

**Submission
No 45**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

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Inquiry into local government in New South Wales
Legislative Council, General Purpose Standing Committee No. 6

A submission by





LGEA's submission to the Legislative Council Inquiry into local government in New South Wales by General Purpose Standing Committee No.6

Following is the LGEA's submission to the Inquiry by the General Purpose Standing Committee No.6 into local government in New South Wales.

The LGEA is a registered industrial organisation representing professional engineers, engineering staff and related technical professionals working in local government in NSW. LGEA is also a division of Professionals Australia which is a nationally registered industrial organisation of more than 25,000 professionals working in a range of industries throughout Australia.

Our members live and work in nearly all local government communities in NSW and they have a strong commitment to, and identify with, their local communities. We welcome the opportunity to make a submission to the Inquiry on their behalf and to provide our comments on the Government's current reform process and those matters included in the Terms of Reference that are of most relevance to the people we represent and the work they do for their communities.

The LGEA has been an active participant in the reform process and this submission builds upon the recommendations and proposals which we have made in our previous three submissions to the Independent Local Government Review Panel, one submission to the Local Government Acts Review Taskforce and our submission to IPART on its proposed assessment methodology. All of our submissions are attached to this paper for the Committee's reference.



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Introduction

According to the Independent Local Government Review Panel (ILGRP) the biggest challenge facing NSW local government is the asset maintenance gap and the cumulative infrastructure backlog. In the words of the ILGRP,

“the sheer scale of infrastructure problems threatens to overwhelm a significant number of councils.”

(page 28)

If we are to address this gap and meet the backlog without wasting hundreds of millions of dollars in ratepayer and taxpayer funds we must make sure councils throughout NSW have the necessary resources to meet this gap and redress the backlog. This means that we must equip them with the tools to undertake the task. The most necessary of those tools are the enabling professions on which the accurate costing, delivery and maintenance of infrastructure depends. Key amongst those professions are engineers.

Throughout Australia, governments have lost the necessary expertise to deliver infrastructure projects. They have become dependent on outsourcing projects to the private sector for delivery and in many cases – including in local government – lack the required amount of resources or internal skills to conduct proper oversight. Indeed local government with its relatively low rates of pay when compared to public and private sector organisations is at a particular disadvantage when it comes to attracting and retaining technical professionals. This has led to a resultant loss of in-house capacity and expertise and the private sector increasingly has to deal with an ill-equipped client (what has become known as an “uninformed purchaser”) which drives project delays, cost over-runs and waste.

Therefore in order to tackle the infrastructure backlog it is necessary to not only invest in infrastructure, but to also invest in the technical professionals which enable the delivery of that infrastructure. ***We believe that it is critical that increasing the engineering capacity of local government is made a key component of the Government’s industry reform process.***

In this submission we have included what we believe are a range of low-cost, practical solutions which will help to ensure the best value for taxpayer and ratepayer dollars when addressing the maintenance and infrastructure backlog in Local Government. We also set out our position with respect to other industry reform initiatives including council amalgamations, the role of co-operative models for local government and the performance criteria and benchmark values used by IPART to assess local authorities in NSW.



Summary of recommendations

Throughout our various submissions we have made the case for the following recommendations to be adopted, namely that:

1. The Government should require that each council must have a qualified Chief Engineer responsible for the principal oversight of the management of the council's assets and infrastructure program. The Chief Engineer position should be a senior staff position and must hold a qualification in a relevant discipline of engineering, as offered by an accredited Australian university, or a qualification gained elsewhere that satisfies the requirements of "the Washington Accord"¹ for recognition as a professional engineer.
2. In accordance with the recommendations of TCorp, the smaller councils or proposed Regional Joint Organisations of councils could share a person as their Chief Engineer.
3. The Government should introduce a requirement for all council IPR plans to be signed-off by a council-employed engineer who meets the qualification requirements outlined in point one above.
4. The Government should introduce a Professional Engineer registration scheme, whereby all engineering work undertaken on council assets must be overseen by a registered engineer employed by the council.
5. The Government should facilitate the development of industry programmes aimed at encouraging the employment of graduate engineers, cadets and trainees in NSW councils.
6. The Government should require councils receiving subsidised infrastructure loans through the Government to demonstrate that they have sufficient engineering capacity to meet their infrastructure needs including the employment of graduate, cadet and trainee engineers.
7. The Government should establish an Industry Workforce Ministerial Advisory Committee to identify and oversee the implementation of other methods through which engineers and other technical professionals are able to be attracted and retained in industry including programmes to support the

