

REPORTS TO COUNCIL - ITEMS FOR DETERMINATION

9.4 Queanbeyan to Bungendore Bulk Water Supply Transfer Pipeline Project Update (Author: Duff/Cunningham)

File Reference: PJT0007

Recommendation

That Council:

1. Receive and note the detailed Business Case developed for the Queanbeyan to Bungendore Bulk Water Supply Transfer Pipeline project
 2. Endorse the Council submission for funding of the Queanbeyan to Bungendore Bulk Water Supply Transfer Pipeline project under the National Water Grid Fund (NWGF) program in February 2025.
 3. Authorise the General Manager to issue opening letters to property owners along the route to commence the negotiation period as contemplated by Section 10A of the of the Land Acquisition (Just Terms) Compensation Act 1991.
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10 **Summary**

At its Ordinary meeting of 12 April 2023 Council, received a report in respect of a feasibility study for the Queanbeyan to Bungendore (Q2B) Bulk Water Supply Pipeline proposal. Council endorsed the development of the Queanbeyan to Bungendore bulk water supply trunk main (Palerang Communities IWCM (2019) Strategy Option 3) to tender ready stage (**Resolution 135/23**).

An offer for grant funding from the NSW Government for these works under tranche 3 of the Safe and Secure Water Program was accepted. Funds for this project was funded from the Palerang Communities Water Fund reserves.

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Since that time much work has been done in respect of achieving 'tender ready' status and the purpose of this report is to provide an update on this journey, the current state of play and what key milestones now lay ahead.

Completion of a Business Case has been a key item, which was presented to Council at a workshop held on 2 April 2025.

Council endorsement of the actions taken to date and next steps to secure this project is sought.

30 **Background**

With the selection of the preferred route being settled as part of the 2023 feasibility study the time since Council's April 2023 resolution has largely been used to develop the full suite of design and technical specifications required to support Council's position to be tender ready.

The suite envisages three discrete contractual packages that deal with the 31 kilometres of pipeline, the design and construction of a 6 ML concrete reservoir and the provision of a water

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pump station and re-chlorination facility. In all, the package consists of around 745 pages of drawings and technical specifications.

40 Underpinning this body of work has been a whole host of other efforts namely:

- Detailed field land survey;
- Geotechnical investigation;
- Biodiversity studies;
- European and Aboriginal Heritage studies.

These latter two studies feature prominently in the project's Review of Environmental Factors (REF) report, a critical gateway requirement for the project and referenced further as a future milestone to be achieved later in this report.

50 These technical and engineering specifications are necessary requirements to being tender ready and there are a number of other check points that may be captured under the following focus areas.

- A. Capital Funding
- B. Legal and Land Matters
- C. Intergovernmental Approvals
- D. Environmental Approval
- E. Water (and Sewer) Pricing

Report

60 Each of these items noted above, need to be progressed sufficiently in order for the project to be truly tender ready and before any report is tabled seeking Council approval to proceed to construction.

A. Capital Funding

A key difference between the Q2B as a proposal to resolve the future water needs for Bungendore, and its earlier groundwater options, is the former's inability to be staged. What this means is that Q2B is investment heavy upfront and that necessarily has ramifications for how such an enterprise can be funded.

70 The 2023 feasibility study suggested an estimated capital cost for Q2B of around \$63m. Whilst it has always been the strategy to make use of development contributions as the primary source of funding such works, the sheer magnitude of the project's capital cost means that these contributions have always been considered as unlikely to be the sole source. Supplementary external funding is required.

A number of government grant opportunities exist for projects such as these with many of these being allocated on a competitive basis. Formal project business cases almost always form part of the required supporting information to any such grant application and to this end a full business case for the Q2B project was developed by Rhelm Pty Ltd on Council's behalf.

80 A full copy of the business case and its associated attachments has been provided to Councillors under separate cover in the Councillor Portal, and it will remain a commercial in confidence document until the project is approved and delivered.

The purpose of a business case is not to determine the marginal capital or operation/maintenance cost to the consumer, for that is the task of the 'Water (and Sewer)

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Pricing project' discussed below. Rather, it is to demonstrate the overall economic benefit (or otherwise) of the project to any prospective grant funder. Both the NSW and Commonwealth Governments have very structured frameworks governing the development of Business Cases and the report developed for the Q2B project has been prepared according to these requirements.

