



REPORT:

Lake Baroon Catchment Care Group – A review of the current funding agreement with Seqwater and the community engagement it enables for catchment care activities

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Summary

The current 10 year funding agreement between Lake Baroon Catchment Care Group (LBCCG) and Seqwater is halfway through its anticipated lifespan (the agreement is due to expire in 2016). It was therefore considered timely by LBCCG to review the current impact of the funding agreement on its activities (and in particular the catchment care projects and community engagement it enables) and present these findings to the Seqwater senior management and the Board. The LBCCG is also keen to maintain a positive working relationship with both senior management and the Board of Seqwater and remains extremely grateful for the current level of funding it receives.

The Seqwater funding agreement is the major funding source for LBCCG. The agreement has enabled LBCCG to shift its focus in recent years to deliver fewer, larger water quality improvement projects on key rural (largely but not entirely primary production) properties identified as part of a strategic project selection process. The group is now working collaboratively with key landholders who had previously been uninterested in catchment care projects and the certainty and level of funding the agreement provides has been central to their successful engagement.

The funding agreement provides LBCCG with a number of benefits that many other catchment care groups would welcome. Significant amongst these are the ability to plan and budget with certainty, attract and retain very well qualified staff, build relationships and projects with landholders over prolonged periods of time, fund non-traditional project infrastructure and importantly invest in projects over a number of consecutive years at a level more likely to ensure their long-term success. It has also been possible for LBCCG to increase the scale of project impact.

Significantly, the agreement also provides key benefits for Seqwater. The low-cost, efficient and high quality project outputs delivered by LBCCG in a competitive manner are clearly linked to key Seqwater corporate goals, objectives and KPIs. Importantly, these outputs are being closely monitored and documented in collaboration with Seqwater scientists. Equally significant, however, is the fact that the projects delivered by LBCCG under the agreement provide a gateway for Seqwater onto key properties that would not otherwise exist. It also enables engagement opportunities with landholders and catchment care networks within the broader community which provides for an improved understanding of Seqwater as an organisation.

Whilst the funding agreement works well as it currently stands and represents good value for money for Seqwater, LBCCG and the community, the current agreement could easily be applied (and would be welcomed) in other water storage catchments. Importantly the agreement amounts to a modest yet highly beneficial and productive investment in catchment care and local communities. Other models of providing the funding for the agreement should also be explored by Seqwater. The current agreement could be slightly expanded to acknowledge changing administrative and project costs, enabling greater capacity in LBCCG for on-ground project delivery, and as a result deliver greater water quality improvements and increased long-term savings for Seqwater (related to slower loss of storage capacity, less recreational issues and reduced treatment costs). Such an expansion would also reduce the key risks associated with the current funding agreement and further enhance both Seqwater's reputation and ability to deliver required corporate outcomes within the catchment.

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1 Introduction

Lake Baroon Catchment Care Group (LBCCG) commissioned Alluvium Consulting Australia (Alluvium) to document and assess the current on-ground project focus and funding arrangements under which the group operates, particularly as the group is halfway through a 10 year funding agreement with Seqwater. This report documents the process utilised to conduct this assessment.

Formed in 1992 as a result of community concern for water quality in the Lake Baroon (Baroon Pocket Dam) catchment, LBCCG is a small, not-for-profit community-based group seeking to deliver improved water quality outcomes throughout the catchment. The group's inception was also supported by the then Aquagen Board who recognised the need for, and value of, collaborative catchment management. The Lake Baroon Catchment covers 74km² and has 5 major waterways flowing into Baroon Pocket Dam. It is characterised by high rainfall and intense rainfall events, and ultimately provides more than 20,000ML/yr into the South-east Queensland Water Grid, which supplies water to populations across the Sunshine Coast and South-east Queensland (SEQ).

The three main services provided by LBCCG include (i) the delivery of usually larger scale, on ground projects, (ii) education and engagement, and (iii) the provision of support for other relevant community groups and Seqwater field staff. The project-based, on-ground activities of LBCCG are informed by both a draft Catchment Management Strategy (Aldridge et al. 2007) and the Lake Baroon Catchment Implementation Plan (Dunstan 1997). They are also supported by a business case at a whole-of-catchment scale for large-scale rehabilitation projects (Dudgeon & Dunstan 2007).

The costs of LBCCG are funded by a variety of sources, the most significant of which is the 10 year funding agreement with Seqwater (previously AquaGen). This agreement is central to the qualitative assessment of the current funding arrangements and the community engagement this enables for catchment care activities which follows in this report. LBCCG has a clear view that its current level of funding, coupled with its current method of operation, have significantly shifted (for the better) the way it is able to deliver catchment care activities within the catchment. This report also attempts to capture why this is the case.

1.1 Scope

LBCCG requires a report that outlines the current funding arrangements and how they enable the group to improve water quality outcomes throughout the catchment. The group also sought to assess the current focus of larger-scale projects targeted within specific landuse categories. It was not intended that this report reproduced information that LBCCG already had in existing formats elsewhere (e.g. website, key reports etc.) but rather that it provided the following outcomes:

1. Document the current structure utilised by LBCCG to deliver the main services it provides (funding arrangements supporting LBCCG, staffing, other support – grants, links to other organisations). This should include a description of the planned, strategic approach LBCCG already has in place in relation to its prioritised approach to on-ground works and the scope of its services (also making reference to services the group has chosen not to provide).
2. Assess the strengths and weaknesses of the current arrangements in terms of project delivery (to the catchment, Seqwater, landholders, the broader community and other key stakeholders e.g. Council and other granting bodies) and in particular the current funding agreement with Seqwater;
3. Compare the existing arrangements with other more traditional service delivery models that operate in the Natural Resource Management (NRM) field. This includes the relationship of the existing funding arrangements with current major funding streams (in particular state and federal government grants and programs);

4. Identify key projects (in effect case studies) that highlight the relevant issues identified above and conduct a brief landholder survey to assess engagement with LBCCG; and
5. Consider the applicability or transferability of the arrangements elsewhere.

