



Institute of
Public Works
Engineering
Australia
(NSW Division)

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Independent Inquiry into the Financial Sustainability of NSW Local Government
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Independent Inquiry into the Financial Sustainability of NSW Local Government IPWEA (NSW) Submission

The Local Government Association of NSW and the Shires Association of NSW have established an Independent Inquiry into the Financial Sustainability of NSW Local Government.

The Institute of Public Works Engineering Australia - IPWEA is a not for profit membership based professional organisation representing engineers and others involved in the provision of public works and services predominantly in the local government sphere.

This submission has been prepared by the Institute's NSW Division, IPWEA (NSW), on behalf of its members working in the 152 local councils in this State.

The Background and Issues Paper for this Inquiry states that its aim is, in part, to assess the adequacy of existing NSW local government physical infrastructure and service delivery against a background of statutory obligations, expectations and challenges.

This submission presents a global view on the sustainability of the infrastructure assets and the public works and services that our members deliver to our communities.

It touches on the following specific issues outlined in the Background and Issues Paper.

- The condition of local government infrastructure and other assets, including environmental assets
- Impact of rate pegging and cost shifting from other tiers of government
- The accountability, effectiveness and efficiency of local government
- Appropriate fiscal and other performance benchmarks for local government
- Intergovernmental fiscal, legal and administrative arrangements
- Regional cooperation and partnerships between individual Councils

The submission is structured under the following topics.

1. Asset Management in an “asset rich” industry
2. Roads & the IPWEA (NSW) Roads & transport Directorate
3. Skills Shortages – where have we gone wrong?
4. Environmental concerns
5. Unfunded mandates – the hidden costs
6. Section 94
7. A Whole of Government approach
8. A review of funding constraints
9. A role for IPWEA

We confirm our wish to assist the Inquiry in any way possible. In particular the following two officers of the Institute appreciated the opportunity to make presentations to the Inquiry workshop held in Sydney on 1 December 2005 and are keen to play an active role in the Inquiry’s further work:

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For further information in relation to the submission please do not hesitate to contact either Mick or myself

Yours faithfully



Chris Little
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INDEPENDENT INQUIRY INTO THE FINANCIAL SUSTAINABILITY OF NSW LOCAL GOVERNMENT

IPWEA (NSW) SUBMISSION

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INTRODUCTION:

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¹ LG&SA Background and Issues Paper - 22 October 2005

1) ASSET MANAGEMENT IN AN “ASSET RICH” INDUSTRY

1.1 The National Context

Community infrastructure is generally accepted as being in a state of decline. Engineers Australia has produced a series of report cards^{2 3} that highlight its poor condition.

The report cards raise concerns that significant parts of Australia’s infrastructure are ageing and nearing the end of their economically useful lives. There is concern that current planning and political processes do not provide the necessary long-term focus.

The value of local government infrastructure assets in Australia is estimated at \$150 billion. These assets are being consumed at a rate in the order of \$3 billion per annum (assuming a simplified 2% average depreciation rate).

Consumption of assets as reported by depreciation is a significantly higher proportion for local government than for any other level of government or the private sector.

The public sector is generally more capital asset intensive than the private sector – and asset consumption is therefore proportionally greater. Depreciation expense in the local government sector is a major component of a council’s operating budget and can be in excess of 25% of total revenue.

Asset values and depreciation therefore have far greater significance in local government – or should! The management and reporting of infrastructure assets in local government is even more critical than in state government and the private sector. We need to get it right.

Unfortunately, as this submission will demonstrate, current practice is less than perfect. The quality of infrastructure reporting in financial accounts is poor. Few practitioners can confidently put up their hand if asked whether the value and condition of their community’s assets are adequately represented in their organisation’s financial accounts.

Nationally we adopt different methods for valuing our assets. Australian Accounting Standard AAS27 was implemented through State regulations which saw each State implementing it in a different way. As we shall see neither AAS27 nor (Special Schedule 7 in NSW) gives us a true picture of our asset condition as was intended.

Some Councils use historic cost while others are using current replacement value or fair value. There can be significant variations in valuation and depreciation even between neighbouring councils with a similar asset base.

Yet local government operates in an asset rich environment. We need to ensure that managing infrastructure is an essential part of doing business.

² Australian Infrastructure Report Card – August 2005

³ 2003 NSW Infrastructure Report Card – August 2003

1.2 Sustainability as an Issue

The Tasmanian Auditor General's 2004 Report to Parliament⁴ discussed the implications of the choice of valuation methods for property, plant & equipment assets in financial reporting. The report noted that a number of councils deemed the carrying value of assets to be at cost and that many had not revalued assets following initial recognition.

This was during a period when inflation had increased 30% over a ten year period. In such cases, carrying values of infrastructure assets are no longer representative of fair value.

A recent study of financial sustainability of South Australian councils by the LGASA⁵ has found that "significant operating deficits predominate among councils, and there appears to be substantial infrastructure renewal / replacement backlogs".

The inquiry found that many Councils do not have the revenue to maintain services and meet infrastructure renewal backlogs and that they would face substantial cuts to services or rates increases in 5-10 years unless policy settings change and government grants increase.

The report concludes that "26 of South Australia's 68 councils appear unsustainable over the medium to long term. Only about one third of SA councils are in a moderately comfortable position."

Data deficiencies were also highlighted in the SA report. Comparability of asset lives was difficult. Five yearly as opposed to annual revaluations gave rise to discontinuities in annual depreciation. Lack of comparability and consistency in accounting approach was noted.

The SA report has made many recommendations for improvement. It concludes that council CEO's and senior managers should accept responsibility for putting in place systems to achieve and maintain financial sustainability and accountability. This Inquiry commissioned by the LGASA is gaining widespread interest.

Local government is going to be increasingly expected or required to undertake long term financial planning based on sound asset management planning. In New Zealand long term financial plans are audited and this may be the eventual direction in Australia.

Decision makers need to comprehend the whole of life cost of infrastructure.

We need to ensure that information is available to allow informed decision making. The initial capital cost of a project may only represent 20% of the total cost of providing that infrastructure over the life of the asset. We need to adequately plan for the maintenance, disposal and ongoing operating costs of infrastructure.

⁴ Parliament of Tasmania - Auditor General Annual Report 2003/04 – October 2004

⁵ Rising To The Challenge: Towards Financially Sustainable Local Government in South Australia. – August 2005

Local government needs to move from annual budgeting to decisions that take into account long term consequences of resource allocation. The way forward will be closer integration of the political, the technical and the financial.

The SA Inquiry into local government sustainability is a glimpse into the future. To date insufficient regard has been given to reporting and resourcing infrastructure assets and we believe it is time to grasp the opportunity to ensure adequate investment in that community infrastructure.

In this national context the fact that NSW LG&SA has commissioned its own 'Independent Inquiry into Financial Sustainability of NSW Local Government' is timely indeed.

