

To	Daniel Spiller, General Manager, Asset Portfolio Development and Delivery	From	Peter Pennell, Manager Asset Capability and Sustainability
Date	5 January 2015		
Subject	QCA Draft Report Response: APDD Contract Services		

QCA finding	<p>522207 - Consultancy - Others</p> <p>Costs related to undifferentiated consultancy services were \$2.4 million in 2013 - 14 and are forecast to increase by \$5.1 million in 2014 - 15. These costs were \$1.7 million in 2012 - 13. CH2M HILL noted that while Seqwater stated a need for additional consultancy services for a range of business and operational improvement initiatives, the initiatives identified either represent one - off expenditures that should not be continued beyond 2014 - 15 or ongoing expenditures that should already be captured in 2013 - 14 actual expenditure.</p> <p>On this basis, CH2M HILL recommended that the 2014 - 15 forecast for this cost category should be reduced to 2013 - 14 levels. The QCA accepts this recommendation.</p>
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Response

Following CH2MHill's prudence and efficiency review of the Contracted Services - '522207 - Consultancy - Others', Seqwater has reviewed the FY15 Q1 data with specific reference to presenting the actual FY14 Asset Capability and Sustainability Team (AC&S) consulting expenditure by natural account on a like-for-like basis with the FY15 Q1 forecast.

Table 1 below displays a complete listing of actual FY14 consultancy expenditure for the AC&S Team. The table includes 'Contracted Services' (shaded), forecast expenses for which are allocated to natural account 522207 - Consultancy - Others in the FY15 Q1 data.

APDD - Asset Capability and Sustainability	FY14A	FY15 Q1	Change
522207 - Consultancy - Others	53,415	1,640,000	1,586,585
522213 - Consultancy - Engineering	66,125	-	-66,125
522219 - Consultancy - Asset Management Planning	746,996	-	-746,996
522220 - Consultancy - Project Management	17,445	-	-17,445
522230 - Consult-Eng - Asset Management	148,796	-	-148,796
522251 - Consult-Env - Specialist research	-9,091	-	9,091
522257 - Consult-Env - Aquatic ecology	6,925	-	-6,925
522269 - Consultancy - Fire Management	37,575	-	-37,575
522270 - Consultancy - Environ Serv - Environmental Offsets	7,200	-	-7,200
522006 - Contractors - Service Level Agreements	3,289	-	-3,289
522032 - WQM-Other water qual monitor	9,091	-	-9,091
522065 - Contractor - General Mtce	131,793	-	-131,793
522068 - Contractor - Plumbing & Drain	20,707	-	-20,707
522091 - CP- Weed Control Services	93,899	-	-93,899

APDD - Asset Capability and Sustainability	FY14A	FY15 Q1	Change
522092 - CP-Slashing/Mowing Services	1,330	-	-1,330
522097 - CP-Vegetation Mgmt Svces	3,207	-	-3,207
Grand Total	1,338,702	1,640,000	301,298

Table 1

Accounting for natural account allocations AC&S expenditure is \$1,338,702, a variance of \$301,298 to the FY15 Q1 forecast (\$1,640,000).

The submission estimate presented for 'Materials, Service and Others' by the AC&S proposal included all external consultancy and contract resource requirements with the budget estimates for AC&S outlined for FY15 Q1 being presented at \$1,640,000. This budget estimate will decrease annually until FY20 (to \$880k), at which time resource requirements are expected to standardise – refer attached spreadsheet and Attachment A.

This forecast is developed to address the ongoing AC&S Program of Works and recognises required funding for three essential projects (one off initiatives) that address compliance risk and enhanced asset management practice within the Seqwater asset portfolio. These projects are required only within FY15 and will not be extended beyond this current year. Table 2 below outlines 'one off' FY15 costs of \$235,000.

Project	Activity Code	FY15 Q1
Bulk Water Metering Audit	522213 - Consultancy - Engineering	\$120,000
Catchment Condition Assessment Standard	522219 - Consultancy – Asset Management Planning	\$40,000
Asset Renewals Efficiency Process	522219 - Consultancy – Asset Management Planning	\$75,000
Total		\$235,000

Table 2

Background summary of the three initiatives include:-

- The 'Bulk Water Metering Audit' is an integral component of the Bulk Water Metering Strategy as prescribed under the Bulk Water Supply Code (s.23 - s.24).

