

CONFIDENTIAL ITEMS 2003 – SEPTEMBER 2019

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
134	5 November 2018	Confidential Item: Recycled Water	<p><b><u>Section 90 (3) (b) Order</u></b></p> <p>1. Pursuant to Section 90(3)(b) Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, Deputy Chief Executive Officer, General Manager Infrastructure, Chief Financial Officer, General Manager Planning and Development, General Manager Community Services and the Minute Secretary be excluded from attendance at the meeting for Agenda Item Recycled Water.</p> <p>The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.</p> <p>In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may prejudice</p>	Council report, related documents and all minutes be retained in confidence	The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.	Retained in confidence until the Hillgrove Resources debt is reduced to only the amount that is current and the Pumped Hydro Energy Storage opportunity has progressed such that further information pertaining to that can be made public; or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months		Within 12 months	<i>Report, attachment and Minutes released on website 5 September 2019</i>

**CONFIDENTIAL ITEMS 2003 – SEPTEMBER 2019**

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			<p>Council's ability to be able to negotiate a cost-effective outcome for the benefit of the Council and the community in this matter.</p> <p><b><u>Section 91(7) Order</u></b></p> <p>5. <u>Pursuant to Section 90 (3) (b) &amp; (d)</u> That having considered Agenda Item Recycled Water, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the Hillgrove Resources debt is reduced to only the amount that is current and the Pumped Hydro Energy Storage opportunity has progressed such that further information pertaining to that can be made public; or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months</p>						
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**19. CONFIDENTIAL REPORTS****19.1 REPORT TITLE: CONFIDENTIAL ITEM: RECYCLED WATER****DATE OF MEETING: 5 NOVEMBER 2018****FILE NUMBER: 18/114634****ATTACHMENTS: 1. 18/111729 COUNCIL LETTER TO HILLGROVE  
RESOURCES PHES****Key Contact Brian Clancey, Deputy Chief Executive  
Officer/General Manager, Infrastructure & Projects****Sponsor Andrew Stuart, Chief Executive Officer****Mount Barker 2035 – District Strategic Plan:**

Natural Environment & Sustainable Living  
Objective 2.4 Maximise recycled water use.

Economic Prosperity

Objective 2.1 Strengthen and promote the water recycling and reuse business of Council.

GL2.1 Demonstrate accountability through clear, relevant and easily accessible policies and corporate reporting

**Annual Business Plan 2017/2018:**

3.3.4 Wastewater

Develop and implement a strategy for recycled water and sell recycled water to suitable customers.

Finalise the long-term wastewater and recycled water strategy

**Purpose:**

To provide an update on the debt of Hillgrove Resources and options for a disposal path for Council's treated wastewater (recycled water) beyond the current Hillgrove Resources open cut mining operation.

**Summary – Key Issues:**

- Hillgrove Resources has continued to make regular payments to Council for recycled water supply, with the amount received in October 2018 being \$192,509 and represents a very significant increase compared to previous months;
- Hillgrove Resources is continuing to pursue the possibility of a Pumped Hydro Energy Storage; and
- With the planned cessation of open cut mining by Hillgrove Resources in mid 2019, Council needs to establish a secure disposal path for a steadily increasing supply of recycled water.

**Recommendation:**

That Council:

**Section 90 (3) (b) Order**

1. Pursuant to Section 90(3)(b)

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, Deputy Chief Executive Officer, General Manager Infrastructure, Chief Financial Officer, General Manager Planning and Development, General Manager Community Services and the Minute Secretary be excluded from attendance at the meeting for Agenda Item Recycled Water.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may prejudice Council's ability to be able to negotiate a cost-effective outcome for the benefit of the Council and the community in this matter.

2. Continue to regularly monitor the performance of Hillgrove Resources in relation to the amount of the debt owed to Council for the supply of recycled water to the mine and have a further status update prepared for the Council meeting scheduled to be held on 6 May 2019 or earlier if warranted due to a change in circumstances;
3. Continue to monitor the progress of Hillgrove Resources in pursuing a Pumped Hydro Energy Storage and that a further agenda item be prepared for consideration at a Council meeting once there is further clarity on the status of this given the potentially significant implications for Council; and
4. Members undertake a tour of the Hillgrove Resources mine site pre the end of daylight saving in Autumn 2019.

**Section 91(7) Order**5. Pursuant to Section 90 (3) (b) & (d)

That having considered Agenda Item Recycled Water, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the Hillgrove Resources debt is reduced to only the amount that is current and the Pumped Hydro Energy Storage opportunity has progressed such that further information pertaining to that can be made public; or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months.

**Background:**

1. The debt of Hillgrove Resources to Council for the supply of recycled water is a long standing issue and the numerous previous agenda items remain the subject of confidentiality orders via Council meeting resolutions.
2. This item is the result of the resolution at the Council meeting held on 7 May 2018.
3. On 12 October 2018 Mr Steve McClare, Chief Executive Officer and Managing Director of Hillgrove Resources met with Mr Stuart and Mr Clancey.