¹ A series of agreements relating to the recognition of equivalence of professional engineering qualifications and competence. Qualifications under this scheme are recognised as fitness to practice as a professional engineer across the signatory jurisdictions.



retention of older workers as well as the successful transition of overseas trained engineers into NSW local government.

8. Funding Model Recommendations

- a. The Government can make smart changes to the funding model to better support Local Government as a whole including:
 - i. redistribution of FAG grants to regional Councils (i.e. to Councils outside of Sydney, Newcastle and Wollongong)
 - ii. changes to the rating system to better recoup the cost of serving high and medium density developments. This would allow councils to reasonably grow their revenue in city areas to replace redistributed FAGS. This would also provide an incentive for councils to meet the NSW Government's planning targets for increased densities in our cities to prevent urban sprawl and provide overall efficiencies for all levels of government.
 - iii. provision of low interest loan funding to all councils
 - iv. The Government should work with local government to advocate for the federal government's Roads to Recovery Program to be made permanent. This would recognize the significant on-going benefit this brings to the sustainability of the 90% of roads looked after by local government

9. 'Fit for the Future' Asset Ratio Benchmark Recommendations

- a. The Infrastructure Backlog Ratio (IBR) should be modified in the following ways:
 - i. the denominator should be changed to current replacement cost (in place of written-down value). The real measure of backlog is against the total replacement cost of the infrastructure. This is also less susceptible to distortion from factors such as growth, which may artificially reduce the ratio without a council taking action to address its backlog;
 - ii. the value (or ratio) should be increased to 2.5-3.0 times annual depreciation. The current backlog ratio represents less than one year of depreciation which doesn't reflect the fact that infrastructure is often long lived with unpredictable events (e.g. prolonged wet periods) and uncertainties (e.g. ground conditions) significantly influencing actual outcomes.



- iii. the timeframe for meeting the criteria should be increased. Councils can introduce cost effective solutions to respond to backlog considered over a longer period (e.g. 10-20 years). Simple strategies such as fully funding the infrastructure replacement need for short lived assets (i.e. assets with a useful life of less than 20 years) will result in the cycle of renewal removing backlog in time.
 - iv. There is also a need to better and more consistently define how to calculate the backlog across the industry. In particular there is a need for standardisation of the underpinning criteria for infrastructure assets (e.g. road hierarchy, condition assessment methodologies) and typical ranges of useful lives for use by local government.
- b. We agree that councils should meet or improve the **Asset Maintenance Ratio (AMR)** within five years prospectively from 2015/16 onwards due to historical variations in the interpretation of the ratio across councils.
 - c. We support the appropriate use of a **Debt Service Ratio (DSR)** to guide councils in the delivery of long lived infrastructure to communities to ensure inter-generational equity and allow improved asset and financial management.
10. The Government should only encourage council mergers that will unequivocally result in a better resourced council that can sustainably manage the community's infrastructure and improve the strategic capacity of the council.
11. No merger should be considered unless the proposed entity employs a Chief Engineer to oversee infrastructure management and delivery and has an organisation structure that includes sufficient numbers of qualified engineering and other technical professionals to ensure the council has the expertise and knowledge required for the efficient delivery of safe and effective infrastructure to its community. An organisation structure that includes sufficient numbers of qualified engineering and other technical professionals needs to be able to sustain itself, and as such it is important that it contains positions suitable for entry level graduates right through to senior managers, providing a clear technical career path.
12. The Government must maintain the current employment protections upon council merger, including the three year protection against forced redundancy, throughout the industry reform process.
13. The Government should establish an Industry Working Party involving all relevant industry parties to help identify and find solutions to the various matters associated with the formation of the proposed co-operative models, including Regional Joint Organisations. It is critical that any models adopted are covered by the Local Government Act and that the employment of people by the entities is covered by the Local Government State Award.



