



## **Extraordinary Meeting of Council**

**Thursday 9 May 2024  
5.00pm  
Council Chambers  
209 Comur Street, Yass**

# Extraordinary Meeting of Council

## A G E N D A

Open Forum

Page No.

### Webcasting

This meeting is being webcast, a reminder to those in attendance that you should refrain from making any defamatory statements.

### Acknowledgement of Country

Yass Valley Council recognises the Ngunnawal people, the Traditional Custodians of the land, water, and sky. We pay our respect to their Elders past, present and future emerging leaders. We extend our respect to other Aboriginal and Torres Strait Islander people who live in the Yass Valley Local Government Area.

**1. Prayer**

**2. Apologies**

**3. Declaration of Pecuniary Interests/Special Disclosures**

**4. Reports to Council**

4.1 Yass Water Treatment Plant Upgrade - Final Business Case .....3

**5. Confidential Matters .....7**

The following matters are classified as CONFIDENTIAL and will be considered in the Closed Meeting of Council in accordance with Section 10A(2) as they deal with commercial, personnel and legal matters:

5.1 Yass Water Treatment Plant Upgrade - Final Business Case .....7

### Close of Meeting Time

Chris Berry

CHIEF EXECUTIVE OFFICER

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## 4.1 YASS WATER TREATMENT PLANT UPGRADE - FINAL BUSINESS CASE

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### SUMMARY

The Yass Water Treatment Plant Upgrade Project is a challenging and very high priority project for Council. This report provides a summary of the Final Business Case prepared with the participation of stakeholders and by addressing the recommendations of independent review (Gateway-2) organised by the Department of Planning and Housing Infrastructure (DPHI). The full business case is included in the Closed Session of this meeting for endorsement by the Council.

### RECOMMENDATION

*That this item is classified CONFIDENTIAL in accordance with Section 10A(2)(dii and f) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to commercial information of a confidential nature that would, if disclosed, confer a commercial advantage on a competitor of the council and matters affecting the security of Council, Councillors, Council staff or Council property.*

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### FINANCIAL IMPLICATIONS

Budgets are allocated for Design and Business Case development in the Operational Plan FY2023/24.

### POLICY & LEGISLATION

- *Local Government Act 1993*
- Australian Drinking Water Guidelines 2011

### REPORT

#### 1. Background

The project to prepare a Design and Business Case for the upgrade of the Yass Water Treatment Plant commenced in November 2019. The Housing Acceleration Fund (HAF) funded this project at a cost of \$1.2M. During the course of this project, stakeholders required that Stage 1 - Early Works be carried-out in advance in December 2020. Stage 1 Works included installation of a bubble plume aeration system at the Yass Dam, upgrade of the Raw Water Pump Station (RWPS), and urgent works at Yass Water Treatment Plant. Stage 1 Works were completed at the end of February 2023.

A roadmap to prepare a business case to inform the investment to upgrade the WTP based on a high-level concept design was agreed in March 2023 on a revised Scope of Works.

Purchase of land for extension of the WTP was concluded on 4 April 2023. Council owns Lot 1 DP1290121 (formerly part of 32 Cooks Hill Road).

#### 2. Business Case Development Process

INSW/Treasury approved a review of the deed reflecting the revised Scope of Works based on the high-level concept design and business case.

Work to develop a Business Case (BC) to confirm the preferred option for additional investment at the Yass Water Treatment Plant (WTP) commenced in April 2023 and consisted of:

- High-level concept design and options assessment
- Business Case conforming to NSW Government Business Case Guidelines (TPP18-06)

Council consulted extensively with HAF, DPE Water (currently DCCEEW Water) and NSW Health on the WTP Upgrade works and comprehensive inputs were obtained to develop the Scope of Works for the Business Case through workshops. HAF, DPE Water and NSW Health are part of Project Steering Group that meets monthly with Council staff and consultants (BecaHunterH2O). They also provided guidance to the development of options and participated in the interviews for project assurance process.

A Councillor workshop to update on the development of the preferred option for the WTP Upgrade was conducted on 17 October 2023. Bimonthly updates on the progress of WTP Upgrade Project is also provided to Council meetings.

The Draft Business Case was submitted to stakeholders on 7 November 2023 for review and their comments were incorporated and the Final Business Case was submitted to HAF on 20 December 2023.