**Discussion:****Debt Position**

4. Since earlier this year, Council has applied interest to the overdue amounts. Trading terms are that payment is to be made in 30 business days.
5. Payments to Council by Hillgrove Resources continue to be made regularly.
6. In the month of October the amount received from Hillgrove Resources was \$192,509 which is a very substantial increase compared to previous months with the average payment per month over the previous 6 months being \$42,149.
7. The position as at 29 October 2018 is summarised in the table immediately below.

90+ Calendar Days	38,674.18	18%
> 60 Calendar Days	20,317.01	10%
> 30 Calendar Days	47,344.28	23%
Current	<u>103,755.89</u>	49%
<b>Current Account Balance</b>	<b><u><u>210,091.36</u></u></b>	

8. By way of comparison in February 2018 the total debt was \$333,646 and of that 25% being \$82,501 was 90+ calendar days.
9. Mr McClare again spoke positively about cash flow improvement and the intent of Hillgrove Resources to return to meeting trading terms to all creditors in the short term future.

Pumped Hydro Energy Storage (PHES)

10. Mr McClare sought a further letter from Council (attached) to be provided to Hillgrove Resources for the express purpose of it being made available by Hillgrove Resources to the small number of companies short listed by Hillgrove Resources and invited to provide them with a firm proposal for a PHES.
11. Understandably, these companies are seeking very long term contracts regarding water supply given the very significant up front capital investment that would be required to be made by them and the associated return on investment sought over an extended period of time.
12. Mr McClare indicated that the aim of the Hillgrove Resources Board was to promptly bring this process to a conclusion. Should a PHES not proceed the intent of Hillgrove Resources is to transition from open cut to underground mining. This would see the demand for water reduce significantly, potentially by around one third.
13. Should a PHES proceed this may have very significant implications for Council in relation to finding a long term disposal path for recycled water (both initially and subsequently to replace losses via evaporation) and an associated revenue stream.

Mine Site Tour

14. Mr McClare offered a tour of the mine site for Council Members with commentary as to what is proposed to occur where and when on site, both with or without a PHES proceeding.
15. First hand exposure to the mine site in this context would be valuable for Council Members to increase understanding pre decision making.
16. Other site tours are also planned for Council Members post the current elections.

**Community Engagement:**

Informing only	Not applicable
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**Policy:**

Not applicable.

**Budget:**

The 2018/19 budget has a budgeted revenue of \$650k associated with the sale of recycled water. The revenue from sales to Hillgrove represents 95% of this budgeted revenue. As at 30<sup>th</sup> September 2018 a total of \$153k of Recycled Water sales has been invoiced to Hillgrove for the 2018/19 financial year.

**Statutory/Legal:**

Water Supply Agreement between Council and Hillgrove Copper Pty Ltd.

The EPA licenses Council for the operation of the wastewater treatment plant on Springs Road and a disposal path for treated wastewater. Health SA is the regulatory body in respect of the use of recycled water.

**Staff Resource Requirements:**

The recommendations can be implemented within existing staff resource capacity.

**Environmental:**

An objective is to maximise the use of recycled water. Usage by Hillgrove (and other recycled water customers) enables a productive disposal path for treated effluent.

**Social:**

Hillgrove Resources continues to be both a major employer and a significant purchaser/consumer of goods and services with implications for many contractors and other businesses.

**Risk Assessment:**

The major risks to Council are that:

- a. Hillgrove Resources defaults on the payment of the debt and being unsecured, Council has no avenue for recourse and the debt will have to be written off; and/or
- b. Hillgrove Resources ceases taking recycled water from Council earlier than the current forecast of the open cut mine operation ceasing and Council then needs to action an alternative disposal pathway and manage the associated implications; and/or
- c. Council does not secure an alternative disposal path for treated wastewater in the timeline required.

**Asset Management:**

Council owns and is responsible for the pipeline that supplies recycled water to the Hillgrove Resources mine and extends to the town of Callington.

**Conclusion:**

Council needs to continue to regularly monitor payments from Hillgrove Resources for recycled water and the associated amount of the debt, and the pursuit by Hillgrove Resources of a Pumped Hydro Energy Scheme.