1.2 Intended report audience

This report is primarily being prepared for presentation to Seqwater. In particular, LBCCG is keen to present the key findings of the report to the Seqwater Board. The report, may, however, also be utilised for discussions and negotiations with other potential partners including other funding providers, governments and other organisations seeking to adopt a similar/modified version of documented arrangements.

1.3 Report governance

This report was prepared by Dr Steve Skull of Alluvium who is also a member of the Lake Baroon Catchment Care Group Committee. The committee felt that Dr Skull's knowledge of the operations of the group coupled with his current role at Alluvium provided significant benefits to the preparation of the report. The potential for any conflict of interest arising from this issue was addressed primarily by Dr Skull not being involved in any of the committee's deliberations on (i) the decision of who to engage to undertake this work or (ii) feedback on the report in its various stages of production. Throughout the project Dr Skull did not attend or participate in any LBCCG Committee meetings, other than in his role as a consultant for this project. The project initiation workshop (see Section 2 below) identified that it was important that this issue was documented clearly and early in this report.

2 Approach

The project was conducted in the three key stages summarised in turn below.

Project initiation workshop

An inception workshop with the LBCCG Committee members and staff was held at the Lake Baroon Catchment Care Group office on 17 April 2012. This workshop confirmed the project's key deliverables, timelines, stakeholders, project risks and clarified other outstanding matters. The majority of the workshop was spent documenting the current structure of the group and in particular the strength and weaknesses of the current funding arrangements.

Stakeholder interviews, further analysis of the funding arrangements and case study documentation

These elements formed the majority of the work associated with the preparation of this report. This involved targeted consultation with LBCCG staff, clients, landholders undertaking projects on their properties, Seqwater staff and consultants engaged in other relevant work for Seqwater. It also involved further assessment of the funding arrangements. Other models and their inherent characteristics were explored for comparative purposes. Two relevant case studies were selected in association with LBCCG staff and Committee members to gain relevant feedback from existing LBCCG projects funded by the current 10 year Seqwater funding agreement.

Project finalisation and reporting

A specific meeting with the Committee was held to collate feedback from the draft report. This was synthesised and a final report prepared. All efforts have been made to communicate the report in a manner appropriate for both the committee and other intended audiences.

3 Current LBCCG arrangements

3.1 Structural arrangements, service provision and project delivery

The current structure of LBCCG is outlined below in Figure 1. In essence the committee oversees the governance and strategic direction setting for the group, as well as providing the leadership and management for the Project Manager role. In turn the Project Manager coordinates the day-to-day operations of LBCCG and is instrumental in building relationships with key landholders as projects are conceived, designed implemented and monitored.

Figure 1. Current structure of Lake Baroon Catchment Care Group.



¹ Catchment Management Strategy and Implementation Plan

The services provided by LBCCG have been carefully directed by the LBCCG Committee to maintain a relatively narrow focus. The primary service provided by LBCCG relates to project development and delivery in line with both the draft Catchment Management Strategy and the Catchment Implementation Plan, with the express purpose of driving improved water quality outcomes in the catchment.

The group also plays a key role in catchment management education and engagement. This involves participation in major community events within the catchment (such as the Maleny Show), education sessions with school groups, targeted workshops with landholders (e.g. Property Management Planning), production and distribution of newsletters to members and others, maintenance of the group’s website and other related educational activities (participation in council-sponsored waterway forums etc.).

Given the skills, knowledge, experience and longevity of the current Project Manager, and the location of the LBCCG office, the group also plays an important role in relation to providing support for other NRM-related groups within the catchment and broader hinterland community. These include logistical and tactical support for Seqwater field staff (e.g. staff undertaking Seqwater's water quality monitoring program), provision of advice and support to other groups delivering on-ground projects (e.g. Green Hills, Barung Landcare) and administrative and educational support for youth-related environmental programs (e.g. Conservation Volunteers Australia).

