

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Organisation: Professionals Australia, Local Government Engineers'
Association (LGEA)

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Emily Suvaal
Chair
Standing Committee on State Development

Dear Chair,

Inquiry into the ability of local governments to fund infrastructure and services

We look forward to appearing before the Committee later this week in relation to the inquiry into the ability of local governments to fund infrastructure and services.

The Local Government Engineers' Association (LGEA) is a registered industrial organisation representing professional engineers, engineering staff and related technical professionals working in local government in NSW. We are one of the three industry unions and are a party to the Local Government State Award.

The 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. We provide support and advocacy on behalf of our members so that they can focus on providing our community with safe and reliable infrastructure.

Together with the United Services Union (USU), we commissioned independent research from Professor Brian Dollery, a respected academic in his field, to provide the Committee with expert and impartial responses to the Committee's terms of reference. We understand that research is submission no.22 to the Inquiry. We have prepared this short supplementary submission to further assist the Committee.

The Infrastructure Challenge

There are two key issues facing local governments in NSW that hinder their ability to deliver and maintain infrastructure for their communities. The first issue is the limitation on funding for infrastructure investment and maintenance. The second issue is the lack of adequate in-house engineering capacity to deliver efficient, cost-effective, and innovative infrastructure. Both issues are preventing local governments from effectively managing community assets in an appropriate manner, paying due regard to whole of life cycle costs.

In other words, many local councils, particularly in regional, rural, or remote areas are unable to generate sufficient funding for new infrastructure, maintain existing infrastructure and to attract and retain sufficient qualified engineers to ensure they are informed purchasers of infrastructure services understanding what they need and what they are getting.

1. Funding

NSW councils own and control assets with a total value of over \$198 billion. The largest component of councils' assets base is infrastructure, with a net value of over \$176.3 billion. NSW ratepayers seek strong and sustainable communities that optimise the use of public resources. As a result, the management of these assets, and in particular infrastructure assets, is a vital component of a council's function.

The infrastructure backlog across NSW is significant. The estimated backlog in NSW councils alone sits at over \$5.6 billion for 2021 -22. This represents a substantial increase compared with \$3.8 billion in 2020 – 21 and the problem is only going to get worse. Factors, including changes in population and population density and increases in material costs (eg the Producer Price Index for Roads (PPI Roads)) are all expected to make the issue much more pressing over the coming years.

The costs and challenges involved in addressing this infrastructure backlog are significant. In addition to the rising cost to bring assets to their agreed service levels, there is a yet-to-be quantified cost to address functionality (predominantly related to safety, missing safety barriers for example) and existing capacity deficiencies.

As argued by Professor Dollery in his Report, council revenues are not keeping pace with expenditure under the current funding model. This is clearly not sustainable, particularly for rural councils which are more susceptible to economic shocks like adverse weather events and fluctuations in the prices of commodities.

If the growing infrastructure backlog is to be addressed, efforts need to be made to support the revenue-raising efforts of local government. Greater autonomy over revenue for the purpose of funding infrastructure in a strengthened framework for infrastructure management and reporting will be required if councils are to deliver the savings and improvements that the State Government seeks, and communities require.

2. Engineering and Technical Expertise

One of the largest single issues preventing effective infrastructure investment across Australia is the lack of adequate engineering capacity within local government. Both infrastructure projects and the management of infrastructure assets are, by their nature, highly complex and require the involvement of skilled and experienced engineers from planning through to delivery. Within local government, engineers are integral in prioritising projects, accurately scoping projects, designing projects overseeing private development and construction staff, working with private