1.3 The Position in NSW

Despite the failings identified in other States IPWEA (NSW) believes that we in NSW are lagging even further behind in understanding the need for and processes involved in management of our assets.

Asset Management covers the acquisition, lifecycle maintenance and disposal of a myriad of assets including fleet and equipment, community buildings, depots, roads, drains, footpaths carparks, parks and playgrounds libraries, pools and leisure centres.

Proper Asset Management, as we shall see, requires a partnership between the community and elected councillors to set appropriate levels of service together with a commitment from councillors, senior management and the engineering and financial professionals to implement and resource structured, long term strategies.

There is little evidence that Asset Management is well understood let alone practiced by all councils in NSW although there is a growing awareness that unless we address the problem we could well be the first generation to leave community infrastructure in worse condition than when we inherited it.

IPWEA (NSW) is pleased to have joined forces with the Local Government Association of NSW and the Shires Association of NSW (LG&SA) to help address the issue.

1.4 Quantifying the problem

Several IPWEA (NSW) initiatives have provided some quantitative basis for our concerns and will be extensively referenced in this submission.

These are:

- IPWEA submission to the NSW Government's Inquiry into Infrastructure Provision in Coastal Growth Areas⁶
- The IPWEA (NSW) Roads & Transport Directorate Road Asset Benchmarking Reports on Road Management⁷ and Timber Bridge Management⁸ (See Section2 of this submission)

⁶ IPWEA submission to the NSW Parliament Standing Committee on Public Works – Inquiry into Infrastructure Provision in Coastal Growth Areas – May 2005

1.5 Coastal Councils Infrastructure Inquiry

During 2005 the NSW parliament invited submissions to the Inquiry into Coastal Councils Infrastructure⁹.

In order to gauge the extent of the infrastructure task facing the 21 coastal councils covered by the Inquiry IPWEA (NSW) conducted a detailed survey and facilitated two focused workshops in support of our submission and presentations to the Inquiry's public hearings.

13 of the 21 Councils responded to the survey. This response rate of 62% was gratifying given that the Inquiry invited submissions at a busy time in the local government calendar with Budgets and Management Plans being finalised.

This response also covers some 64% of the coastal population under review and was considered to be a sufficiently robust sample on which to base some observations and conclusions.

10 Councils provided detailed asset inventory, asset condition and funding details in their survey responses which allowed further analysis relevant to this submission. An overview of various asset classes identified in the survey follows.

1.5.1 Coastal Councils Inquiry Survey and Workshop Results - Roads

As local government's largest asset class Roads are worthy of a section of their own and will be covered in Section 2 of this submission however as an indication of the strength of the sample size the survey data supplied by just 10 Councils for local and regional roads alone indicated:

- A total of 5,660km of sealed and 3,891km of unsealed roads
- A total asset value of \$2.5bn
- A current annual maintenance shortfall of \$35m
- A capital works backlog of \$255m

If this maintenance funding shortfall is extrapolated across the 143,084km of local and regional roads in NSW then the annual maintenance / life cycle funding gap could be to the order of \$524m.

Extrapolating such a small sample (6.7% of the council controlled road network in the state) is certainly statistically unsafe and the problems facing coastal council road maintenance staff (high rainfall and coastal escarpments) cannot be directly compared to the black soil conditions in the north west or the climatic conditions in alpine areas, however for the sake of discussion such extrapolation may give at least a rough guide to the actual size of the funding gap across the state.

⁷ IPWEA (NSW) Roads & Transport Directorate - Road Asset Benchmarking Project – November 2005

⁸ IPWEA (NSW) Roads & Transport Directorate – Timber Bridge Survey – November 2005

⁹ NSW Parliament Standing Committee on Public Works Report No. 53/05 – Inquiry into Infrastructure Provision in Coastal Growth Areas – November 2005

Comments received from respondent councils included:

- In many cases coastal towns and shopping centres are experiencing “gridlock” particularly in peak holiday periods.
- In the north of the State improvements to the Pacific Highway and a decline in the level of service in public transport has seen a massive increase in car traffic. Brisbane and the Gold Coast residents now commonly drive to places like Byron.
- Tourism NSW is compounding the problem by promoting driving holidays.
- Town centre bypasses at a cost of \$5m to \$6m are predicted to give relief for maybe only 5 years.
- The trend towards footpath dining is making congested footpaths even worse.
- There is a shortfall in footpaths and cycleways.
- There is concern that Regional Airports will only meet the demand of their communities so long as the regional airlines have access to Sydney airport.

“Increased traffic volumes, loads and expectations require funding for more sealing and rehabilitation.” Bega Valley

“Major Town Centre traffic congestion, additional street sweeping and cleaning” - Kiama

“There is increasing demand on some of our regional roads with the loss of Countrylink which is purely cost shifting to Council. Also with progressive upgrades of the Pacific highway more people are accessing popular tourist destinations (like Evans Head) – which places increased demands on the infrastructure in these areas also” – Richmond Valley

“Intersection improvements needed and traffic congestions from high traffic volumes.” – Wyong

1.5.2 Coastal Councils Inquiry Survey and Workshop Results - Footpaths

Survey respondents stated that their footpaths were in generally much better condition than their roads

- Said to be due to age (generally constructed after roads)
- Said to be due to Public Liability concerns – and subsequently higher maintenance regimes
- Some Councils have a very small footpath inventory for large and aging population
- Total asset value for just 12 Councils is \$32,600,000
- Annual maintenance shortfall for just 12 Councils is \$3,130,000
- Capital works backlog for just 12 Councils is \$39,090,000

“Increase in public liability claims for trips and falls. Aging population impacts on necessity for footpath provision” - Kiama

“Foot paving is provided in new areas. Of concern is the extra traffic generated in existing areas around shopping centres, schools, recreation facilities, etc.” – Wyong

1.5.3 Coastal Councils Inquiry Survey and Workshop Results - Stormwater

Some survey respondents claimed that butt-jointed stormwater lines gifted to Council from developments are causing failures and creating additional maintenance burdens and that the pressure and intensity of development has outstripped the design capacity of stormwater systems.

An analysis of data received also indicated:

- 11 Councils surveyed indicated problems with capacity which will get worse with additional development
- Up to 80% of drainage lines are said to be in poor condition
- All councils have a backlog in capital works
- Total asset value for just 10 Councils is \$430,190,000
- Annual maintenance shortfall for just 12 Councils is \$5,500,000
- Capital works backlog for just 12 Councils is \$40,850,000

“There are already places in Richmond Valley where we can not meet existing drainage demands on the system – especially in flood plain areas” – Richmond Valley.