A Business Case (TRIM- D14/63725: Business Case_Bulk Water Metering Audit 12 May 2014) has been approved for the audit of the Bulk Water Meters and these works are currently underway for the delivery the following actions.

- Asset Audit – check accuracy of current data listed on the TRIM document D14/18423 : Registered Bulk Water Flow Meter Details,
- Accuracy Audit – current calibration/verification,
- Operational Audit – is the installed meter fit for purpose and what are the accuracy / flow velocity issues with each meter,
- Benefit Cost Analysis – is the installed meter satisfactory and performing to expected standards – renewals opportunity and to address any overall deficiencies.
- Data Source – how the data transmitted/recorded
- Data Security – opportunity for error
- Physical Security – location, tamper resistance

- The 'Catchment Condition Assessment Standard' project is planned to provide standardised Asset Condition Ratings for Natural Assets managed by Seqwater to ensure alignment across the asset portfolio and provide consistency of process.

A Business Case is proposed for this project to ensure completion within FY15.

- The 'Asset Renewals Efficiency Process' project is to address the refinement of the Asset Renewals Process to further ensure prudence and efficiency for Renewals and Refurbishment planning of Seqwater's assets, seeking the establishment of recognised 'good practice'. This project is being included within the Asset Lifecycle Approach project, an APDD Initiative.

Post FY15 Forecast

AC&S external consultancy and contract resource requirements are forecast to decrease annually from \$1,640,000 in FY15 to \$880k in FY20 (in real terms), and remaining at this level out to FY28 (refer attached spreadsheet and Attachment A).

This decline reflects the implementation of several large, one-off, specific initiatives which will be implemented in the next few years. Such initiatives may be required in the FY16-28 period however these are uncertain and have not been included in the forecast.

Recommendation

Seqwater recommends the information provided be accepted as efficient and the cost estimates for the Consultancy Services aligned with the AC&S Team be adopted as previously nominated, \$1,640,000 consistent with the FY15 Q1 estimate.

Post FY15 the AC&S Team consultancy costs should follow the forecast in Attachment A.

Peter Pennell

Manager Asset Capability and Sustainability

<p>Endorsed by: Peter Pennell, Manager Asset Capability and Sustainability Date: 5 January 2015</p>	<p>Approved by: Daniel Spiller, General Manager Asset Portfolio Development and Delivery Date: 5 January 2015</p>
<p>Signature: </p>	<p>Signature: </p>

Attachment A- Forecast AC&S Consultancy and Contract Services Expenditure

Description	Project	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Established Program - Asset Management	Asset Management Plans	290000	250000	200000	150000	150000	150000	150000
Established Program - Asset Management	Asset Class Plans	360000	300000	250000	200000	200000	50000	50000
Established Program - Specialist Engineering	Catholic Protection Systems	60000	60000	60000	30000	30000	30000	30000
Regulatory - Bulk Meter Strategy - Specialist Engineering	Bulk Water Metering Audit	120000	0	0	0	0	0	0
Natural Asset - Asset Management	Catchment Condition Ass Std	40000	0	0	0	0	0	0
Regulatory - Address QCA Recommendation from Irrigation Price Path - Asset Management	Asset Renewls Effic. Process	75000	0	0	0	0	0	0
Established Program - Specialist Engineering	Asset Capability - Total	945000	610000	510000	380000	380000	230000	230000
Established Program - Specialist Engineering	Specific Asset Investigation	200000	200000	200000	200000	200000	200000	200000
Established Program - Specialist Engineering	Network Asst Conditions Insp	200000	200000	200000	200000	200000	200000	200000
Established Program - Natural Asset - Asset Management	Asset Sustainability - Total	400000	400000	400000	400000	400000	400000	400000
Established Program - Natural Asset - Asset Management	Leassee Management Seqwater	195000	175000	150000	150000	150000	150000	150000
Established Program - Natural Asset - Asset Management	Partnership Project Develop	100000	100000	100000	100000	100000	100000	100000
	Tactical Maintenance - Total	295000	275000	250000	250000	250000	250000	250000
	Asset Capability & Sustainability Team - Total	1640000	1285000	1160000	1030000	1030000	880000	880000