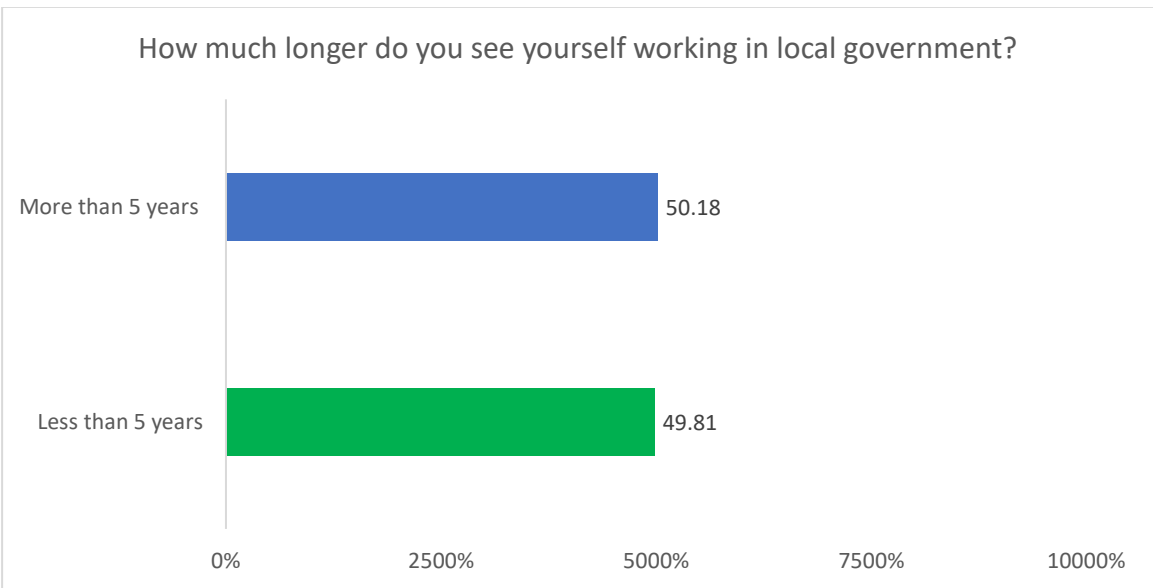


contractors, and delivering projects on budget, free from cost blowouts while minimising risk.

Engineers are also vital in developing maintenance programs to extend the useful life of community assets, minimise the risk to the community and the cost of asset management. State Government policies have sought to encourage greater efficiency in local government investment and greater consideration of whole-of-life cycle costs. However, at present, resource and staffing limitations are seriously compromising the ability of local government to deliver on these.

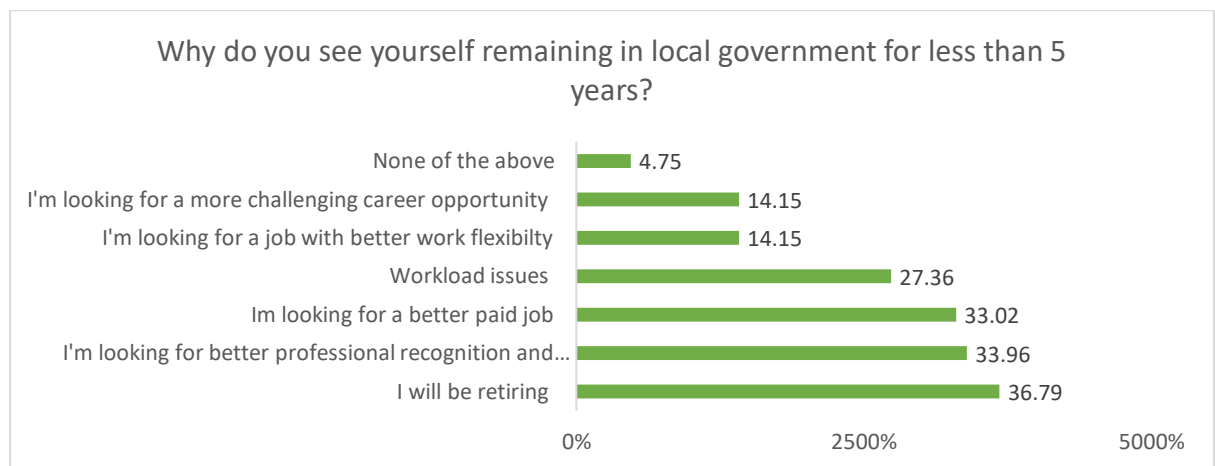
In NSW local government, the lack of engineering expertise is acutely felt, with 60% of NSW councils reporting skills shortages of engineers in the Australian Local Government Associations' *2022 Local Government Workforce Skill and Capability Survey*. Most concerning was the admission of 33% of respondents that they had resorted to the recruitment of less skilled applicants in order to fill engineering vacancies.