Investing in Local Government capacity to tackle the infrastructure crisis

Our members want to be a part of a local government where long-term thinking triumphs over short-term objectives, where projects are properly scoped, designed and managed and where councils have sufficient numbers of skilled and qualified employees to ensure that they are informed infrastructure managers.

Instead, they find themselves in an industry in which experienced engineers and technical professionals are being worked to the bone whilst younger professionals are struggling to find opportunities to even get on-the-job training in their chosen fields.

There is no doubt that the infrastructure gap (estimated at \$7.2 billion) is a large financial burden on councils and one that requires investment to overcome it. However, while more funds are required and financial management needs to be sound, financial management expertise alone will not fix the problem. Not only do the works require money in order for them to be undertaken, councils also require appropriately qualified and experienced technical professionals to undertake the work and/or manage its external delivery. As the ILGRP noted,

“Soundly-based, long term asset and financial plans are the essential foundations of sustainability.”
(page 35)

However, NSW local government has increasingly limited career paths for engineers and comparatively low rates of pay compared to other public and private sector organisations. In an environment where competition for engineering skills has been acute due to a national engineering skills shortage this has led to a lack of experienced engineers working within the industry that is charged with delivering infrastructure for the public good. Local government therefore must invest more in its engineering workforce and find creative ways of attracting and retaining skilled professionals and developing the talents of its people.

While the ILGRP referred to the impacts of the engineering skills shortage, it did not offer any solutions for helping to resolve it. Our fear is that unless the industry identifies and implements real strategies that help it to build its engineering and technical professional capacity, inadequate resourcing will continue, money will be wasted and our communities will suffer. The next section of this submission identifies several reforms which we believe will assist councils to more effectively compete in the engineering market and thereby help to provide our communities with the cost effective delivery and maintenance of assets which they deserve.



The case for a Chief Engineer

The LGEA has called for the appointment of a Chief Engineer in every council in both our submission to the Local Government Acts Taskforce (29 January 2013), and our various submissions to the ILGRP. We have argued that the massive infrastructure backlog that is currently facing the industry means that it is no longer appropriate for the Government to remain silent on the issue of industry skills. Direction now needs to be provided to councils to ensure that they employ appropriately qualified engineers at a senior level so that councils maintain a focus on infrastructure delivery and maintenance.

A Chief Engineer, at the disposal of every Council, is a must to ensure value-for-money is delivered, optimal solutions found and timetables met when clearing the maintenance and infrastructure backlog.

The creation of a statutory position of Chief Engineer would ensure that appropriately qualified people are involved in decision-making processes thereby helping councils to reduce costs and potential waste by assisting them to become informed purchasers of infrastructure and infrastructure services. Greater engineering input would also help to enhance public safety by reducing engineering failure that can result from the poor scoping and design of projects.

The creation of a statutory position of Chief Engineer would also help to elevate the profession within the industry and provide an enhanced career path for engineering professionals. The Chief Engineer could also provide mentoring for engineering and technical staff within their organisation. This could only improve the industry's attraction and retention rates of engineering and technical professionals; a goal that the Panel has said deserves a high priority (page 57).

Local government is not alone. Other industries have also been grappling with the need to become informed purchasers in order to avoid waste and to develop clear career paths for their engineers in order to boost attraction and retention rates. The creation of a Chief Engineer position as a way of helping to address these needs is therefore not a unique proposal. For example, in NSW all of the electricity distribution state-owned corporations have, in recent times, created the position of Chief Engineer in their organisation structures and the matter is now being addressed enthusiastically by the recently elected Victorian Government to help with delivery of that state's infrastructure projects.