1.5.4 Coastal Councils Inquiry Survey and Workshop Results – Carparking

All Councils responding to the survey indicated that their carparking areas were in generally fair to good condition however other comments stated:

- The needs anticipated in S94 Plans may well have been correctly identified but the highly inflated cost of land means that the purchase of additional carparking is beyond the capacity of the funds raised.
- Carparking is said to be critical in popular areas such as Byron, Brunswick and Mullumbimby
- 7 out of 12 responding councils say carparking meets current demand
- But only two have capacity for future growth

1.5.5 Coastal Councils Inquiry Survey and Workshop Results – Community Halls

Survey respondents noted:

- The need to upgrade older stock to meet current safety regulations has lead to some closures.
- There is also a need to rethink what is being provided – the “baby boomers” who are now retiring or seeking a sea change see themselves, if not as “independently wealthy, ” then certainly as independent and shy away from traditional structured activities at Senior Citizens Centres.
- There was concern that underutilization of some community buildings still leads to duplication. Particular mention was made to schools which remain “dark” for 10 weeks each year and most evenings yet the Education Department was highlighted as being the most difficult government authority to engage in discussions.
- Private / Public Partnerships was seen as one possible option to investigate.
- Sea changers are looking for “cultural experiences”

1.5.6 Coastal Councils Inquiry Survey and Workshop Results – Water Supply

This was a critical concern for some coastal towns and villages and for the seven councils responding to the survey who have responsibility for Water and Sewer provision:

- Spare capacity varies between 4% and 68%.
- Capacity in villages can be critical this a major issue for the security of some townships
- Distribution mains are in generally good condition

Comments received included:

“Water Storage

Insufficient to maintain security of supply from current dam. New dam is being planned – completion by 2009.

Water Transport

Insufficient capacity to recover water to storage dam following drought influenced periods. New major pipeline being planned - completion by 2007.

A second dam and new major pipeline are required to provide drought proofing.” - Eurobodalla

“At water extraction licence limit”- Bellingen

“Very little in coastal supplies, plenty for Kempsey system. Additional raw water sources would be required for some coastal systems – Kempsey”

“Most of our water supply problems are driven by problems that Rous Water faces.” - Richmond Valley

1.5.7 Coastal Councils Inquiry Survey and Workshop Results – Sewer

Again this was a critical concern for some coastal towns and villages and for the seven councils responding to the survey who have responsibility for Water and Sewer provision. When faced with holiday peak loadings some systems are actually “designed to fail”:

- 7 Councils out of 12 surveyed are responsible
- Spare capacity varies between 0% and 41%
- Capacity in villages can be critical
- Up to 40% of sewer mains in poor condition
- Significant backlog in capital works

Comments received included:

“This is the MOST IMPORTANT infrastructure issue facing Richmond Valley Council, it is due to not receiving government assistance and problems with keeping up with planning requirements/ increasing supplies. In Evans Head for example we may soon place a moratorium on Development Assessment because the Sewerage system has no further capacity.” – Richmond Valley

“Transport System

- *Vulnerable to service failure and system capacity with increased demands.*
- *Major upgrade required to pumping stations.*

Treatment

Treatment plants at Batemans Bay and Tomakin require augmentation to cope with increased demands.

Unsewered Villages

A program is in place to sewer small villages, currently with on site disposal.” - Eurobodalla

“The major urban area of Batemans Bay is currently overloaded and major works are required to address this problem.” - Eurobodalla

“None (spare capacity) in coastal systems during peak (some overloaded), 7000 EP spare in Kempsey system” – Kempsey

“(Deficiencies) Sewage Treatment plant capacities in coastal towns. Stormwater infiltration” Kempsey

“most urgent issue – infiltration” – Richmond Valley

“No major deficiencies exist.” - Wyong

1.6 Is there any good news?

The above examples outline physical and financial difficulties being faced by a number of councils in their asset management task. No doubt other Councils across the State will provide submissions to the Inquiry outlining similar concerns.

The solution to asset management challenge is not simply identifying additional sources of funding.

There are efficiencies to be gained from setting priorities and levels of service, optimizing intervention strategies in maintenance activities and in implementing council wide asset management systems.

Asset Management processes and training are available – See also Section 9 – A role for IPWEA

Two outstanding examples of councils who are “getting it right” and who are worthy of special mention as flagship examples of best practice are:

- Dubbo City Council
- Campbelltown City Council

2) ROADS & THE IPWEA (NSW) ROADS & TRANSPORT DIRECTORATE

2.1 Road Assets a Special Class of Asset Management

Local and regional road networks are the largest group of assets owned and managed by councils across New South Wales. They represent our communities' biggest investment and treasure, far more valuable than any buildings or the fine art in our galleries. They were our first reliable means of communication and trade and are still critical to our economy and social interaction.

The best estimate of the total replacement value of local and regional roads in NSW is approximately \$30.8 billion. Management of these assets has largely been on an ad-hoc basis with outcomes being determined by the skills applied by individual engineers.

It is only in recent years that formal road asset management systems have been developed and implemented. Even so, our knowledge of pavement asset performance is at best incomplete. Decision makers are still apprehensive about relying on the management strategies produced by these systems.

There is a need to better understand the performance of road pavements, to measure the condition of our networks and to determine cost effective long term financial strategies which will deliver assets in a condition which meets the needs of our community.

2.2 Roads & Transport Directorate - Background

With the close co-operation and support of the Local Government Association of NSW and the Shires Association of NSW the Roads & Transport Directorate has been set up to meet the demand from members of IPWEA (NSW) over the past few years to act as a focus for research activities and to provide technical advice.

Its main purpose is to assist local government in NSW in the area of road infrastructure and transport related activities by:

- Assisting members in discharging their road management roles in the most effective manner consistent with current legal obligations and the most recent technical practices particularly in the critical area of consistent and cost effective asset management;
- Assisting the IPWEA (NSW), the Local Government Association of NSW and the Shires Association of NSW, individual Councils and members in lobbying for a higher priority to be placed on road infrastructure provision and maintenance and for a more equitable share of resources and funding; and
- Providing for IPWEA members and Local Government a powerful technical and research resource on transport issues at regional, state and national level. The activities would be, as circumstances dictate, either proactive or reactive to achieve the optimum benefit for the region or state.

The Directorate commenced operation in October 2004 and has been involved in determining the needs of members and developing solutions to meet those needs.

2.3 Identified Issues

The range of issues that have been identified by the Directorate include:

- Asset Management
- Sources of Road Funding
- The Development of Road Asset Management Plans
- Support of the ARRB Road Deterioration Study
- Monitor the IPWEA National Asset Management Strategy (NAMS) “Asset Condition & Financial Reporting Guidelines” Project and implement the outcomes
- Sustainability
- Road Design Standards
- Timber Bridge Management
- Road and Transport planning issues
- Airport runway management

By far the most urgent and important issue confronting Local government at the present time is road asset management.

