon their return to the office convened a group of Southern Councils to discuss whether they would be interested in preparing an southern Council application. As a number of Council's included areas services by both Yarra Valley Water and South east Water the news quickly spread that there were potential 'rival' bids being prepared.

Initially there was conjecture that Councils which straddled both water authority regions would have to choose between one application or the other. An alternate approach was proposed whereby both applications would progress independently but common and language around how projects should be assessed be developed. These discussions quickly resolved that a number of headline figures were important (water saved, Net Present Value of project), and a technical assessment framework was required.

Having agreement on these broad issues allowed the both applications to progress in such a way that the conversations evolved around what was important for the applications success rather than peripheral issues.

A conceptual model was developed that illustrated how more favoured projects might be selected. There was considerable discussion around what the cut of criteria may be, and as the applications progressed this evolved to include the notion of 'risk' that projects may present, this was best dealt with in the context of supporting information that each Council could provide which highlighted the value of a specific project to the local community.

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- Projects satisfy financial and water saving merit criteria
- Projects should clearly demonstrate community, social and strategic drivers
- Projects not included

*Figure 1- Conceptual model for inclusion/ exclusion of project in Melbourne WaSSH*

A spreadsheet was developed which included the key assessment statistics and a number of filter criteria were developed to 'scenario test' different threshold values for such as water saved and cost per megalitre. Applying this filter throughout the process (particularly as technical and cost information was refined) allowed meaningful conversations to continue about how many projects might be included in a final application.

It became an easy decision to combine the two applications in the end; both the eastern and south eastern groups had a similar value of projects (allowing for the 'straddling' councils) and comparable water savings. The final decision was made on the basis of submitting two applications of between \$9 million and \$10 million or a combined application of \$18 million.

The combined application fitted comfortably with the eligibility criteria, delivered a larger aggregate water savings and a larger geographical and demographic target for the funding body. It also allowed a far stronger application to be made which included a well articulated story of capacity building and peer learning and offered the tantalising prospect that these outcomes could be furthered leveraged if the bid was successful.

**PEER REVIEW PROCESS**

An underlying theme presented in the application was the significant opportunity presented by the fact that a number of Councils needed to collaborate in the preparation of the submission.

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It was apparent in the early stages of scoping the application that Council's had a varied range of expertise and knowledge in both the preparation of funding submissions and the technical assessment of stormwater harvesting projects.

When viewed from the perspective of a consortium application this was considered a significant risk, but at the same time presented an excellent opportunity to lift the overall standard of applications. When this opportunity was considered in the context of the application 'pitch' the process of preparing the application became a demonstration of what could be achieved by working collaboratively.

Given the logistics of assembling the application all participating Council's agreed to pay a nominal fee to cover the cost of engaging specialist expertise to assist with the writing of the application, collating all necessary documentation and undertaking a technical assessment of applications. Recognising that different skill sets were encompassed by the written and technical components a brief was prepared which allowed respondents to identify their expertise and fee structure for each aspect.

The final consultant team comprised of two specialist consultants, Hal Greenham and Associates (now Integral Consulting) were engaged as application 'ghost writers' and to collate information, while STORM Consulting were retained to provide technical oversight.

A review and refinement process was developed in consultation with the consultant team. Each Council was asked to provide an application form for each project they were intending to submit. In addition to this summary data pertaining to technical aspects of the project were requested. This technical summary data included catchment area and impervious, water demand (including an assessment of irrigated areas and quantification of other water demands), and an estimate of project cost. In addition, a Net Present Value (NPV) calculator was developed which required basic input parameters (project cost and yield) to establish a common 'language' against which all applications could be assessed.

Applications were read and ranked on an A-E graded scale with regards to how well they responded to the eligibility and merit criteria, and a four level technical assessment was undertaken and results presented as a colour code.

Tables 1 and 2 elaborate on the technical assessment and highlight typical improvement that was demonstrated by projects as they progressed through the application process. The aim was to have all projects technically robust and of a high written standard.

Colour code and comments	Action(s)
Urgent and extensive action needed to increase competitiveness of bid by either increasing water reuse, or reducing capital costs. Arrangement of components may also be in question. Water balance modelling either not done, indicates sub-prime project, or project not viable.	Removal if additional information can't be provided
Further attention needed to confirm reuse regimes and costing. Arrangement of components may also be in question. Water balance modelling either not done or indicates sub-prime project. This is a good time to assess how much the Council contribution towards the project should be.	Move to red list for next round of culling

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<p>Mostly there, fine tuning of water balance, arrangement of components and particular cost items. This is a good time to assess how much the Council contribution towards the project should be (ie ability to provide matching funds).</p>	<p>Move to orange if further investigation degrades competitiveness and Council not willing to contribute further.</p>
<p>Pretty much there, just need peripheral information that is easily obtained / All there.</p>	<p>Accept project</p>

*Table 1- Technical review criteria for Melbourne WaSSH*

Code	Council	Site	Initial review	Interim Review 1	Interim Review 2	Review post peer session
S7	Casey Council	Edwin Flack Reserve	C		A/B	A/B
S12	Kingston City Council	Heatherton Recreation Reserve	C/D		A/B	A/B
S16	Casey Council	Grices Rd Reserve	C		A/B	A/B
S21	Bayside City Council	Sandringham Golf Links	B/C		A/B	A/B

*Table 2- Illustrating project improvement through the peer review process*

A highlight of the preparing the application was a specially convened 'Peer Review session' in which each Council was asked to present technical aspects of their projects and key points in their funding pitch (ie. in relation to water quality, drainage, environment, local needs etc) to a other Council staff and expert and external agency staff in a Café style format.