The Final Business Case was reviewed by an independent consultant appointed by the Department of Planning & Housing Infrastructure (DPHI/HAF) to fulfil the Gate 2 Assurance Review requirements for the funding. Final recommendations of the review were provided to Council to strengthen the business case on 15 April 2024.

Final Business Case (FBC) addressing the final recommendations is presented to Council for endorsement.

### **3. Final Business Case - Summary**

#### **3.1 Context**

The Yass Water Treatment Plan (WTP) managed by Council is critical infrastructure that supports the residents and businesses of Yass, Bowning, Binalong and Murrumbateman by providing treated water from the Yass Dam. The Yass WTP was constructed in 1938, augmented in 1990 and further upgrades were completed in 2022 (Stage 1) to address urgent issues to the facility.

The Yass WTP is mostly compliant with the Australian Drinking Water Guidelines, however, seasonal and extreme weather events (eg. major rainfall, flooding and extended dry weather) impact the quality of the raw water and exceeds the plant's capability to provide reliable, compliant treated water. This results in issues such as poor water quality, affecting taste, smell and discolouration (eg. brown water) and increased hardness. In extreme circumstances, Yass Valley Council has declared boil water alerts to advise the community of the health risk and the need to use alternative water supply for drinking, food preparation and washing for example in August 2020 and in February 2024.

In December 2018, the Department of Planning & Environment (now Department of Planning, Housing & Infrastructure) allocated \$10M from the Housing Acceleration Fund (HAF) Round 5 to fund the design and business case development of the Yass WTP Upgrade to address the water quality issues.

In June 2021, the Final Business Case for Stage 1 works was prepared to upgrade the Yass WTP to address urgent issues such as Yass Dam aeration, electrical and control upgrade of the raw water pump station, urgent works to the WTP, online monitoring of water quality and new batching and dosing systems. The Final Business Case for Stage 1 works was approved in July 2021 and works were completed in December 2022.

A subsequent final business case has been prepared to explore design and construction of the Yass WTP upgrade to ensure water quality and reliability for the area now and into the future. Of the \$10M HAF funding, \$1.2M has been used to prepare the BC and \$2.2M to deliver Stage 1 upgrades.

#### **3.2 Final Business Case Document Overview**

The Document aims to achieve improved treated water quality to meet ADWG and community expectations, enhance continuity of water supply and quality, enhance flexibility to address potential future water quality risks and ensure the upgraded WTP complies with relevant standards and regulations.

The FBC presents the project background, a description of the problem, the objective of the intervention, as well as policy and strategic alignment. A high-level benefits assessment is included of how the WTP investment enables housing provision acceleration. A cost-benefit analysis of four options for the upgrade was conducted. Options considered ranged from no upgrade to a full plant upgrade with membrane softening.

### 3.3 Yass WTP Key Issues

The Yass WTP upgrade aims to address several problems. The key issues are:

- Poor water quality deterring housing investment and development
- Raw water quality during extreme weather events
- Ageing treatment assets reaching the end of their serviceable life.
- Regulatory compliance
- Consumer dissatisfaction with discolouration and scaling
- Increasing level of treatment performance to meet new Health Based Targets (HBT) requirements of the Australian Drinking Water Guidelines (ADWG)
- Inadequate treatment process redundancy and increasing water demand into the future limiting the ability to maintain critical assets
- Climate change impacts due to increased frequency of climate related events

### 3.4 Funding

The funding commitments identified in the Business Case are \$6.6M from the Housing Acceleration Fund (HAF) and \$10.5M from the NSW Government Election Commitment Ad Hoc Fund. Another \$3.05M from the NSW Government Election Commitment Ad Hoc Fund will be used for improvements to the town water reticulation system. NSW Health committed \$0.97M for upgrade of fluoridation system. Total committed funding is \$18.1M. Council will provide debt or equity for the remainder of the project costs through Council Resolution in this meeting (May 2024).

Financial Analysis showed that without further grants Council will be required to raise the typical water rates over three years by up to \$300 to finance the funding shortfall through loans. Council will continue to seek further grants especially National Water Grid Fund round of June 2024 to lessen the impact on water supply customers.