The NSW local government engineering workforce is an ageing workforce, with 55% of respondents to the LGEA's *Remuneration Report 2023* aged 45 years or older. Whilst this age profile is cause for concern on its own, a further complication is that many of the industry's remaining engineers and technical professionals intend to leave the industry within the next 5 years, as represented in the figure below from research undertaken amongst our membership.



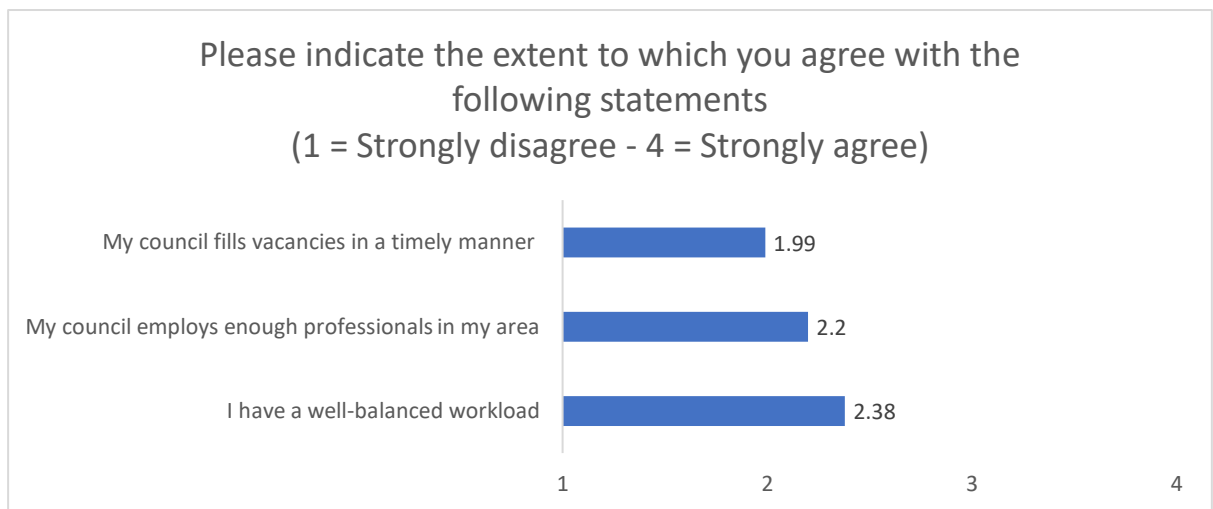
The chart above shows that almost half of the respondents to our survey are intending to leave the industry within the next 5 years. This is an alarming statistic. Almost two thirds of councils are reporting a difficulty in filling vacant engineering roles and almost half of those engineers who are currently working in the industry are intending to leave.

Unsurprisingly, given the age profile of the workforce, retirement was the most common reason provided by those intending to exit the industry. However, as indicated in the chart below, NSW local government is also failing to provide engineers and technical professionals with the career development, professional recognition, and competitive rates of pay that they desire and can more easily access in other industries.



The impacts of the engineering skills shortage have done little to assist with the creation of meaningful career paths for local government engineers, or address concerns about professional recognition. Instead, our members tell us that they are dangerously under-resourced, overworked and poorly supported. All of which is undoubtedly further encouraging engineers to leave the industry.





Conclusion

Issues surrounding local government's ability to effectively manage infrastructure investment have a significant and lasting effect on the community. Limited internal capacity, capability and funding is resulting in waste, underinvestment and a heightened risk of failure and poor infrastructure outcomes. Inefficient infrastructure investment places a major drain on local government, but the resulting congestion costs and reduced living standards have an even greater impact on the broader economy.

To address the infrastructure backlog plaguing NSW local government, urgent additional investment in the industry is vital. However, as shown in the Dollery Report, the current funding arrangements in local government have limited the funds available for councils to invest in renewing infrastructure, let alone to address deficiencies in function and capacity.

We argue that effective investment in infrastructure must include consideration of the specialist skills gaps that impact the effective delivery of quality infrastructure. If steps are taken to close the engineering capacity and capability gaps in councils, local government will be able to reinvest savings into new projects and vital asset maintenance programs. However, the significant backlog of infrastructure projects means that savings alone will not be adequate to deliver the infrastructure improvements that communities need.

Gordon Brock
Director LGEA