The key components of the Q2B Business Case are as follows:

i. Case for Change

This is process of defining the key challenges facing Council and ultimately what is driving the project. These have been identified as follows and are now well known to Council:

- Constrained Regional Growth
- Vulnerability to Drought
- PFAS contamination risk

ii. Identification of a Strategic Context

This process is concerned with identifying any links that the Q2B project has with existing Government Programs, strategies or policies. The following are highlighted as part of the report:

- National Water Grid Authority Fund
- National Housing Accord
- Staying Ahead: State Infrastructure Strategy of 2022-2042
- NSW Water Strategy
- Regional Housing Taskforce
- Southeast and Tablelands Regional Plan 2036
- Queanbeyan-Palerang Regional Economic Development Strategy 2023
- Bungendore Structure Plan
- Southeast NSW Resilience Blueprint

iii. Economic Analysis

A key input to this component of the business case report was the development of a more up to date project capital estimate. Assessed at the completion of the detailed phase the project was estimated at \$77.8M by NSW Public Works and peer reviewed. The valuation was then assessed against the inherent and contingent risks identified for the project where these were assessed for cost against the probability that they will occur to develop the P50 and P90 (percentile) contingency rates of 17.3% and 26.7% respectively. Thus, the business case identifies the total P50 and P90 out-turn costs (inclusive of capital uplift and an allowance for escalation) of \$99.8M and \$108.8M respectively.

Generally speaking, the P50 figure has been utilised for the reports further economic assessment, in particular for the development of key outputs such as Benefit Cost Ratio (BCR) and Net Present Value (NPV).

In terms of assessing these criteria, the single biggest monetarised benefit for the project is land value uplift of which the report assesses a value of \$215.4M. For the mid-range discount rate of 5% pa, the project has been assessed with a BCR of 2.5 and a NPV of \$139.4M. To be considered favourably the former must be >1 and the latter >\$0.

At the outcomes assessed by the report the project can thus be said to represent value for money for any prospective grant provider.

National Water Grid Grant Funding

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140 The National Water Grid Fund (NWGF) program is the Australian Government's Infrastructure Investment Program to improve water access and security by delivering nationally important water infrastructure projects that unlock potential, build resilience, and promote growth and sustainability". The fund periodically calls for grant applications through its state-based counterparts, the most recent occurring in February this year. Council made application for funding assistance under this program on the basis of 50% of the P50 capital cost identified in the business case.

150 Advice as to the outcome of Council's application is not expected until April. If successful, the next phase is a NSW Government sponsored further application to the Commonwealth Government grant body with an expectation for advice as to a final outcome in late October or early November 2025.

While there is certainly no guarantee of any success for this application, the matter of funding support for this project is a critical one as it is a key enabler.

B. Legal and Land Matters

160 The project, by its nature, is entirely dependent on a need to access various parcels of land in private or public ownership for construction purposes. For the most part, the pipeline will require both a temporary easement for construction purposes and a permanent easement over the pipeline once it is in place. This is proposed to be facilitated through individual deeds with an option for grant of easement between each landowner and Council. A deed has been developed and it is expected that these will progressively be rolled out to each affected landowner in coming weeks.

The other aspect requiring attention is for the acquisition of two parcels of land, one each for the proposed reservoir at Brooks Bank and the other for the re-chlorination facility proposed at Millpost Lane.

170 Section 10A of the Land Acquisition (Just Terms) Compensation Act 1991 requires a minimum period for negotiation for such acquisitions of 6 months (unless otherwise agreed by the parties) and in this respect, it is considered vital to commence this process as soon as possible if we are to maximise the prospects of being 'tender ready' toward the end of 2025.

The formality of commencing the negotiation period as contemplated by Section 10A is achieved through the issue of 'opening letters' and these too are expected to be issued within the next week or so.

180 All of the above is intended to facilitate the process of being 'tender ready' despite the fact that none of the acquisitions can be truly finalised without a formal resolution of Council to this effect.

C. Intergovernmental Approvals

The need for Council to secure intergovernmental approval that permits ACT sourced water to be supplied beyond the area of the former Queanbeyan City Council is now well understood.

With legislative considerations in both the Seat of Government Acceptance Act 1909 (Cwlth) and the Canberra Water Supply (Googong Dam) Act 1974 (Cwlth), tripartite agreement for the proposal is required between the Commonwealth, NSW and ACT Governments.

190 To date the bulk of the discussions have been held between the NSW and ACT Governments whereby:

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- The parties have agreed to progress discussions about the potential provision of potable water to nearby NSW townships;
- The purpose of the proposed supply being to support sustainable housing growth and thriving communities in NSW townships near the ACT; including the townships of Bungendore, Murrumbateman and Yass;
- Discussions are progressing under terms that safeguard the ACT's water security, including that there will be no net social, economic and environmental impacts on the ACT;
- Discussions are being progressed by the ACT – NSW Potable Urban Water Issues Steering Committee. The Steering Committee includes members from the ACT and NSW Governments, the NSW Cross Border Commissioner, Queanbeyan-Palerang Regional Council and Yass Valley Council.

Like the matter of grant funding, the need for a successful resolution to the issue of Intergovernmental Approvals is also critical and represents the second key enabler for the project.

The water agreement and negotiations has progressed to both NSW and ACT Ministers for Water with the announcement of the joint water trading framework development, which in addition to providing water for the environment will facilitate how both jurisdictions can 'work together to improve access and support greater regional development in the future.'

<https://www.nsw.gov.au/ministerial-releases/progress-on-joint-water-trading-framework>

D. Environmental Approvals

The project is proposed to be constructed under the provisions of the State Environmental Planning Policy (SEPP) (Transport and Infrastructure) 2021 and as such is permitted without consent.