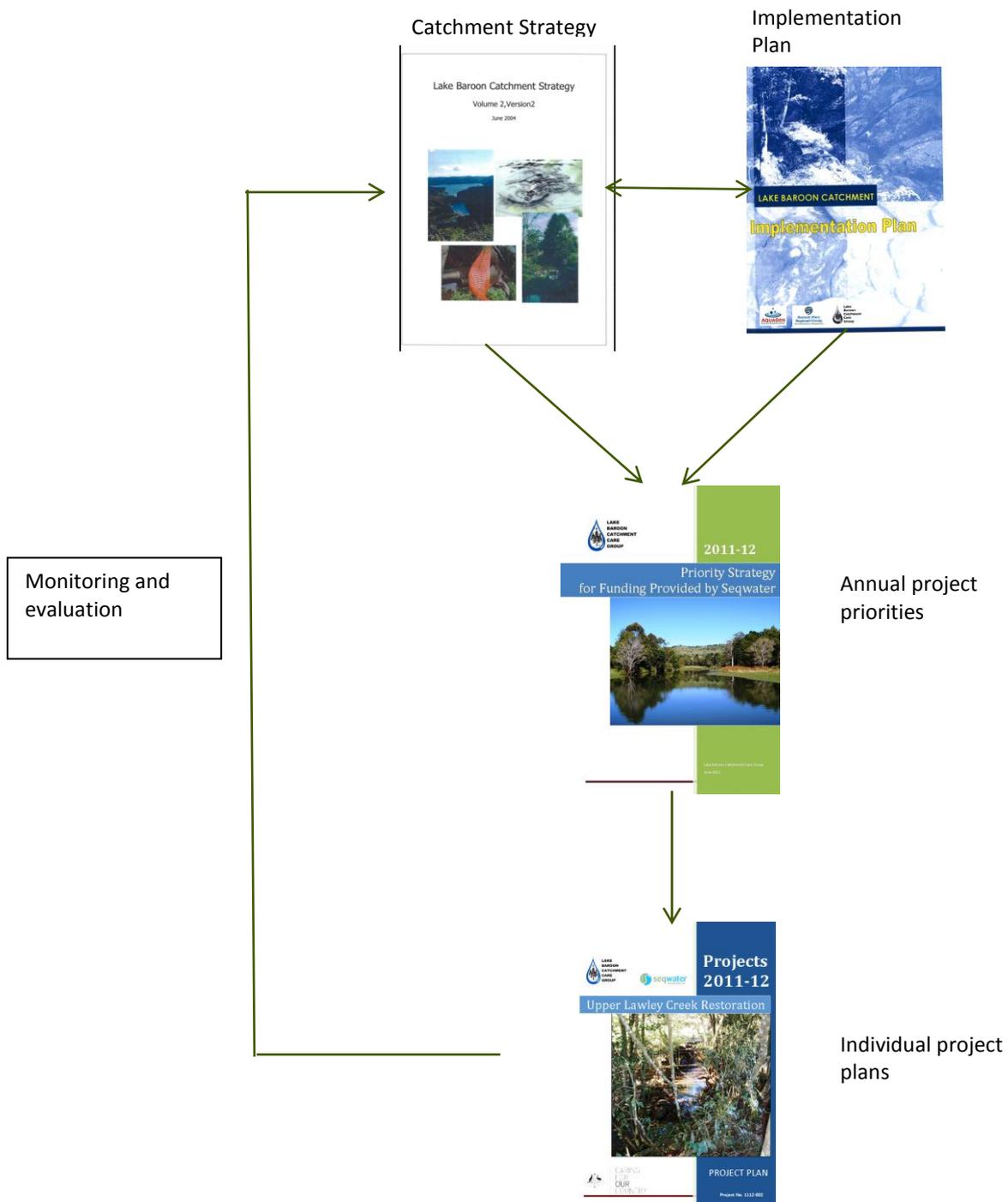
Equally importantly, the committee has chosen not to become involved in a range of other potential areas of activity that whilst valid, would shift the focus of the group away from the three key service delivery areas covered briefly above. This broadening of service provision, without a matching expansion of resources, would in turn make it unlikely that that current achievements being delivered by LBCCG, particularly in relation to on-ground projects, would occur. Such activities could include, for example, commenting on specific local development applications as they progress through the planning system, operating a nursery to produce plants for on-ground water quality improvement projects, running extensive community-based water quality engagement programs, and providing contract services and/or consulting services relevant to catchment management.

The committee also steers away from, but does not exclude, relevant catchment care activities that are considered beyond its ability to deliver effectively or fund appropriately. Examples of this are not undertaking projects associated with major landslips or becoming involved with major water quality monitoring programs. In essence the group only takes on projects it feels confident it can deliver. The focus on larger rural properties also reflects the fact that current planning regulations (both state and local government) tend to focus on (and condition via approvals for development) water quality improvement issues in urban and peri-urban environments. There is reduced attention in rural areas where development intensity might be significantly lower, but impacts on water quality can still be very high (past primary production practices, failing septic tanks, rural road run-off etc.).

In recent years the committee has purposefully shifted the focus of LBCCG from historically delivering smaller-scale projects submitted by landholders to the committee on an ad-hoc basis to proactively pursuing larger-scale projects that are capable of having a more significant and positive impact on water quality in the catchment. These projects have therefore focussed on larger landholdings and landuses (e.g. dairy and cattle producers) where this benefit can be maximised. This shift in focus to target larger-scale projects on specifically identified landholdings (with larger budget requirements and longer-term commitments to ensure project success) has only been made possible by the long-term funding agreement the group has secured with Seqwater (the agreement is described in more detail below in Section 3.2). This approach also required that the incentives to work with LBCCG are relatively high and make it essential for LBCCG to have a good reputation, professional staff and simple yet informative application processes.

The overall process of project selection by LBCCG is summarised in Figure 2. Importantly, it involves consideration of the key strategic documents that LBCCG has developed in the last 5 years, and includes an annual review that seeks to maximise current and emerging opportunities to work with key landholders in targeted areas of the catchment. All project proposals are presented by the Project Manager to the committee for approval, which are in turn vetted by Seqwater.

Figure 2. Lake Baroon Catchment Care Group project prioritisation process.



The Natural Asset Management Plan for Lake Baroon is currently being prepared by Seqwater and will also inform the process outlined in Figure 2.

3.2 Links to Seqwater Strategic Directions

The Seqwater Strategic Plan (guided by many legislative requirements) outlines a clear vision for the organisation which is *“Water for Life, Water and Catchments Sustaining Current and Future Generations”* (Seqwater 2011). Supporting the vision are four goals, the most relevant of which to this review are Goal 1 and Goal 2.