The LGEA submits that the position of Chief Engineer should be a statutory position that is created by an amendment to the Local Government Act. This would be the most effective way of requiring all councils and



the proposed Joint Organisations of councils to include the position of Chief Engineer in their organisation structure.

While our proposal to reinsert a qualification requirement into the Act in some ways is reminiscent of the statutory regime that existed prior to the current Local Government Act, it is important to note that we are not advocating a return to the previous Town Clerk / Shire Engineer model. Our submission is that the position of Chief Engineer is to be a senior staff position insofar as it will report directly to the council General Manager. We are not advocating that it be identified as being equivalent to the position of General Manager within the council organisation structure.

The introduction of the IPR framework in 2009 has made a useful start on the goal of improving local government's financial and asset management capacity and both the final report of the Panel and the Local Government Acts Review Taskforce have recommended that IPR be given more prominence both within the Local Government Act and within the industry as a whole. We support that concept. Improved asset and financial planning, as we have already highlighted, are the essential foundations of sustainability for NSW local government.

However, simply introducing more rigorous guidelines for delivery programs will not equip councils to overcome the hurdles they have been facing with regards to IPR and the infrastructure backlog. As the Panel concluded, these difficulties have been created in part due to a lack of qualified staff to undertake the necessary planning work. Without a strategy to overcome the staff shortage issue, the proposed changes to planning will simply stretch an already strained workforce across the industry and exacerbate the existing problems.

One simple way of strengthening the IPR framework for asset management would be to require council asset management plans to be signed off by the Chief Engineer.

Recommendations

- The Government should amend the Local Government Act to require each council to have a qualified Chief Engineer responsible for the principal oversight of the management of the council's assets and infrastructure program. The Chief Engineer position should be a senior staff position reporting directly to each Council's General Manager.



- In accordance with the recommendations of TCorp, the smaller councils or proposed Regional Joint Organisations of councils could share a person as their Chief Engineer.
- The Government should introduce a requirement for all IPR plans to be signed-off by the Chief Engineer



A better regulatory framework for engineers

Ensuring that work on council assets and infrastructure is undertaken by appropriately qualified staff can only lead to better solutions and improvements in long term asset planning. And allocating clear roles and career paths for engineering professionals can only lead to an improved rate of attraction and retention of these individuals within the industry.

In Queensland, the *Professional Engineers Act 2002* provides for the registration of professional engineers to practice in Queensland. The Act prohibits persons who are not registered as a professional engineer from providing professional engineering services. The only exception to this is for individuals who practice under the supervision of registered professional engineers registered in the same area of engineering. Registration as a professional engineer of Queensland (RPEQ) is a recognition of the qualifications and competencies of an engineer.

One of the guiding principles behind the *Professional Engineers Act 2002* is to protect the health and safety of the community by ensuring only appropriately-qualified and competent persons provide professional engineering services. This is a reflection of the significant level of risk that exists in the provision of engineering services. These include risk of harm to the public and risk of financial loss resulting from construction failure and operating inefficiencies. These risks exist throughout the life cycle of an engineering project from design, construction, operation and maintenance through to demolition. There are risks to public safety and risks of high financial costs if engineering services are not provided by competent and qualified persons – impacts that are currently being felt by NSW local government in the current engineering skills shortage.

With the above in mind, the LGEA submits that the Government should introduce a Professional Engineer registration scheme, modelled on the Queensland approach. That is, engineering work undertaken on council assets must be overseen by an accredited registered engineer. Such a scheme would bring a higher degree of rigour to the asset planning work of councils, and ensure a strong career path for professional engineers in NSW local government.