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Most Recent Previous Decisions By/Reports to Council

Meeting Date	7 May 2018	HPRM Reference	DOC/18/41247
Title	Confidential item – Recycled Water Initiatives		
Purpose	To provide an update on the debt of Hillgrove Resources and seek authority to execute a MOU with SA Water		

Meeting Date	5 February 2018	HPRM Reference	DOC/18/4274
Title	Confidential item: Hillgrove resources Debt to Council – Further Update		
Purpose	To provide a further update on the status of the Hillgrove Resources debt to Council		

Meeting Date	6 November 2017	HPRM Reference	DOC/17/106383
Title	Confidential item: Hillgrove Resources Debt to Council Update		
Purpose	To provide an update on the status of the Hillgrove Resources debt to Council		

RELEASED

Attachment to Item 19.1



**MOUNT BARKER**  
DISTRICT COUNCIL

Reference: 18/109797

11 October 2018

Mr Steve McClare  
Chief Executive Officer and Managing Director  
Hillgrove Resources  
PO Box 372  
Unley SA 5061

Dear Steve

**RE: Recycled Water Supply – Pumped Hydro Energy Scheme**

I am writing further to my letter to you of 4 April 2018.

Council is aware of subsequent actions by Hillgrove Resources to pursue a Pumped Hydro Energy Storage (PHES) Project through your confidential briefing to Council Members at Callington.

Council has a policy objective to secure 100% use of recycled water, as generated from Council's wastewater treatment plant and storage facility.

The current total supply capacity of Council of recycled water is around 1,200 mega litres per annum. With the significant population growth in Mount Barker that under existing zoning is anticipated to continue for the next 35+ years, this supply capacity will steadily increase each year.

Council is seeking to secure long term certainty for a disposal path and the productive use of recycled water.

Given this growth there is confidence as to the future supply capacity. Council will consider approaches for large scale, long term use of recycled water. Subject to suitable risk and reward, and terms and conditions, that may involve consideration of a term of around 50 years. This could be on similar commercial terms to the current Hillgrove Resources contract where funding of the required distribution infrastructure was the responsibility of the customer and price is indexed annually.

2

Council is yet to be informed as to the water quality that would be required. The current quality provided by Council is log 5 (notionally class A). If the PHES requires a higher or lower quality the capital and recurrent cost implications of that change would need to be identified and negotiated.

As you are aware, Council has recently invested in upgrading a section of the current distribution pipeline that was constructed by Hillgrove Resources several years ago and is owned by Council and enables the supply of recycled water to the mine and other customers.

Council has a Strategic Partnerships Policy and a Commercial Policy. This policy framework signals that Council is open to considering a strategic partnering relationship other than simply the conventional service provider and customer relationship.

Council would also welcome the investigation of potential third party revenue opportunities from recycled water through the secondary use of the PHES as a source of storage for distribution to enable primary production use. Recent research commissioned by Council has indicated a demand for this in the vicinity of the Hillgrove Resources mine.

I look forward to further communication with you on these opportunities.

Yours sincerely



Andrew Stuart  
**Chief Executive Officer**

RELEASE

## **19. CONFIDENTIAL REPORTS**

<b>19.1</b>	<b>REPORT TITLE:</b>	<b>CONFIDENTIAL ITEM: RECYCLED WATER</b>
	<b>DATE OF MEETING:</b>	<b>5 NOVEMBER 2018</b>
	<b>FILE NUMBER:</b>	<b>18/114634</b>
	<b>ATTACHMENTS:</b>	<b>1. 18/111729 COUNCIL LETTER TO HILLGROVE RESOURCES PHES</b>

Moved Councillor Morrison that Council:

### **Section 90 (3) (b) Order**

1. Pursuant to Section 90(3)(b)  
Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer,

Deputy Chief Executive Officer, General Manager Infrastructure, Chief Financial Officer, General Manager Planning and Development, General Manager Community Services and the Minute Secretary be excluded from attendance at the meeting for Agenda Item Recycled Water.

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Seconded Councillor Keen

CARRIED  
OM20181105.15

Moved Councillor Morrison that Council:

2. Continue to regularly monitor the performance of Hillgrove Resources in relation to the amount of the debt owed to Council for the supply of recycled water to the mine and have a further status update prepared for the Council meeting scheduled to be held on 6 May 2019 or earlier if warranted due to a change in circumstances;
3. Continue to monitor the progress of Hillgrove Resources in pursuing a Pumped Hydro Energy Storage and that a further agenda item be prepared for consideration at a Council meeting once there is further clarity on the status of this given the potentially significant implications for Council; and
4. Members undertake a tour of the Hillgrove Resources mine site pre the end of daylight saving in Autumn 2019.

Seconded Councillor Buchmann

CARRIED  
OM20181105.16

Moved Councillor Campbell that Council:

**Section 91(7) Order**

5. Pursuant to Section 90 (3) (b) & (d)

That having considered Agenda Item Recycled Water, in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, related documents and all minutes be retained in confidence until the Hillgrove Resources debt is reduced to only the amount that is current and the Pumped Hydro Energy Storage opportunity has progressed such that further information pertaining to that can be made public; or such lesser period as may be determined by the Chief Executive Officer and that this order be reviewed every 12 months

Seconded Councillor Bailey

CARRIED  
OM20181105.17

MEETING DECLARED CLOSED AT 8.42PM

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
DATE