2.4 Road Asset Management

Each year councils in New South Wales are required to submit a *Special Schedule 7 Condition of Public Works* return with their annual financial statements. This schedule includes estimates of:

- Depreciation Rate
- Depreciation Expense
- Cost of the Asset
- Accumulated Depreciation
- Written down Value
- An Estimate of Asset Condition
- Estimated Cost to bring to a satisfactory standard
- Estimated Annual Maintenance Expense; and
- Program Maintenance Works for the Current Year

for each asset class. Depreciation rates are based on generic rates contained in AAS27 not the actual deterioration of the individual assets. Depreciation is applied on a straight line basis and does not take into account the non-linear deterioration of assets such as road pavements.

There are no guidelines available to either engineers or finance managers to enable uniform and meaningful information systems to be developed.

The cost of assets is determined by the cost of constructing the asset at current cost and is therefore influenced by the cost of materials and construction efficiency.

The estimated cost to bring a road to a satisfactory standard is calculated within each council using its pavement management system or is estimated by experienced staff. (See also Section 3 – Skills Shortages) The estimated annual maintenance expense is evaluated on a similar basis.

The result is that each council is reporting a large estimated cost to bring its road assets to a satisfactory standard. This estimate is increasing each year, a situation that is supported by the observed worsening condition of the road network.

The difficulty faced by decision makers is that they cannot rely on the financial data that is available. The majority of councils do not have long term (greater than 20 years) financial plans based on accurate estimates. Such long term plans allow for the development of financing strategies to smooth the cost of asset management from year to year.

2.5 Road Asset Benchmarking Project

The Roads & Transport Directorate has just released the results of its Road Asset Benchmarking Project that provides a snapshot of the current reported condition of regional and local roads in NSW, an estimate of the shortfall in funding necessary to bring them to a satisfactory condition and specific recommendations about rectification of the problems identified.

A Copy of the Road Asset Benchmarking Report is attached as part of this submission.

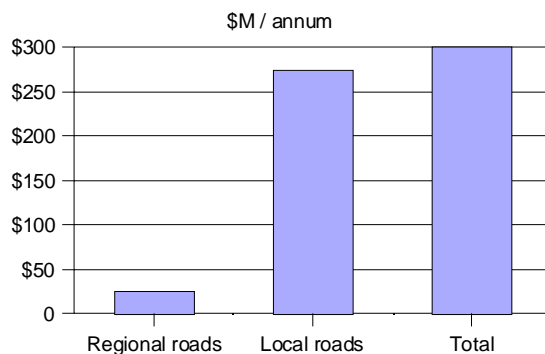


All 152 councils in NSW were approached to complete a survey on which the report was based. 54% of all Councils (82) responded to the survey and of these 39% (59) were assessed as valid for analysis.

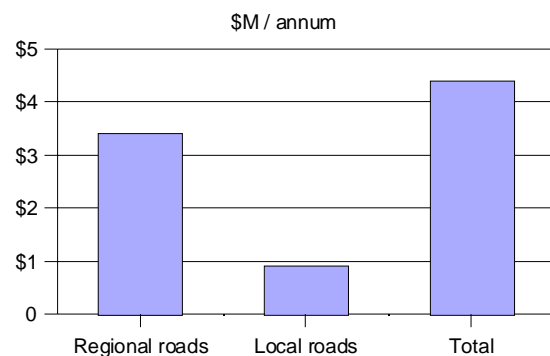
Three conclusions were able to be drawn:

- 1) There is an alarming inability for councils to supply data on their road networks
- 2) For the 59 Councils responding there is a road maintenance funding gap of \$300m pa on local and regional roads
- 3) For the 59 Councils responding there is a funding gap of \$4.3m pa for concrete and steel bridges on local and regional roads

Roads Funding Gap



Bridges Funding Gap

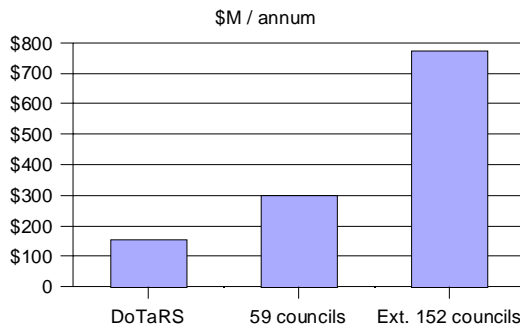


While only 39% of councils providing validated data is disappointing this return might be considered to be a statistically robust sample. If the annual life cycle cost shortfall for these 59 councils of \$300m pa is extrapolated across all 152 councils then a total shortfall of \$790m is obtained.

It is interesting to compare this figure with the \$524m extrapolated from the Coastal Councils survey examined in 1.5.1 – perhaps this earlier work indeed was at least heading in the right direction.

2.6 Does DoTaRS know the full facts?

DoTaRS Est. / Funding Gap



The DoTaRS estimate of the funding shortfall for 2002/2003 was just \$156m. This is certainly far short of the \$300m derived from the 59 responding Councils let alone any extrapolated figure.

How can this be?

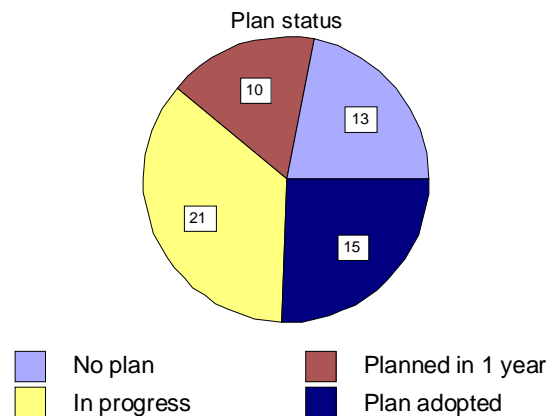
The answer perhaps lies in the quality of the information supplied to DoTaRS through local councils' own returns.

This in turn may be caused through a lack of understanding of or discipline in completing AAS27 and Special Schedule 7 returns?

Or perhaps we simply don't know?

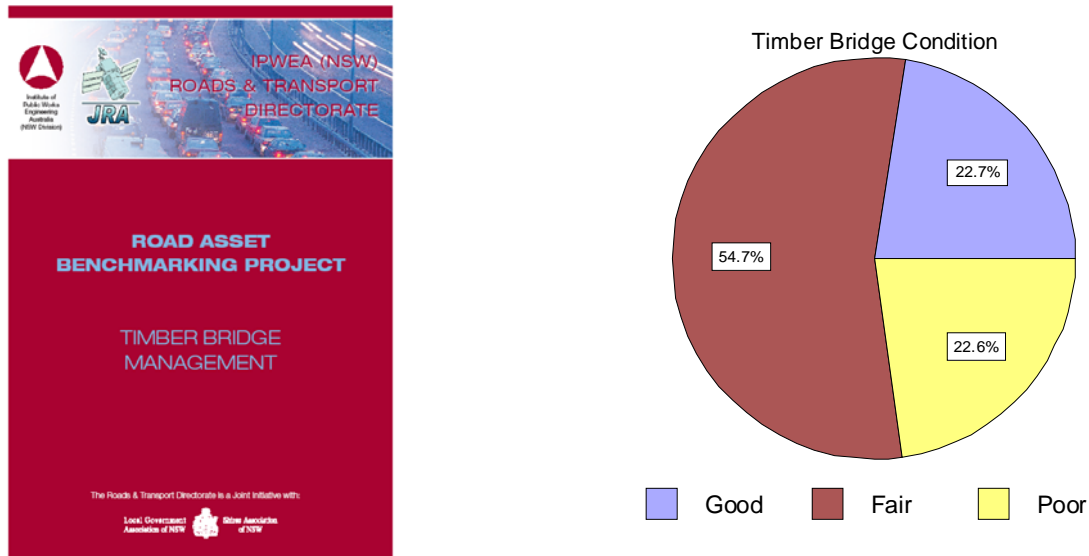
It is enlightening that to note that only 15 of 59 Councils indicated that they had a Road Management Plan in place.