Goal 1 relates to water supply quality and security and importantly focuses on customers having confidence and trust in the quality, security, efficiency and reliability of their water supply. At the most fundamental level Seqwater has to supply urban consumers with water of a quality that meets or exceeds the Australian Drinking Water Guidelines (2004). The issue of water quality is of primary importance to this review as significant expenditure (capital and operational) is invested in meeting not only this requirement, but also others set by the relevant regulators. Importantly, it follows that if water sourced from the catchment is of a higher quality (driven by the types of projects conducted by LBCCG), less storage issues (e.g. algal blooms) and lower treatment costs would result.

Goal 2 is focussed on catchment and water cycle sustainability. Several key elements of this goal also relate to the work currently undertaken by LBCCG, including managing catchments effectively to:

- maximise value and optimise investment in water treatment;
- ensure the integrity of dams and other built assets;
- improve riverine and estuarine water quality;
- foster rural productivity;
- enhance biodiversity; and
- provide amenity.

Two Seqwater KPIs (G2.1 and G2.2) relating to this goal are also relevant to on-ground project delivery (Seqwater 2011). These focus on natural watershed condition (direct link to water quality improvement and riparian rehabilitation aspects of projects) and the condition and capability of the storage infrastructure (indirect but significant link associated with catchment works improving water quality inflows and thus reducing future water treatment costs).

The on-ground work of LBCCG is one of the major actions contributing to the achievement of these corporate goals and KPIs. There are also, however, other catchment rehabilitation projects occurring throughout the catchment (individual landholders, other community groups, additional investment by Seqwater to better manage exotic species and landslips) contributing to these targets. In addition to the strategic plan, the work of LBCCG also supports key commitments listed in Seqwater’s Water Quality Policy, which seeks, amongst other things, to “conserve and enhance water supply catchments so that all source water quality is protected and related ecosystem services are maintained”.

Seqwater is currently undertaking a Natural Asset Management Planning (NAMP) process for water storage catchments including Lake Baroon. A report by Kellogg Brown and Root for Seqwater (KBR 2011) identified water safety and reliability as the key focus of the NAMP based on approaches outlined by the Australian Drinking Water Guidelines (2004). The KBR report summarised the guidelines’ requirements that drinking water quality be managed through a preventative multi-barrier approach, with protection of water at its source recognised as the first barrier. The significance of this step is that it can decrease the amount of treatment and chemicals required for water to reach standards suitable for human consumption, resulting in reduced treatment by-products, contamination and operational costs. It is also an approach which supports sustainable ecosystems and catchment activities (KBR 2011).

The NAMP development process for Lake Baroon has begun and it will become a key driver for interaction between LBCCG and Seqwater. A formal draft for consultation purposes has recently been released which documents 13 key threatening processes to catchment health and outlines the actions Seqwater will lead over the next 10 years to address them (SKM 2012). The NAMP actions are prioritised, and significantly both

renewal of the current funding agreement, as well as a review of the current Implementation Plan for the catchment are listed as high priority actions. In addition, the NAMP provides clear support for the current focus of LBCCG projects being delivered within the catchment (as they address multiple priority threatening processes) and LBCCG as a key delivery partner moving forward.

Given that LBCCG already has a myriad of catchment planning documents already in place, there is a need for any new planning process such as the NAMP to have relatively short time frames that can act as both a trigger for, and input to, new, simplified and importantly endorsed versions of both the Catchment Management Strategy (the current version remains a draft) and Implementation Plan with clear priorities and accountabilities. This will ensure LBCCG can continue to focus its efforts on the agreed issues and actions that will have the most significant impact on source water quality improvement in the catchment.

3.3 Some economic context

Baroon Pocket Dam, built in 1989 and estimated to store approximately 61,000ML, contributes bulk water to the SEQ Water Grid via the Landers Shute Water Treatment Plant (LSWTP). It is a highly effective and efficient water storage. Operating at full capacity the LSWTP can treat approximately 140ML/day and the current Bulk Water Charge on the Sunshine Coast is \$1,333/ML. Assuming that the LSWTP operates at 75% capacity for 75% of the calendar year, the gross value of the bulk water supplied from Baroon Pocket Dam is in the order of \$38M/yr. Seqwater clearly has a range of major costs associated with the supply of this water (operating and capital expenditure). Whilst unavailable for this report, these costs could amount to perhaps a conservative figure of 50% of the revenue generated from bulk water sales into the grid. Even so, the investment into catchment management via the funding agreement with LBCCG (see Section 3.4 below) of approximately \$160,000/yr is less than one tenth of one percent of the net financial return from the ecosystem services supplied by the catchment. Clearly there are other investments made by Seqwater in the catchment, including education programs and other land management activities (e.g. weed management). Part of the original rationale for the funding agreement with LBCCG, however, was to provide for an appropriate level of investment in the health of the catchment, bearing in mind the revenue generated from the water sourced within it.

The production of bulk water also has a range of associated treatment costs (electricity use, sludge disposal, ozonation, biologically activated carbon removal), many of which are forecast to increase in the coming years. Electricity costs at LSWTP are unique in that they are offset to a certain extent by hydro-electric power generation. The water treatment process itself is designed in part to remove harmful contaminants (toxins, pesticides, sediment, organic material) present in the raw water from the storage. The processes are necessarily becoming more and more innovative (and expensive) to meet the challenges associated with the status of raw water in storages generally. This is the case in Baroon Pocket Dam where water quality is known to be in decline and a range of water quality parameters regularly exceed the Queensland Water Quality Guidelines (Andrew Smolders, pers. comm.). These issues are attributable to increasing pollutant loads sourced directly from the catchment (in particular erosion associated with landslips, eroding creek banks, poor development and farm management practices and rural road run-off). This drives a range of challenges not just for the water treatment plant, but also for current and future recreational use of the storage.