We support the implementation of a registration scheme in New South Wales on the basis that it helps to protect the community who rely upon local government infrastructure. Obviously the scheme will need to be phased in over an appropriate period of time. We believe that such a scheme should be established on the basis of fair cost recovery. A survey by Professionals Australia of its engineer members found that the



vast majority supported registration for engineers, with costs being levied at below \$500 for initial registration. As such, competition between assessment entities such as is provided for in Queensland is vital.

Recommendations

- The Government should introduce a Professional Engineer registration scheme, to be phased in over a five (5) year period, whereby all engineering work undertaken on council assets must be overseen by a registered engineer.



Taking the lead to tackle the infrastructure crisis

The engineering skills shortage and the infrastructure backlog require government leadership to solve it. At the moment there is no mechanism to ensure that demand for engineers is being met by supply and we are producing only approximately one third of our engineering needs domestically².

At page 57 of its final report, the Panel makes the following statement

“Skills shortages are of growing concern and in a highly competitive labour market local government needs to give a high priority to developing the talents of its workforce and finding new ways to attract and retain skilled personnel.”

The Panel goes on to note that this issue has been addressed in the *National Local Government Workforce Strategy* recently released by ACELG and LGMA, as well as through *Destination 2036* processes. The LGEA maintains that this alone is not enough and that the Government itself should specifically address the engineering skills shortage by calling for the industry parties to develop strategies to attract and retain engineers in the industry.

In its recommendations the Panel suggests the development of a NSW Local Government Workforce Strategy. The LGEA submits that this Workforce Strategy should include a particular focus on the engineering skills shortage and that a Ministerial Advisory Committee should be established which could identify strategies which are specifically designed to attract and retain engineers and other technical professionals within local government.

An Industry Workforce Ministerial Advisory Committee would be able to identify various programmes and strategies, including cross-council and regional approaches, through which the industry would be better able to compete for scarce skills in the broader labour market. Examples of some key strategies the Committee should consider would be how councils could be supported and encouraged to engage engineering cadets and graduate engineers, as well as how councils could better “grow their own” engineering workforce through the up-skilling of current technical staff.

²Andre Kaspura (2013). *The Engineering Profession, A Statistical Overview*.
https://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CCqQFiAA&url=https%3A%2F%2Fwww.engineersaustralia.org.au%2Fsites%2Fdefault%2Ffiles%2Fshado%2FRepresentation%2FStats%2F2013_statistical_overview_australia.pdf&ei=7i86U56eEI-ZIQXD7YHqDw&usq=AFQjCNGt_EQx8BQV1n9du-M6shaenD-Bow&bvm=bv.63934634,d.dGI



During 2013 the Legislative Assembly's Economic Development Committee conducted an Inquiry into the issue of skills shortages in NSW. In its report to parliament it set out a series of relevant recommendations and findings some of which are particularly relevant to local government including:

“Recommendation 7

The Committee recommends that the NSW Government recommend to the Commonwealth Government the introduction of an organised work experience and workplace advice program for skilled migrants as a stepping stone to finding full employment.

Recommendation 21

The Committee recommends that the NSW Government implement programs to streamline business succession planning and skills transfer from retired workers.

Recommendation 22

That the NSW Government implements programs to provide greater cultural and social support to skilled migrants relocating to regional communities”³.

These recommendations are welcome. Local Government, particularly in regional areas of NSW, is disproportionately reliant on international graduates. Many of these individuals thrive in their new environment however more can be done to help make their transition as smooth as possible. Commensurately, the engineering workforce is ageing and due to the constraints imposed by inadequate workforce development and resultant skills shortages, little transfer of knowledge is occurring. Retaining the knowledge of experienced professional engineers and that of the engineering workforce more broadly in regional areas, are key issues worthy of examination.

Recommendations

- The Government should facilitate the development of industry programmes aimed at encouraging the employment of graduate engineers, cadets and trainees in NSW councils.