Road Management Plans



2.7 Timber Bridge Survey

The Roads & Transport Directorate has also just released the results of its Timber Bridge Survey. Although the survey indicates that attention is now being paid to these vital transport links less than 23% are currently rated as being in good condition.



2.8 Immediate Needs

The immediate aim is to improve the reliability of data available to asset managers. Extensive work has been carried out by the IPWEA National Asset Management Strategy (NAMS) Committee, resulting in development of the International Infrastructure Management Manual (IIMM)¹⁰. This manual was developed in conjunction with Ingenium in New Zealand and has now become an international standard for asset management.

The Roads & Transport Directorate promoted a series of two day workshops around the state in March and April this year aimed at transferring asset management knowledge to the local government industry. Asset management plans prepared in accordance with the IIMM consist of four steps:

- Step 1. Identifying Levels of Service
- Step 2. Predicting Demand
- Step 3. Preparing Life Cycle Management Plans
- Step 4. Undertaking Risk & Financial Projections

Preparation of Road Asset Management Plans by each road authority is considered to be essential to ensure that community assets are adequately maintained and that efficient use is made of scarce resources.

¹⁰ International Infrastructure Management Manual – Australia New Zealand Edition - 2002

As indicated in 2.6 above to date there have not been a large number of Road Asset Management Plans completed because of inadequate staffing resources being available to complete the project.

The long term solution to getting the most out of our existing assets follows from the four steps involved in the creation of asset management plans listed above.

2.9 Asset Management Problem Solutions

Assuming that road authorities had developed asset management plans how would we be better off? What solutions to the present apparent problem might become available? The following sections explore some of the ways in which the value of our assets might be better protected and managed in the future.

2.10 Levels of Service

In the past the level of service provided for road assets has been determined by individual councils on the basis of technical advice provided by engineering staff. This approach did not provide for any input from the general community of road user groups. What if the level of service we are providing is well above that expected by the community or for which the community is willing to pay? One possible answer is that we are allocating resources to asset management which might be more productively employed elsewhere.

Determination of the level of service involves engaging the community in an honest way so that we can understand customer values. We must respond to community needs through providing level of service options together with the associated costs. The outcome may well be the establishment of different levels of service based on functional road hierarchy resulting in an overall reduction in resources allocated to the road network. Outcomes may differ between communities and their ability to meet the costs incurred.

2.11 Service Demand

In every road design task we undertake we make a decision about the demands that are to be made of the asset over its service life. There must be an understanding of the way in which demand is generated (increasing population, change in the pattern of vehicle ownership and the expected proportion of heavy vehicles) and how this demand will impact on the long term performance of the asset. This is a difficult task which has been somewhat neglected in the past. Failure to predict significant increases in demand is likely to result in poor asset performance with associated cost of rectification.

One important factor at the present time is the effect that increasing oil prices will have on vehicle usage. It may be that there will be a decrease in private vehicle usage and an increase in the use of car pooling, public transport or the use of other modes of transport. This is not an easy assessment to make as a longer term reduction in oil price may reverse any short term reductions in demand.

Finally, there is the option of managing demand by the use of strategic transport planning. The provision of more efficient public transport systems, the provision of cycle ways and the imposition of tolls and CBD charging schemes are examples of how demand management could be achieved. All of these strategies need sound long term planning to be effective.

2.12 Life Cycle Management Plans

In making the decision to acquire a new asset we need to know not just the capital cost but also the maintenance costs that will be incurred over the life of the asset. For a road pavement which may have a life of 80 years we need to know the capital construction cost, the cost of routine maintenance each year, the cost of crack filling every 8 years and the cost of resurfacing every 15 years.

We can then project cash flow requirements over the life of the asset. If necessary, reserves can be set up to smooth cash flow peaks which are likely to occur at various periods during the life cycle. This is particularly relevant when we look at the aggregate of assets that make up our road networks.

For networks which have a range of existing assets the same assessment applies with the added requirement that the existing condition and expected performance of the assets are known.

This is an essential element that must be carried out if we are to maximise the value of our assets to the community that has entrusted them to our stewardship.

It is in this area that the asphalt industry can have the greatest impact in the future. We will discuss a number of aspects arising from this analysis in later sections.

2.13 Risk & Financial Projections

One constraint will always exist when the issue of financial projections is discussed – there will never be sufficient resources to maintain road assets in the condition we would like.

The final question to be answered by the asset management plan is: given the resources that are available how do we minimise the inherent risk?

The process set out in the International Infrastructure Management Manual is to identify failure modes and the consequences of failure in financial terms and then to evaluate acceptable risk in terms of a ratings scale or expected costs. It is in this section that the financial assumptions on which the model is based are identified and documented.

It is then possible to carry out a sensitivity analysis to determine the best fit solution which will meet the community's expectations.

2.14 Asset Valuation

Two of the major items in setting up a life cycle costing model are determining the value of the road asset and estimating pavement performance over time. The latter element determines the timing of maintenance requirements over the life of the asset and also determines the size of the current 'funding gap' for existing assets.

The asset value of road assets is defined as the cost of providing the existing asset based on current construction rates. Inherent in this definition are issues such as:

- Materials cost
- Fluctuations in the cost of bitumen
- Efficiency of construction
- Deterioration performance of different pavement materials
- The minimum level of service expected of the road asset

Part of the solution to reducing the existing funding gap is therefore based not on providing additional resources (although this is necessary) but on:

- Development of improved construction techniques
- Increased efficiency in the pavement construction process
- Development of improved pavement materials
- Enhanced pavement performance over time
- Increased long term load capacity of pavements

Asset managers are looking for new paving techniques which will give increased pavement life at existing or reduced capital cost. Viewed on a whole of life costing basis, increased pavement life will result in a reduction in cost over the life of the asset.

2.15 NSW Local Roads Congress

In early December 2005 the Roads & Transport Directorate held the inaugural NSW Local Roads Congress which was aimed at discussing matters of concern to Councils across the state. The outcome of this Congress which will be of interest to the Inquiry is contained in the Congress Communiqué as follows:

The NSW Roads & Transport Directorate, a partnership of the Institute of Public Works Engineering Australia (IPWEA), Local Government and Shires Association of NSW in holding the inaugural NSW Local Roads Congress resolved to announce the following communiqué.