By taking a “business as usual” approach (and in an environment of uncertain climate change and ongoing population growth), Seqwater faces significant increases in treatment costs, reduced storage capacity and increasing social issues associated with the reduced extent of safe recreational use of the dam. The magnitude of water quality improvement projects (widely recognised as providing reductions in sediment and nutrient loads to receiving environments) required to more quickly deliver sustainable improvements in the quality of water in the dam is greater than the current rate of investment allows. In fact it is likely that more is spent by Seqwater monitoring the current water quality decline than proactively responding to it despite the future savings, engagement opportunities and general kudos that an increased investment in catchment management would return to the organisation.

3.4 Current funding arrangements

An assessment of annual reports for LBCCG indicates that historically the group derives its revenue from a variety of sources including external grants (local, state and commonwealth governments), Seqwater (previously Aquagen), membership contributions, donations and other minor sources. Clearly the most significant funding source for LBCCG is the current 10 year funding agreement negotiated with Seqwater. This built on an earlier agreement established in 2005 between LBCCG, Aquagen and the Burnett-Mary Regional Group that enabled funding for LBCCG to employ a full-time Project Manager.

The 10 year agreement, signed by both parties in 2007, includes an annual allocation for both project funding (\$100K/yr) and administrative funding (\$60K/yr) indexed to the then rate of inflation (2.5%) set by the Reserve Bank of Australia. The agreement was a major milestone for LBCCG and followed the preparation of a business case which was presented to, and ultimately supported by, the then Aquagen Board (Dudgeon and Dunstan, 2007). The business case focussed on the need to provide funding for larger-scale water quality improvement projects to enable more significant improvements in catchment health to be made more quickly. This reflected a frustration within LBCCG that relatively low funding levels dictated the delivery of predominantly smaller-scale projects, largely (but not entirely) on smaller landholdings that delivered comparatively little impact on the environmental health of key tributaries of Lake Baroon. The funding agreement is linked to key performance indicators and over the last 5 years has resulted in the outcomes summarised below in Table 1. Achievements for the 7 years prior to the agreement are also provided.

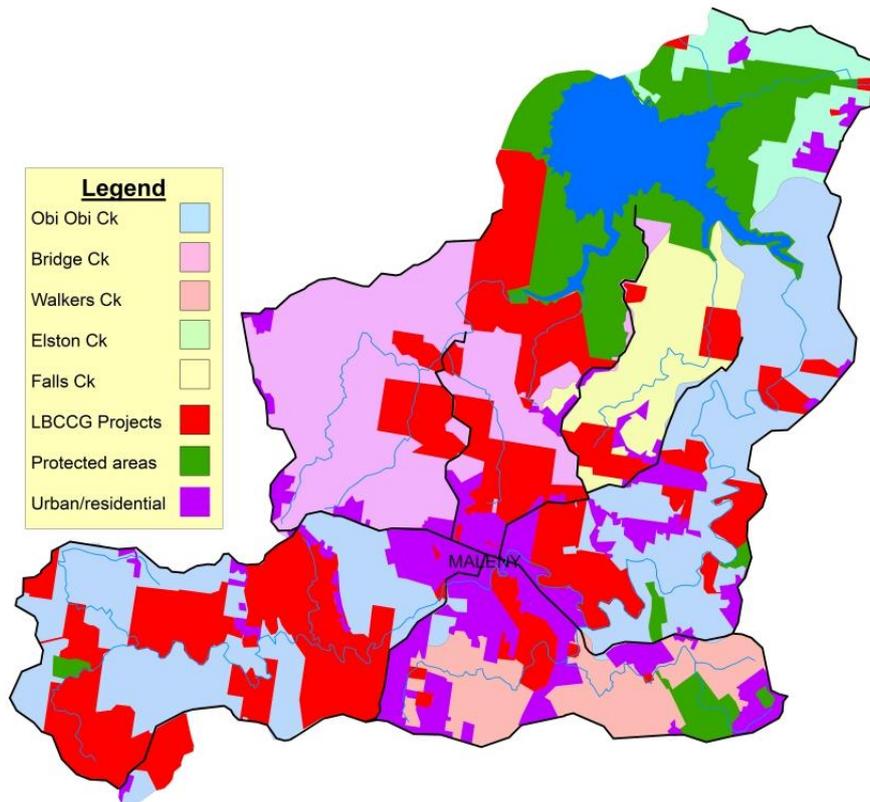
Perhaps most relevant to this study is the leverage the investment by Seqwater enables. On average over the last decade there is a 2.6:1 return on investment. Total project numbers have decreased reflecting the shift by the committee to fewer larger projects targeting key primary producers and other critical landholders. In addition, there have been increases in activities linked to improved property management such as stock crossings, fencing out of riparian areas, provision of off-stream watering projects and the funding of new activities including laneway hardening. These activities are providing two important outcomes. Firstly, by focussing on improved stock management, they deliver improved water quality outcomes. Secondly, they enable relationships to be built with key landholders who have previously not engaged with catchment management projects. As the relationship with each landholder grows trust and respect, additional, perhaps more traditional projects directed at improving riparian habitat condition and connectivity are being pursued.