### 3.5 Shortlisted options

Four options that are shortlisted include:

- **Option 1 - Base Case**  
Minimal improvements (filter media and backwashing and soda ash dosing)
- **Option 2 - Risk Mitigation Upgrade**  
New chemical storage, handling and dosing assets, replacement of ageing electrical assets and power supply and standby generator, inlet outlet modification of existing reservoirs and additional clear water storage that requires demolition of old WTP, UV treatment to address *cryptosporidium* risk from the catchment, filter improvements, and amenities.
- **Option 3 - WTP Augmentation**  
New treatment processes including inclined plate settling tanks, DAF/Filters, and softening.
- **Option 4 – WTP Optimisation:** This option was developed to respond to DPE Water comments on 14 September 2023.

Option 4 is an augmentation of the existing WTP utilising the existing flocculation, dissolved air flotation and filtration assets. Option 4 includes new process units to manage treatment challenges during floods, provides units for operational redundancy and to comply with future environmental protection licence requirements. Provisions are made for future water softening to reduce treated water hardness and for additional filters. Softening is deferred until a sustainable residuals (concentrated water and chemicals) disposal strategy is developed.

While it will be challenging to incorporate new process units to existing infrastructure, utilisation of existing infrastructure reduces the overall cost of the upgrade and improves the environmental performance. Option 4 earned the support of DPE Water, NSW Health and HAF.

### 3.4 Preferred Option

The project cost of Option 4 is \$35.9M (P90 estimate) and has a benefit-cost-ratio (BCR) of greater than one. Following the cost-benefit analysis of two shortlisted options, Option 3 and Option 4, it was determined that Option 4, the optimisation of the existing WTP, is the preferred choice. This decision was based on its higher Net Present Value (NPV) and BCR, as well as the results of sensitivity testing. The main difference between the two options is the benefits and costs associated with hardness reduction. Option 4 is the superior solution because it avoids incurring significant costs, while it allows for future implementation of water softening until such time uncertainties surrounding the community's willingness to pay for water softening and authority approvals for disposal of water softening residuals are resolved. Stakeholders at DPE Water (currently DCCEEW) also support the selection of Option 4, as it avoids the premature replacement of treatment assets. Furthermore, Option 4 has a significantly lower capital cost and more favourable operating costs compared to Option 3.

### 3.5 Commercial Analysis

Commercial analysis indicated that the market has sufficient capability and capacity to undertake the project and a number of experienced and competent Principal Contractors in NSW and Victoria will be interested given the project value and location. An Expression of Interest process will be used to establish a prequalified panel of contractors. An Early Tenderer Involvement process will be used to provide tenderers with the opportunity to raise commercial and technical risks and opportunities with Council. A select Tender process will be used and tenders will be evaluated using cost and non-cost factors.

### 3.6 Project Delivery

The project delivery will be provided by Council through the internal appointment of a Project Director and Project Manager. The NSW DCCEEW Water Group (formerly DPE Water) will perform a technical review role as part of the *S60 Local Government Act 1993* approval process. A third-party Owners Engineer for technical support and assistance throughout the procurement, design, construction and commissioning of the upgrade will be engaged by Council.

## 4. Next Steps

Following activities are scheduled:

- Submit the endorsed business case to Housing Acceleration Fund (HAF)/DPHI.
- Utilise the business case to secure grant funding to reduce the impact on customer bills especially for June 2024 National Water Grid Fund (NWGF) application.

The full business case is included in the Closed Session of this meeting for consideration of the sections of the report that can be made publicly available.

## STRATEGIC DIRECTION

CSP Theme	Our Infrastructure
CSP Strategy Objective	IN4: Water, waste and sewerage services meet the needs of our community
Strategies	IN4.1 - Ensure high quality water supply options for the towns in region
Delivery Program Action	Upgrade of Yass Water Treatment Plant

**ATTACHMENTS:** Nil

## 5 Confidential Matters

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### RECOMMENDATION

THAT pursuant to Section 10A of the Local Government Act, 1993 the following items on the agenda be classified as CONFIDENTIAL and considered in the Closed Meeting of Council in accordance with Section 10A(2) of the Local Government Act for the reasons as specified:

**5.1 Yass Water Treatment Plant Upgrade - Final Business Case**

Item 5.1 is confidential in accordance with section s10(A)(2)(dii) of the Local Government Act because it contains commercial information of a confidential nature that would, if disclosed, confer a commercial advantage on a competitor of the council and section s10(A)(2)(f) of the Local Government Act because it contains matters affecting the security of the council, councillors, council staff or council property and discussion of the matter in an open meeting would be, on balance, contrary to the public interest.