That this congress endorse the findings of the Road Asset Benchmarking Report and recommendations in identifying that there is a \$790 million annual gap in the funding for maintenance and renewal of existing local roads and bridges. This funding gap represents 50% of the required annual expenditure of \$1,579 million.

The Road Asset Benchmarking Reports covering Roads and Timber Bridges were commissioned by the Roads & Transport Directorate and executed by Jeff Roorda & Associates.

That this congress call on the Federal and State Governments to work with Local Government in developing a strategy to eliminate the road funding gap over the next five years to ensure that the communities local roads assets continue to meet the expected service levels.

This congress recognises that it is critical that Councils commit to asset management and continue to develop their capacity to:

- o Identify their infrastructure assets and the current condition of such assets.*
- o Implement life cycle asset management plans.*

This congress supports the findings and recommendations contained within both the Road Asset Benchmarking Project – Road Management and Timber Bridge Management Reports and that the findings of these reports be forwarded to Governments. In particular, that DoTaRS be advised of the significant difference between their current published funding shortfall of \$156 million for the funding of local roads and bridges, and the \$790 million identified in the Road Asset Report.

This congress recommends that the “Special Schedule 7 Condition of Public Works” requirements within a council’s annual financial statements be replaced with a model that utilises the total asset management principles of the International Infrastructure Management Manual.

That this congress urge local councils to participate in the Independent Inquiry into the Financial Sustainability of Local Government commissioned by the Associations to demonstrate the shortfall in infrastructure spending.

That the congress urges local councils and other levels of government to address the identified skill shortage in asset management capability to a position that will enable local government to provide services to their communities in a sustainable manner.

2.16 Conclusions

There is a clear need for better education of engineers, councillors and finance professionals in the principles of asset management if we are to obtain the best possible performance from our road assets. The development of formal road asset management plans will allow councils to develop more useful long term costing models to ensure that optimum performance is obtained from their road assets.

There is a need for the development of physical and financial reporting standards for use by councils and government which will provide for independent auditing of asset management performance within NSW.

There is a need for a more sustainable funding model for roads in NSW which will provide certainty for road authorities and which will achieve elimination of the funding gap which exists at the present time.

3) SKILLS SHORTAGES – WHERE HAVE WE GONE WRONG?

3.1 The Department’s Taskforce

The NSW Department of Local Government has established an interorganisation group, the *Professional Skills and Training Shortages Taskforce*, to assist in addressing the current and projected skills shortages in key professional and para-professional areas of employment in local government.

The Taskforce commissioned Red Letter Information Pty Ltd to undertake a survey of selected councils to provide baseline data on skills shortages to assist the Taskforce in determining its priorities.

In the final report on the survey dated August 2005, Red Letter Information Pty Ltd stated:

“Almost three quarters of the respondents mentioned engineering as a specific area of skills shortage”...”By discipline, civil engineering appears to represent the largest skills shortage”¹¹

Survey respondents highlighted a number of reasons for the shortage including:

- Development in the eastern part of the state drawing engineering professionals out of the industry and/or the west
- A shortage of students graduating from engineering courses
- Difficulties in attracting candidates to rural locations
- Uncompetitive rates of pay compared to the private sector
- Unappealing image of local government
- Inadequate investment by local government in into training and promotion among schools

3.2 This position is destined to get worse before it gets better.

Age	No.	%
21 to 25	7	1%
26 to 30	46	6%
31 to 35	83	10%
36 to 40	76	9%
41 to 45	105	13%
46 to 50	154	19%
51 to 55	173	21%
56 to 60	117	14%
61 to 65	45	6%
Over 65	11	1%
	817	100%
50+	346	42%

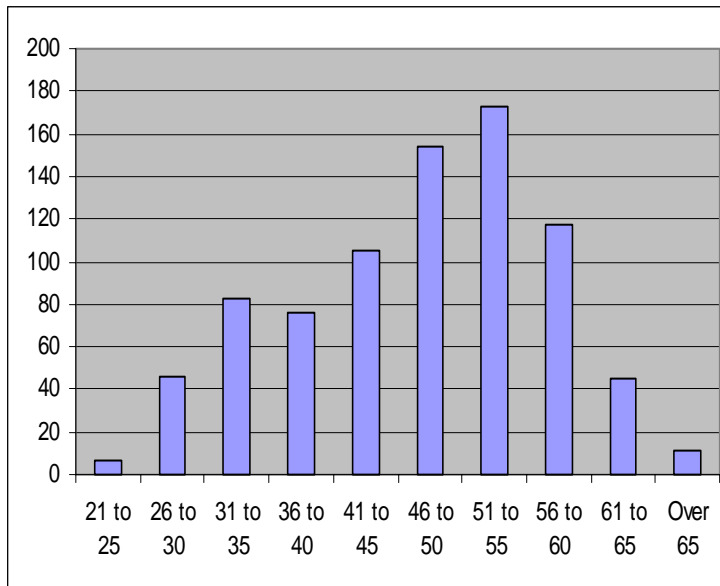
An analysis of the age of IPWEA (NSW) members working in Local Government is shown in table 1

¹¹ Survey of Skills Shortages in Local Government – Red Letter Information – August 2005

Of 817 IPWEA (NSW) members currently working in local councils an alarming 346, or 42% are over 50 years old and can be expected to leave the workforce in the next 10 to 15 years unless they can be enticed into staying on.

These figures should be treated with some care as all engineers and works officers working in local government in the state are not members of IPWEA (NSW) and there is often a time lag before younger people join Professional Organisations. However the position is alarming.

The age distribution is shown graphically in the following chart.



In support of the above conclusions a recent survey conducted by 13 New England Councils “The New England Survey”¹² has indicated that there are 12 vacancies within the 74 Professional Engineering positions available. (See appendix A)

A private consulting company offering contracted services in the area to fill the gaps as required is also experiencing problems with 5 vacancies out of the 10 positions within its organisation structure.

3.3 The Problems

3.3.1 Money

Clearly salaries are an issue. The financial rewards offered by the private sector, other government agencies and overseas postings have outstripped local government’s ability to compete.

It is no longer sufficient to promote the “lifestyle” benefits of local government when in reality the workload and responsibilities are becoming comparable to the private sector.

¹² See Appendix A to this Submission

Benefits which once both attracted staff to the industry and helped with their retention have gradually been stripped away including:

- Generous superannuation entitlements
- Paid untaken sick leave
- “Free” or heavily subsidised leaseback vehicles
- Gratuities or rewards for long service
- Generous training allowances
- Security / protection of employment (as opposed to short term contracts)

The area feeling the pinch most is not at “the top end” where Directors salaries are usually relatively attractive and positions can generally be filled, but in the middle management or at the design or construction “expert” level.