Table 1. Lake Baroon project details over the last decade – funding and project output summary

Financial Year	No. of Projects	Seqwater funding	Total project value	Fencing (m)	Off-stream watering points	Stock crossings	No. of plants	Laneway Hardening (m)
2000-01	4	\$7,162	\$7,162	515	1	2	1,950	0
2001-02	5	\$23,654	\$37,371	1,600	11	6	2,850	0
2002-03	12	\$27,475	\$50,948	226	5	8	4,273	0
2003-04	16	\$44,987	\$170,358	785	5	1	12,909	0
2004-05	15	\$24,969	\$65,860	272	1	0	6,768	0
2005-06	17	\$35,523	\$144,356	1,197	2	0	11,178	0
2006-07	10	\$16,815	\$32,224	65	0	0	1,602	0
2007-08	3	\$117,246	\$222,442	1,540	2	1	4,575	0
2008-09	8	\$102,607	\$429,501	2,410	10	4	3,475	1,500
2009-10	14	\$102,750	\$249,430	2,370	0	10	7,460	875
2010-11	10	\$106,781	\$299,115	900	1	1	6,620	1,415
2011-12	8	\$110,350	\$180,467	1,813	0	2	3,950	1,350
Totals	122	\$720,321	\$1,889,236	13693	38	35	67,610	5,140

The geographical extent of these projects is shown below in Figure 3.

Figure 3. Lake Baroon Catchment Care Group project influence across the catchment (projects 1999-2012).



3.5 Assessment of the current arrangements

3.5.1 Benefits and strengths

One of the major characteristics and benefits of the current arrangements is the long-term nature of the funding agreement with Seqwater and the security this provides LBCCG. In discussions with the committee it was identified that this security enables LBCCG to:

- Plan and budget strategically and with certainty into the future;
- Invest in projects over a number of years (increasing the likelihood of long-term project success which makes participation more attractive for landholders);
- Build relationships with key landholders over time – this is critical to project uptake with initially reluctant or sceptical landholders, and above all else takes time, effort and understanding;
- Funding of non-traditional (e.g. laneway hardening) project infrastructure is also possible, providing an excellent platform on which to build longer-term relationship with landholders and eventually incorporate other more traditional project outcomes (e.g. revegetation);

- Invest at a sufficient scale that in turn enables a sufficiently positive impact on water quality improvement (and provide landholders with projects that are worthwhile);
- Attract and retain highly skilled and experienced staff;
- Develop a long-term relationship with Seqwater that is based on mutual understanding, trust and respect, and in turn drives positive performance in LBCCG;
- Fund projects with a cash contribution which makes project participation far more attractive to landholders. It also enables LBCCG to leverage significant additional funding contributions from a range of other funding partners; and
- Retain its focus on a limited number of services and, as a result, not expand into other services areas (potentially carrying greater risk) sometimes attempted by more traditional landcare groups e.g. nursery production, consulting/contracting services to maintain revenue flows.

There are also a number of other more general benefits of the current approach adopted by LBCCG with respect to project delivery that have contributed to the successful engagement of landholders and subsequent project delivery. These include:

- Simple project agreements which increase the likelihood of project participation by landholders – this contrasts markedly to other funding programs with high numbers of prescriptive funding criteria and processes;
- LBCCG as a local, trusted and well regarded community groups provides a gateway opportunity for Seqwater to achieve water quality improvements on properties that would otherwise not present themselves. In addition other education and engagement projects that Seqwater need to undertake are far more likely to have uptake as a result;
- A group structure that supports local, autonomous decision making. While project proposals are ultimately vetted by Seqwater, the project development process (including input from the Natural Assets Management Planner for the Northern Catchments) has ensured that thus far all LBCCG project proposals have been accepted by Seqwater; and
- Focussing on bigger projects which reduce the overall administrative burden for the Project Manager (compared with high numbers of smaller projects).

In addition to these benefits the agreement succeeds in part because LBCCG is managed by a highly stable, collaborative, relatively small and dedicated committee.

3.5.2 Other economic and social benefits

In considering the economic and social aspects related to the funding agreement, it is also important to acknowledge the current state of the primary production industry within Lake Baroon Catchment. This is because the larger primary producing properties (and in some instances peri-urban properties) present the best opportunities for water quality improvement projects. In general terms the area has been affected like many other traditional dairy production areas by the deregulation of the dairy industry. There has been an increase in beef cattle production, some perennial production exists, but annual cropping is limited due to the high rainfall and topography. There has also been a relatively recent growth in eco-tourism related enterprises, including on-farm services such as cabin accommodation. It also appears that whilst some primary producers operate profitable businesses, few would seem to make the profit required to invest alone in catchment management projects of significance. It is therefore imperative that funding for catchment management initiatives comes from elsewhere, including Seqwater given the strong links to numerous

corporate objectives. There is also a view within the community, as reported to LBCCG, that if water is sold out of the catchment at a profit, then some of those profits should be returned into the catchment to ensure environmental health is improved.

Some of the key economic and social benefits the current LBCCG funding agreement provides include:

- A direct source of employment as well as other indirect economic benefits (contracting and product supply for projects) in the local community and catchment;
- Reduced costs associated with water storage and treatment for Seqwater;
- Provision of essential ecosystem services (water quality and biodiversity) that ultimately enable significant bulk water sales;
- Improved reputation of, and respect for, Seqwater given the direct relationship with the work undertaken by LBCCG within the catchment;
- Numerous social benefits can be linked to the current projects delivered including improved amenity and ecotourism opportunities for property owners; and
- Feedback from landholders which indicates the projects generate pride in relation to the project achievements, as well as a sense of wanting to take even better care of their land into the future. This is also linked to an increased sense of enjoyment from the time they spend on their property.