³ Legislative Assembly Committee on Economic Development (2014). *Skills Shortages in NSW*. [http://www.parliament.nsw.gov.au/Prod/Parliament/committee.nsf/0/ef8a635be9f5b23bca257ca7000ee0fc/\\$FILE/Report%20No%202%2055%20-%20Skill%20shortages%20in%20NSW.pdf](http://www.parliament.nsw.gov.au/Prod/Parliament/committee.nsf/0/ef8a635be9f5b23bca257ca7000ee0fc/$FILE/Report%20No%202%2055%20-%20Skill%20shortages%20in%20NSW.pdf) accessed 2 April, 2014.



- The Government should require councils receiving subsidised infrastructure loans through the Government to demonstrate that they have sufficient engineering capacity to meet their infrastructure needs.
- The Government should establish an Industry Workforce Ministerial Advisory Committee to identify and oversee the implementation of other methods through which engineers and other technical professionals are able to be attracted and retained in industry including programmes to support the retention of older workers as well as the successful transition of overseas trained engineers into NSW local government.



What's missing from the IPART assessment process?

Confusing 'Scale' with 'Capacity'

One of the great fears of our members is that while there is a reasonably heavy focus on infrastructure and service management in IPART's process for assessing council performance, there is very little consideration as to whether councils (existing and proposed) actually have the technical and engineering capacity to manage assets in an effective way. This raises a very real risk that new organisations will be recommended and emerge within the industry that will be no better able to meet community infrastructure needs than the current organisations.

IPART's current concept of what constitutes "capacity" is deficient and in our view the concepts of "scale" and "capacity" are distinct and should be considered separately. Experience tells us that it is very possible for a small council to have great "capacity" to deliver infrastructure and other services to its community, whereas a large council may not. *It should not be considered a 'given' that just because a council is big, it will have the engineering capacity to be able to get things done efficiently and cost effectively.*

Whilst the "Key elements of Strategic Capacity" set out in the ILGRP's final report and set out at Box 3.1 of IPART's Consultation Paper provide some scope to properly assess a council's capacity to meet its infrastructure objectives, IPART has chosen to apply them narrowly and only in a way which is entirely consistent with the ILGRP's recommendation for council mergers. This is a missed opportunity as the following elements in particular could have provided useful information to enable assessment of councils if the right questions were considered:

- *Scope to undertake new functions and major projects;*

Does the council/proposed merged entity employ sufficient numbers of qualified engineering and other technical professionals to enable the organisation to undertake major projects in an informed and cost effective way?

- *Ability to employ wider range of skilled staff;*

Does the council/proposed merged entity make the necessary investments in training, career path development and have terms and conditions of employment to attract and retain skilled staff?

Does the council/proposed merged entity have a cadetship/traineeship programme and engage graduate engineers to develop the engineering and technical staff of tomorrow?

- *Knowledge, creativity and innovation;*

Engineers are professional problem solvers. Does the council/proposed merged entity employ sufficient numbers of qualified engineering and other technical professionals to encourage knowledge transfer, and provide time to be creative and innovative? And, is there sufficient investment in training, mentoring of staff and professional development to ensure that staff are aware of best practice techniques and approaches?



- *Resources to cope with complex and unexpected change;*

Does the council/proposed merged entity employ sufficient numbers of qualified engineering and other technical professionals to enable it to cope with complex and unexpected change?

- *High quality political and managerial leadership.*

Does the council/proposed merged entity employ a Chief Engineer to ensure that value-for-money is delivered, optimal solutions found and timetables met when clearing the maintenance and infrastructure backlog?

What about the infrastructure management benchmarks and ratios?

It is critical that the key infrastructure benchmarks (Building and Asset Renewal Ratio, Infrastructure Backlog Ratio, Asset Maintenance Ratio and Debt Service Ratio) used to assess whether councils are effectively managing community infrastructure are appropriate, well understood and consistently applied and assessed. That is not currently the case and there are concerns within the industry that a number of the benchmarks should be modified to ensure a more realistic and consistent assessment of infrastructure needs and funding and capacity requirements.