This same group is now feeling more at risk from the additional responsibilities that have come with less staff and flatter management structures.

As an industry there is a perception that we undervalue expert technical advice and performance from within, yet are prepared to pay highly for the same services from consultants.

3.3.2 Corporate Knowledge

A consequence of the loss of staff who have already left the industry and those destined to depart in the next 10 – 15 years is a huge loss of corporate knowledge. Even if consultants can be identified the employing councils will first have to pay for those consultants to learn the unique features of that council’s services and projects. Councils also risk not having adequate skilled and experienced staff to properly brief and supervise the consultants.

3.3.3 Deskilling and the Departure of “the Guilds”

The NSW Local Government Act of 1993¹³ made great strides in simplifying the administration of councils in this state and making it more accessible to employees from outside “the system”. As a result the previously legislated positions of Town Clerk, Chief Engineer, and Chief Health and Building Inspector, along with their deputies were abolished. Along with this went some legislated protection to those belonging to the professional “Guilds” holding these positions.

The current Act requires no qualifications for any position on the council. This has the potential to remove some promotion and career path opportunities for professional staff. Indeed the loss of the deputy positions, while sound in an organisational, sense has also removed a “built in” succession planning process.

Replacement of traditional hierarchical organisation structures with flatter more flexible workplaces has also led to a perception that there are fewer opportunities to “climb the ladder”

¹³ Local Government Act - 1993

3.3.4 Training

Training is a particular concern for the engineering profession.

In the real world of chasing clients (let's call them students), universities have turned their backs on part time, block release and sandwich course offerings in the engineering faculties in favour of fulltime, preferably full fee paying, students.

This is understandable, they too have to balance budgets.

However the effect is that fewer opportunities are available for councils in the remote areas to offer scholarships incorporating on the job placements. Those councils are therefore losing the opportunity to demonstrate the lifestyle and community service aspects of the work so that the young graduate might consider staying, if not with them, at least in the wider local government industry.

3.3.5 The "A" Word

Amalgamations have been a two edged sword for many in local government.

In the past few years twenty councils have disappeared and with them twenty opportunities to "get to the top" as, say, the Director of Engineering Services. At least twenty engineers have lost the reality of the "chief's" job they once had.

The "up" side for some ex Directors is that they are now able to manage an important area of a larger council's activities with the resources to do the job well. However for others the loss of community profile, satisfaction and pride has been painful indeed.

As a result of this process it is apparent that we must find a mechanism where councils and the community can demonstrate the respect for the professions they once held.

3.4 Conclusions

Local Government in NSW cannot sustain the continued loss of talent particularly at the expert level.

Adequate remuneration is part (and perhaps a large part) of the answer, however it is apparent that we must also find mechanisms to:

- Attract young people to engineering and to the local government public works field.
- Improve the image of local government as an employer of choice.
- Find ways to "grow our own" professional and technical staff rather than bidding for graduates in a market where local government finds it difficult to compete.
- Ensure that councils and the community can again recognise and demonstrate the respect for the professions that they once held.
- Retain experienced staff in the system in the short term.

3.4 Actions

The Department's Skills Taskforce, along with the Local Government and Shires Associations and professional organisations including IPWEA through its "Attracting Young People to Engineering and Public Works" - AYP Program¹⁴ are looking to address the issue in the long term through targeting undergraduates and school students from years 9 & 10 and onwards.

Similarly groups like the Beacon Foundation¹⁵ are providing support to young people in filling the skills trade shortages.

However the lead time for these young people to graduate and gain the necessary experience is lengthy. We must find flexible ways of retaining the experienced staff while we wait for the new generation to fill the gaps.

As an aside, proposals by Planning NSW to make local government engineers and planners personally liable and open to discipline and compensation claims (rather than councils as The Corporation) for their actions / decisions are having the opposite effect and give good reason for even more experienced and senior to contemplate the benefits of life in the private sector or early retirement.

¹⁴ See <http://www.ipwea.org.au/ayp/>

¹⁵ See <http://www.beaconfoundation.net/>

4) ENVIRONMENTAL CONCERNS

4.1 The challenges

There are a number of environmental challenges facing local councils and no quick fixes. Our attempts to “assist nature” or perhaps to comply with the requirements of Stormwater Management Plans invariably have an ongoing cost:

- Constructed wetlands and Gross Pollutant Traps require constant cleaning and maintenance.
- Street sweeping to minimise pollutants entering our streams and rivers is a never ending process.
- Recycling has wide spread community support - but at a cost.

Other environmental challenges include:

4.2 What is the Target?

There is often no population target information available from government in fast growing regions of the state. With a few exceptions the sustainable population target is for each region it is also not clear. As a result many Councils are placed in a catch-up or reactive position.

The demand for development appears infinite – the “sustainable” land supply has a limit.

4.3 Coastal Hazards

Respondents to the Coastal Councils survey indicated that flood mitigation and coastal hazards have not been adequately addressed. What small funding grants are available cover studies only and not actual preventative and / or remedial works. There is also a need to ensure that this issue is addressed at a regional level.

In the medium to long term it may be that extensive changes to both coastal hazard and floodplain planning will be required to accommodate the affects of Global Warming.

4.4 Waste Management

Waste management in some areas will become a critical issue in the medium to long term. The remaining life of some tips may not provide sufficient lead time to gain the necessary approvals for alternative arrangements given the present planning processes.

This is another issue that requires a Regional approach while Private / Public Partnerships are seen as one possible option to investigate

The 12 respondents to the Coastal Councils survey indicated:

- There are 18 landfills.
- There are 5 MRFs.
- There is 5 transfer stations.
- Expected life varies from 2 to 50 years.
- Only 4 of the 12 councils anticipate capacity for long term future growth.

“The costs associated with recycling means that extremely limited services are offered to residents in this council area. It is unlikely that with current rate pegging and income of residents that cost recovery could occur and so the service will remain limited despite many community demands for such a service.” – Richmond Valley

4.5 Water

In this year of drought and talk of energy guzzling desalination plants, finding and maintaining reliable sources of clean potable water is the greatest environmental challenge facing both rural and urban councils.

The challenges facing some coastal councils include:

- In one Council area the “Safe Yield Capacity” for environmental flows has been revised down from 160,000 to 120,000pop. In ten years this could result in significant problems and stress on growth.
- Even if finances are available planning processes and onerous EIS procedures are daunting. It is not possible to place a timeframe on development approvals or to even predict if an approval will be granted.

4.6 Sewer

For good public health outcomes and the environment adequate sewer systems are essential.