An environmental assessment is still required pursuant to Division 5.1 of the Environmental Planning and Assessment Act 1979 and to this end a Review of Environmental Factors (REF) has been prepared. The REF includes a wide range of environmental considerations with particular attention to assessments on biodiversity and Aboriginal cultural and historic heritage. This latter assessment was underpinned by a comprehensive Aboriginal Cultural Heritage Assessment (ACHA) which was facilitated by NSW Public works and supported by a number of Registered Aboriginal Parties (RAPs).

The final REF was executed by the principal scientist for NSW Public Works on 18 September 2024 and was lodged for final determination on the NSW Planning Portal on 11 December 2024. Council is the determining authority for this document.

A duly determined REF will be required to move to construction of any part of Q2B.

E. Water (and Sewer) Pricing

This journey is heavily linked to the Palerang Communities Integrated Water Cycle Management Plan (IWCMP) review. Key outputs of this process are the issues paper, options study, strategy selection, long term capital/renewal plan, development servicing charges and tariff selection.

The issues paper has now been finalised and this is a major milestone since this is where the bulk of the work resides. The issues paper is essentially a root and branch review of the capability, performance and future readiness of Council's water and sewerage businesses and whilst some 36 individual issues have been identified only two themes present as topics requiring further options investigation and special strategic development. Both relate to

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matters of growth as they affect water and sewerage headworks and whilst those related to Bungendore are now well understood and quantified those for Braidwood are relatively new.

The growth modelled for Braidwood in the IWCM has been based on information contained in the Braidwood Structure Plan discussion paper and considers both expected infill and greenfield development. At this juncture, serviced population for Braidwood are anticipated to approach 3,000 people (3,707 Equivalent Persons) by the end of the study period in 2054. This has ramifications for both water and sewerage headwork capacities as well as secure yield availability.

At this stage the plan is to conclude the strategic components of the IWCM review, develop revised Development Servicing Plan as appropriate and model scenarios for tariff structures going forward. Options will be considered at that stage to rationalise the water and sewerage funds complete with a harmonised tariff structure for the Local Government Area. Decisions with respect to this and the adoption of any revised Development Servicing Plan will be the subject of further decision reporting to Council.

A tentative timeframe of June 2025 is envisaged at this stage.

Risk/Policy/Legislation Considerations

There are a number of competing risks for the issues identified in this report. First and foremost of these is the immediate fact that no further development is possible beyond that already approved. Without an additional supply of water the growth of Bungendore will cease. This is contrary to Council's adopted position to support Bungendore's growth as referenced in the Bungendore Structure Plan.

In 2019 Council adopted its IWCM for the Palerang Communities water and sewerage businesses. The most significant issue identified in that study was the future of the Bungendore water supply in terms of how it related to supporting the growth of Bungendore. Three options were identified variously related to sources from local groundwater and a regional bulk water supply. The latter has recently emerged as the only remaining viable option.

The matter of PFAS emerged during the development of the business case has been included in the light of its risk of effectively reducing Council's existing water entitlement.

In the course of developing the IWCM and subsequently pursuing these options, confidence in securing an additional supply of water diminished. Planning decisions, both regulatory and commercial, were made in good faith during this time and both are now impacted by the current situation, the former by the moratorium on approvals discussed above and the latter by the potential for significant lost investments. These remain significant risks.

By not proceeding to full design and tender ready stage concurrently with the intergovernmental negotiations risks a delay in Bungendore's growth certainty to the point of 5 to 10 years.

Financial, Budget and Resource Implications

Funds to progress this project to tender ready stage are funded from Councils Palerang Communities Water Fund reserves as approved by Council (**Resolution 135/23**). Of this estimate of \$2.5M, Council has expended \$1.7M to date on progressing this project to tender ready status.

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290 The project will require a combination of grant and Developer Contributions, which will be fully investigated in a future Council report. There remains a number of items as noted in the report, that need to be completed and resolved satisfactorily before assurance can be given and Council approval sought to proceed.

Links to QPRC/Regional Strategic Plans

The proposed pipeline is consistent with option 3 as identified in Council's adopted Palerang Communities Integrated Water Cycle Strategy (February 2019) and supports Council's vision for Bungendore in accordance with its adopted Bungendore Structure Plan 2018-2048.

Conclusion

300 Greenfield growth for Bungendore remains stalled until such time as a solution for an additional long-term supply of potable water can be secured.

Council has a desire to have the Q2B proposal developed to tender ready status such that if an opportunity arises to proceed to construction, it is best placed to make that decision in a timely fashion.

A number of matters still need to be developed to reach tender ready status. Most of these can be managed concurrently and it is anticipated will be more or less complete by the latter half of this year. In such an eventuality, a further report will be made to Council at that time.

310 In such a circumstance construction contracts for the works could be in place and underway as early as the first quarter of 2025.

Attachments

Nil