The Peer review session was held early in the New Year and ran for five hours. Attendees at the review session included over 30 Council officers and their consultants along with 3 water authority representatives and Melbourne Water and the Department of Sustainability and Environment and the application technical team. Invitees from other areas of government had specific technical input having being involved in Policy development, the administration of funding program or license approvals.

During the peer review sessions Council attendees were allocated to tables based on similar application 'themes' and generally stronger Councils were matched up with others more likely to need greater assistance. External participants were given the opportunity to 'rotate' between tables during the course of the proceedings.

Each Council presented their project(s) and received technical feedback on the merits of their approach. There was then the opportunity for other Councils and participants to ask questions and/ or provide their own feedback and offer suggestions. The process allowed a two way flow of information which was reflected in a step jump in the quality of all applications over the coming fortnight as project weaknesses were identified and

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potential corrective actions workshopped by the group (including revisiting key technical/engineering aspects, gathering appropriate data and identifying projects which required further technical refinement and/ or cost information) were implemented.

The peer review session had another major benefit which ensured that the cohesiveness of the group remained intact as the application was being finalised. Prior to the peer review session the general improvement of applications had been relatively slow, and some projects needed greater technical robustness which (if not provided) would require their removal from the final application. At the end of the peer review session the number of projects which were included in the final application reduced from 40 to 29, and omissions were made on an entirely voluntary basis.

### **GOVERNANCE ARRANGEMENTS**

Support from each Council was secured through a negotiated Memorandum of Understanding which highlighted the process that would be followed to prepare the application, to identify the basis on which individual projects may be included or excluded and to develop a structure that would be attractive as a governance model if the application were ultimately successful.

The MoU was developed concurrently with the development of the application and designed to capture all the practical considerations that were required to ensure a good working arrangement with all interested parties.

There were two critical components of the MoU, an initial commitment from all Councils to contribute a small amount to a central funding pool to fund the peer review works and engage suitable consultants, and to facilitate final organisational sign off on individual projects to the satisfaction of the funding body.

In discussions with a range of state and federal departments which regularly administer funding schemes it became apparent that the Department was likely to favour an application that included a specific administration component that was distinctly separate to project delivery.

The MoU was structured to provide the high level of confidence to the Department so that, in addition to considering a diverse range of quality projects and dealing with Council's with proven project delivery track record a strongly defined monitoring and reporting approach was incorporated.

The reporting structure involved a multi tier approach, using a similar template to that employed for the Community Water Grants a simplified quarterly progress report will be filled out by individual Councils to report against individual milestone programs.

The appointed fund administrator would be responsible for collecting and collating all of the progress reports and providing this information to Canberra to make payment requests. Upon completion of each project an audit statement will be produced by the relevant Council to comply with the terms of the agreement.

A steering group comprising of several Council officers across number of different Councils would oversight this process to ensure accountability to the broader group would, add another layer of legitimacy and work through any issues that may occur during the course of the funding agreement. Under the model once progress payments are verified funds would be remitted to a specially set up rechargeable works account at Manningham and payed out to each council on receipt of a matching invoice.

Under this model the fund administrator has an important role and a specialist skill set including experience in project management, administration, financial control, communications and stakeholder relations.

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**COUNCIL CAPACITY AND AGREEMENT**

MoU and peer review process ensured that the critical elements of funding commitment and each Council's capacity to understand the technical validity of nominated projects coincided in the final weeks of application preparation. It also allowed all Councils to engage with the application to the level they felt comfortable, based on their own appraisal of the technical and financial capabilities.

By signing the MoU each Council was in fact signalling their intention to commit to projects if successful and the realistic understanding of costs, potential cost escalators and a feeling for associated risks obtained through the peer review process was for many the final factor in recommending projects for inclusion on forward capital works programs.

**OUTCOMES**

The Melbourne WaSSH application was submitted on the 10<sup>th</sup> February, 2010 and a long wait ensued as we collectively waited on the Department's deliberations. With the announcement of a Federal election in August we hoped that we would hear some good news as various politicians flew in and out of town. The announcement of several projects in and around the Melbourne CBD sparked interest, especially given the increasing influence of Green politics in inner Melbourne. By the time Election Day came around we had heard nothing and there was a feeling that the horse may have bolted.

Notification of the success of the application came through in early September, although it appeared the application had been approved in mid July.

In celebrating the success there were still a few projects which missed out. In terms of statistics the final agreement included 75% of projects being successful, with close to 90% of the requested funding being provided.

**SUMMARY**

The process used to prepare the Melbourne WaSSH demonstrates how the right 'carrots' can be used to generate regional co-operation and excitement within Local Government, and strong peer and technical review process can significantly improve the quality of the applications and deliver more refined proposal to the fund administrators.