A fair and accurate assessment of whether an existing council (or a proposed merged entity) is able to deliver infrastructure to their communities efficiently and effectively, or has a clear plan that will enable it to do so within a certain timeframe, is fundamental to the *Fit for the Future* process. Therefore, we submit that it is vital that any issues that exist with the selected benchmarks are attended to upfront in the assessment process to ensure that what they are measuring is both relevant and accurate.

During the IPART review process the LGEA supported the submissions made by the Institute of Public Works Engineering Australasia, NSW Division (IPWEA) on the proposed ratios and benchmarks, and we continue to do so. In particular we call on the Government to carefully consider the following proposals for modification, clarification and assessment of the various ratios and benchmarks:

- **Funding Model Recommendations**

- a. The Government can make smart changes to the funding model to better support Local Government as a whole including:
 - i. redistribution of FAG grants to regional Councils (i.e. to Councils outside of Sydney, Newcastle and Wollongong)
 - ii. changes to the rating system to better recoup the cost of serving high and medium density developments. This would allow Councils to reasonably grow their revenue in city areas to replace redistributed FAGS. This would also provide an incentive for Councils to meet the NSW Government's planning targets for increased densities in our



cities to prevent urban sprawl and provide overall efficiencies for all levels of government.

- iii. provision of low interest loan funding to all Councils
- iv. The Government should work with local government to advocate for the federal government's Roads to Recovery Program to be made permanent. This would recognize the significant on-going benefit this brings to the sustainability of the 90% of roads looked after by local government

- **'Fit for the Future' Asset Ratio Benchmark Recommendations**

- a. **The Infrastructure Backlog Ratio (IBR) should be modified in the following ways:**

- i. the denominator should be changed to current replacement cost (in place of written-down value). The real measure of backlog is against the total replacement cost of the infrastructure. This is also less susceptible to distortion from factors such as growth, which may artificially reduce the ratio without a council taking action to address its backlog;
- ii. the value (or ratio) should be increased to 2.5-3.0 times annual depreciation. The current backlog ratio represents less than one year of depreciation which doesn't reflect the fact that infrastructure is often long lived with unpredictable events (e.g. prolonged wet periods) and uncertainties (e.g. ground conditions) significantly influencing actual outcomes.
- iii. the timeframe for meeting the criteria should be increased. Councils can introduce cost effective solutions to respond to backlog considered over a longer period (e.g. 10-20 years). Simple strategies such as fully funding the infrastructure replacement need for short lived assets (i.e. assets with a useful life of less than 20 years) will result in the cycle of renewal removing backlog in time.
- iv. There is also a need to better and more consistently define how to calculate the backlog across the industry. In particular there is a need for standardisation of the underpinning criteria for infrastructure assets (e.g. road hierarchy, condition assessment methodologies) and typical ranges of useful lives for use by local government.

- b. We agree that councils should meet or improve the **Asset Maintenance Ratio (AMR)** within five years prospectively from 2015/16 onwards due to historical variations in the interpretation of the ratio across councils

- c. We support the appropriate use of a **Debt Service Ratio (DSR)** to guide councils in the delivery of long lived infrastructure to communities to ensure inter-generational equity and allow improved asset and financial management.



Are amalgamations the answer?

Council amalgamations may help bridge the infrastructure backlog by building organisations of a scale and scope that are better able to deliver engineering services and manage infrastructure programmes. But equally they may not. The key issue is whether the promise of *greater scale* achieved through amalgamation is matched by the reality of *greater capacity*.

Even in circumstances where an amalgamated body may provide greater scale and greater capacity, it will only be a solution to the communities' problems if that new entity can be effectively managed by Council's executive team. Put simply, an amalgamated council of appropriate scale and capacity is only better placed to resolve infrastructure issues in their communities where its scale and capacity is complemented by an effective executive team.

The LGEA policy on amalgamations is that we will be guided by members at the councils involved as to whether a particular merger proposal has merit. We will give our support to an amalgamation provided that our members are not disadvantaged and the proposed amalgamation will clearly lead to a better resourced council that is better placed to resolve infrastructure issues in the communities involved.