Finally, the bulk water sourced from Baroon Pocket Dam services populations outside the catchment (Sunshine Coast and Brisbane as required by the Water Grid Manager) and the work of LBCCG contributes improved water quality and reduced water cost outcomes for all of those communities.

3.5.3 Weaknesses and threats

There are a number of weaknesses and threats associated with the current funding arrangements, including the following:

- Without alteration to the funding agreement the capacity of LBCCG is constrained at the current level. This is a key issue requiring further consideration. Whilst LBCCG is not seeking any significant alteration to the funding agreement, consideration should be given to an additional resource to support the Project Manager position. This resource, preferably funded at graduate level, could deliver two key outcomes; sharing of the administrative workload associated with the current Project Manager's position, and increasing the project delivery capacity of the group;
- The constraint issue above is also linked to another key risk for LBCCG, the sudden or unexpected loss of the skills and experience of the current or future Project Manager. Another position within LBCCG would enable key services including project delivery and education to be expanded to meet growing demand, primarily by taking administrative tasks off the current Project Manager. This added position would allow additional project work to be pursued and delivered, and enable opportunities to train a graduate-level person into the role of a Project Manager. This could in turn provide support for future expansion of the current funding agreement model into other water supply catchments, enable adequate succession planning to occur within LBCCG and provide leadership and mentoring opportunities for the existing Project Manager;

- The current reliance on Seqwater for the major proportion of its funding also presents a key threat to LBCCG. Limited partnering currently exists with other potential funders such as the Sunshine Coast Regional Council, other than via occasional federal (and to a lesser extent state) government funding. If the current funding agreement was to be reviewed and decreased or removed, significant pressure would be placed on LBCCG in relation to the continuity of project delivery and the ability to fund the existing Project Manager position into the future. Changes in Seqwater in terms of structure, key staff and the like could trigger such a situation. Similarly, Seqwater could utilise the funding agreement to leverage more funding of its own for catchment management by pursuing matching investments from other funding agencies;
- The current funding agreement has two components – administrative funding and project funding. In recent years there is growing pressure on the project funding component due to increased administrative costs, as well as many project costs that are growing well beyond the current fixed indexed rate of inflation (2.5%) within the agreement;
- LBCCG purposefully supports other local groups in relation to project delivery, particularly contracting out site preparation, planting and maintenance tasks of larger projects. This in turn, however, makes LBCCG reliant on a few key staff (often an individual) in partner organisations such as Barung Landcare for successful project delivery; and
- Finally, whilst it is clearly valid that LBCCG contributes to achieving the corporate goals of Seqwater, the current goals don't adequately capture the extent to which the work of LBCCG contributes to (i) broader community engagement in catchment care activities, and (ii) improving the profile of Seqwater in the catchment community. This is a key weakness. The current funding arrangements are a real success story for Seqwater, but the benefits of the approach are not adequately captured, marketed nor leveraged, particularly in terms of potential expansion into other water supply catchments.

3.6 Comparison of the current arrangements with other NRM approaches

Many NRM-focussed community groups without secure funding agreements traditionally rely on a range of funding sources. These include, but are not limited to, the following:

- Membership fees - these are usually low both in terms of both numbers and fee size, and therefore the amount of revenue generated. Exceptions to this are groups like Barung Landcare in Maleny whose membership is more than 700. However, this group also runs significant commercial contracting and nursery operations;
- Local, state and federal government funding programs – whilst these can be significant, they wax and wane as governments change and priorities are altered even within a single government term. These programs usually operate over relatively short timeframes (1-2 years), can have specific areas of focus and strict criteria, are predominantly project-based, and often require extensive application and reporting processes and procedures. As a result they provide little or no funding continuity or certainty, a stark contrast to the 10 year funding agreement between Seqwater and LBCCG.

In addition, the extent of administrative support allowed under government funding programs varies significantly, but is often very low (and capped as a percentage of the project) or actually excluded. To enable the extent of administrative funding currently provided to LBCCG by Seqwater, other groups would have to apply for very large sums of project money via many different grant applications.

One significant improvement in this area has been the partnership funding agreements offered through the Sunshine Coast Regional Council's Environment Levy Program. These allow for funding of up to three years duration and specifically enable funds to be allocated for administrative purposes;

- Corporate sponsorship – this can be a highly successful element of a group's revenue but generally relationships that provide significant funding for organisations require time to develop. The revenue can also be quickly lost in difficult financial times (such as those currently being experienced in many sectors of the broader economy); and
- Fundraising – whilst some groups can generate significant revenue through major events, most of these activities generally generate relatively small amounts of income.

It is therefore highly challenging for catchment care groups to operate based on these types of funding arrangements. As a result it is very difficult to plan and budget strategically, attract and retain high quality staff, and the need to constantly submit and acquit against grants requires staff to spend significant amounts of time on administration, rather than delivery of projects to improve environmental outcomes. Many catchment care groups in the region around Lake Baroon continue to have significant funding challenges. These groups would derive major benefit from, and welcome, a funding agreement like that between Seqwater and LBCCG.