The LGEA Committee of Management has resolved the following policy in relation to council amalgamations:

Council amalgamations are not automatically beneficial for local government communities. Nor are all council amalgamations necessarily to be opposed. Each amalgamation proposal must be assessed on its merits.

The LGEA will support amalgamations which:

- 1. Result in a better resourced Council that can sustainably manage the community's infrastructure,*
- 2. Improve the strategic capacity of the Council, particularly the ability to undertake long term planning for the community,*
- 3. Protect the job security of LGEA members by retaining current employees who want to stay with the new Council,*
- 4. Lead to better jobs for LGEA members eg by improving career paths and opportunities for advancement and ensuring manageable workloads,*
- 5. Provide just compensation for members made redundant as a result of the amalgamation.*



The LGEA will not support amalgamations that do not have these essential features, unless the majority of members affected by any particular amalgamation proposal advise the Committee that there are special local factors which would justify our support for such an amalgamation.

It is also crucial that the employment protections contained in the Local Government Act in relation to proposals to amalgamate or change the boundaries of councils are maintained and applied throughout the industry reform process. The protections assist to encourage employees to continue their employment with their council during the period of change thereby helping to maintain service levels and knowledge transfer to the new merged entity.

Recommendations

- The Government should only encourage council mergers that will unequivocally result in a better resourced council that can sustainably manage the community's infrastructure and improve the strategic capacity of the council.
- No merger should be considered unless the proposed entity employs a Chief Engineer to oversee infrastructure management and delivery and has an organisation structure that includes sufficient numbers of qualified engineering and other technical professionals to ensure the council has the expertise and knowledge required for the efficient delivery of safe and effective infrastructure to its community. An organisation structure that includes sufficient numbers of qualified engineering and other technical professionals needs to be able to sustain itself, and as such it is important that it contains positions suitable for entry level graduates right through to senior managers, providing a clear technical career path.
- The Government must maintain the current employment protections upon council merger, including the three year protection against forced redundancy, throughout the industry reform process.



What about co-operative models for local government?

In principle, the LGEA is not opposed to co-operative models for service delivery. We can see value in increased resource-sharing and joint planning, particularly in regional areas, and many of our members are attracted by the prospect of working across a range of regional projects.

However, from our perspective it is vitally important that the creation of such entities is not undertaken in an effort to, amongst other things, avoid obligations arising from either the *Local Government Act*, or the *Local Government State Award*. As such we support the ILGRP's recommendation that these organisations be formally established under new provisions of the Local Government Act as well as its recommendation that they should be subject to coverage by the Award.

The proposed new structures throw up a host of other issues that will need to be carefully considered prior to their implementation; including maintenance of regional employment; the employment relationship itself; worker relocation; and the juggling of competing priorities.

Each of these matters and more will need to be properly considered by the Government if it decides to implement the models following its review of the current trial process. It would be counterproductive to say the least if the introduction of co-operative arrangements had the effect of making local government a less attractive place for engineering and other technical professionals in which to work.

Recommendation

- The Government should establish an Industry Working Party involving all relevant industry parties to help identify and find solutions to the various matters associated with the formation of the proposed co-operative models, including Regional Joint Organisations. It is critical that any models adopted are covered by the Local Government Act and that the employment of people by the entities is covered by the Local Government State Award.



Conclusion

The LGEA is grateful for the opportunity to make a submission to the Inquiry into local government in New South Wales. We recognise the need for industry reform and encourage reforms that seek to help resolve the industry's cumulative infrastructure backlog. We believe that it is vital that skills and qualifications are recognised and that steps are taken to ensure that the industry has the expertise and knowledge required for the efficient delivery of safe and effective infrastructure to our communities.

We are keen to continue to play an active role in the reform process and would welcome the opportunity to further address the issues we have outlined or to provide any further assistance to the Committee as required.