There are, however, other successful catchment care groups in different parts of the Sunshine Coast without such long-term agreements. One such group is the Noosa and District Landcare Group (NDLG). Formed in 1991 and operating as a not-for-profit entity, NDLG employs more than 20 staff and offers services including landscape restoration, environmental offsetting, native forest establishment and education. Recent changes to funding arrangements means the group is no longer funded significantly by the relevant regional NRM group. This change has seen the group increase its focus on fee-for-service projects. These projects carry higher levels of risk and require higher levels of capital investment. For example, the group operates three nurseries, conducts its business across a much larger geographic area and require significant levels of administration (Phil Moran, pers. comm.). The group sees benefits in long-term funding agreements. It currently has a small agreement comparative to its annual turnover with the Sunshine Coast Regional Council and would welcome new ones.

It is important to note that Seqwater also funds other catchment care community groups within SEQ, but not to the same extent as LBCCG. One such example is the Pine Rivers Catchment Association (PRCA), an integrated catchment management group that seeks to deliver improved environmental outcomes in the Lake Samsonvale area. Seqwater currently funds part of the Project Manager position (approximately \$30K/yr). A brief assessment of the benefits of even this level of funding support approach (Tim Odgers pers. comm.) concluded that the arrangements delivered:

- Improved funding leverage for Seqwater's investment, usually in the vicinity of 3:1;
- Access to PRCA's community networks;
- Improved public perception of Seqwater; and
- Stronger stakeholder participation in relevant projects and programs.

These benefits mirror those that the current 10 year funding agreement provide both LBCCG and Seqwater

The PRCA has also until recently run a commercial arm (H2O – Hills to Oceans) offering vegetation management services but information of the group’s website indicates this venture has been shelved for a range of reasons including insufficient availability of appropriate local work.

3.7 Project case studies – participant feedback

To further explore the current funding arrangements and how they contribute to catchment management engagement, two project sites were selected by LBCCG to obtain some specific feedback from the landholders involved. A series of questions (Attachment A) were developed covering issues including project development, project management and project outcomes, as well as questions that addressed why the landholder became involved with this type of catchment care project and how they found working with a group like LBCCG. Both projects chosen reflected the more recent approach by LBCCG to focus on larger projects on key properties.

Case study feedback interviews were conducted on 16 May 2012. The feedback from the project participants (Col Cork and Keith Hopper) covered a few key themes. Firstly, with respect to the projects themselves they offered the following information:

- The current project scale fitted well with their business. Participants are used to activities operating at this scale given the primary production taking place on their properties and smaller scale-projects would not be as worthwhile;
- Projects represented good value for money and a good match of local contractors with the project deliverables;
- The project would not have taken place without the funding model being offered by LBCCG – this reflected both the inability of participants to fund the works required outright on their own, as well as the relative ease of being able to contribute to the project with additional in-kind and cash resources from their business if there was a solid and significant, longer-term funding offer/commitment on the table from a group such as LBCCG;
- Project participation was simple (“All it took was one phone call and a signature and things got moving”) and although in some cases project elements took too long (primarily weather related), they were in the main well delivered; and
- The project elements (fenced off creeks, off-stream watering points, improved laneways and better stream crossings) had delivered both environmental benefits (less bank erosion, reduced creek access for cattle, reduced run-off from laneways and dairy hardstand areas into local waterways) and economic benefits (significant reductions in on-farm movement of cattle reducing their energy/food requirements, improved conditions for the movement of cattle resulting in less animal injuries, lower water usage and associated labour costs as fewer cattle needed to be washed prior to milking, and even improved milk production).

Secondly, in relation to broader issues associated with undertaking work of this nature on their properties the participants identified the following key issues:

- Their clear preference to work with a local group such as LBCCG;
- The ability to work with someone like the current Project Manager with the right level of experience and skills was essential;
- They would not consider working with many other groups, and would be unlikely to work directly with Seqwater or other local/state government entities/agencies;
- They felt comfortable working with LBCCG as the group had a high level of credibility in the community for catchment care work over a long period of time, and the group could assist them with the provision of funds for the activities they wanted to pursue; and
- They were keen to work on more projects on their land to build on the success of the earlier projects, and importantly build in additional project elements including more traditional catchment care outcomes (e.g. tree planting) now a relationship of trust had been established.

The participants also wanted to acknowledge the contribution of Seqwater to making these projects possible. And finally they wanted to ensure that the funding agreement provided for by Seqwater was continued into the future and expanded if possible as there was still much work to be done on their own properties and many others landholders to engage throughout the catchment.

4 References

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Attachment A Case study questions

LBCCG Review of Funding Agreement Landholder questions

A. Initial questions focus on the project on their property

- A1 Was the scale/size of the project right for your property/business?
- A2 Do you think that in the end the project was value-for-money?
- A3 Was the project funding contribution from LBCCG appropriate?
- A4 Was it easy to work with LBCCG – project planning, application, management?
- A5 What, if any, have been the benefits for you?
- A6 From your perspective have there been any links to improved water quality on the property?
- A7 If you were starting the project again today, would you do anything differently?

B. The next set of questions focus on why the property owner chose to undertake a project and why they agreed to work with LBCCG

- B1 Were there any particular reasons why you decided to undertake the project?
- B2 Did you have any awareness of previous projects undertaken by LBCCG and if so did that give you confidence to proceed?
- B3 Did you have any concerns about starting a project like this?
- B4 Do you think that this type of project is best delivered by a local group or would you rather work through another arrangement?
- B5 What types of projects are most valuable to your business?
- B6 Would you consider another project (does your business allow for it)? If so, what type of project?
- B7 Can you tell me what the project has meant to your property and/or business?

C. Last question provides an opportunity for comment on any other issue

- C1 Any other comments you'd like to make?