The challenges facing some coastal councils include:

- This issue is critical in some areas / villages NOW and a barrier to development
- Future development approvals are dependent on addressing the sewer problem
- Finance is only part of problem – approvals processes and environmental issues have raised costs and time delays
- Government grants are decreasing as costs are escalating
- Capital funds accrued through rates can no longer meet the true costs of works
- Licences have been renewed on expectations that catch up works will be implemented
- If the true costs of upgrades are to be passed on to purchasers of new developments then they will result in a change in demographics
- In one Council area 5 out of 6 sewer plants are already at capacity

4.7 Emerging Issues

Emerging issues include Salinity and acid sulphate soils.

Two benchmark councils, at least for tackling urban salinity problems, are:

- Wagga Wagga City
- Penrith City

5) UNFUNDED MANDATES – THE HIDDEN COSTS

No doubt Councils will provide submissions in relation to a number of “unfunded mandates” as they respond to statutory requirements in the regulation of planning and health matters and to community expectations and service obligations.

Those issues are beyond the scope of this submission however some examples of public services which local government has grown to support may be less obvious

5.1 Emergency Services

Councils are being called upon by their communities to support SES and the Rural Fire Service beyond the minimum service level.

To adequately respond to risk assessments, public liability concerns and community expectations there is a growing need for Councils to supplement the volunteer SLSC movement with paid professional lifeguards. This is particularly so at peak holiday periods and there is a view that councils should receive funding support from State Government to assist.

There is seen to be a continuing backlog of bushfire hazard reduction which places additional pressure on councils.

“Emergency Management planning requirements place more obligations on local council to plan for emergencies. Resources have been provided to assist this but will continue to be needed.” – Richmond Valley

5.2 Street Lighting

With growing expectations for a higher level of safety in our communities higher levels of Street Lighting are being demanded. Of the 12 Councils responding to the Coastal Councils Inquiry only 4 councils say current demand is met.

The Energy Authorities are generally happy to supply the additional lighting but at the Council’s full lifecycle cost for what is an inefficient system¹⁶ & ¹⁷. The Energy Authorities have no great interest in improving efficiency – after all their core business is selling energy.

Comments from respondents to the Coastal Councils Inquiry include:

“Coverage determined by Council expenditure” - Kempsey

“Very limited funds available for upgrade of existing residential areas. – Eurobodalla”

“Street lighting maintenance is poor. Ongoing requests for additional lighting” - Kiama

¹⁶ SSROC Street Lighting Improvement Program Review - 2002

¹⁷ SSROC Street Lighting Improvement Program – Submission to IPART - 2005

“Do not meet AS 1158 – cost for upgrade will be prohibitive”. – Richmond Valley

“Council is financially unable to provide street lighting to Australian Standards, in the 2004/05 budget there was no funding for additional lighting.” – Richmond Valley

“Existing street lighting is to a mix of the Wyong Shire standard and the Australian standard. All street lighting is being reviewed to determine how to improve the service, the review includes the potential for upgrading all lighting to the Australian standard.” – Wyong

5.3 Public Transport

Councils, through their planning processes, are being encouraged to support public transport by locating new developments adjacent to transport nodes and facilitating bus/rail interchanges etc. often at the ratepayers expense.

These interchanges, large and small, can often include extensive civil works, commuter carparks, signage lighting and even the ongoing publicity and promotion of these public transport facilities and services.

In addition state government or private bus operators no longer provide even rudimentary bus shelters – it is left to the councils to provide bus seats, shelters, lighting and even the footpaths to get the bus patrons to the stops.

There is a limited opportunity to obtain these facilities through agreements with advertising companies especially in residential areas with little advertising value.

5.4 Graffiti and Vandalism – a free ride for some?

A multi million dollar headache for councils is the removal of graffiti and repair of vandalism from its own buildings and infrastructure assets.

However there is a growing expectation that councils will provide this service to some state government authorities as well.

Examples include council cleansing staff removing advertising “pole posters” from Energy Authority poles and councils painting out graffiti on State Rail premises to planting and maintaining screen walls to prevent such graffiti – with little or no recompense or even recognition.

6) SECTION 94

Notwithstanding recent changes to the administration of S94 processes there will no doubt be numerous submissions to the Inquiry on this issue. Accordingly our coverage of the topic will be restricted to a few pertinent aspects regarding the ongoing financial sustainability of to the S94 process.

The community is being “gifted” infrastructure from developers directly constructing roads etc. or through s64 and s94 funding which then adds to the Councils asset inventory without any contribution towards the true life cycle cost of the asset.

Escalating land costs, rate pegging and the current limitations to developer contributions make the task of provision and ongoing maintenance more difficult.

The additional rate income generated by new development in the longer term cannot meet the ongoing maintenance costs of these additional assets.

7) A WHOLE OF GOVERNMENT APPROACH

Local Government is too often left out of the loop when major decisions are made leading to duplication and waste. A whole of government approach including local government input at an early stage is suggested in the following areas:

7.1 Regional Planning

- There is a lack of a “Whole of Government” approach to strategic and regional planning with local government in particular not being given the opportunity to be adequately involved.
- We need Regional Strategies based on best practice examples
- An approach with Local, State and Federal Cooperation is required
- The development of sustainability plans for regional areas. As indicated above there is also little or no population target information available at a regional or local level. What is the sustainable population for each region?
- Ballina has developed a sustainability plan which might give a lead to a regional approach.

7.2 Community Building Stocks

- Many existing facilities may require accessibility upgrades at a time when councils are being forced to rationalise their community halls and building stocks for financial and public liability reasons.
- A comprehensive review of “all government” building stocks to maximise usage and minimise duplication is suggested.
- It has been claimed that government departments, particularly education and health are very difficult to engage in planning / sharing discussions at the local level.

7.3 Provision of Generic Templates and Guides

- Although funding is often seen as the key issue facing councils, even if finances were available current planning processes and onerous EIS procedures are also hurdles to the provision of necessary community infrastructure.
- We need a template for the negotiation of EIS processes for essential infrastructure that will provide some degree of anticipation of outcomes within reasonable timeframes.
- It is not possible to place a timeframe on development approvals or to even predict if an approval will be granted and accordingly delays lead to cost escalations which can result in the planned infrastructure projects being beyond the scope of funds levied under s64 or s94 plans to implement.
- The current planning and development control processes are seen to be site specific and do not truly reflect the cumulative effects of a multitude of smaller discrete development approvals on traffic, parking etc.
- Assistance by State Government by way of generic “how to guides” is suggested. These templates would not only provide a guide to individual councils and regions through onerous planning processes but could provide the basis for future benchmarking of best practice results.

7.5 The Engagement of Government Departments – conflicting requirements

- Government agencies, particularly Education and Health, are said to be reluctant to engage with councils or to be bound by existing Regional Environmental Plans.
- Some contributors to the Coastal Councils survey have pointed to insular government departments serving their own interests well but not interacting with Councils in the process.
- Examples cited include poor local input into connections to the Pacific Highway and Tourism NSW promoting motoring holidays to places like Byron Bay which is already struggling to cope with traffic and parking issues.
- There is particular concern that there is little effective regional land use or transport planning either across council or across state boundaries.

7.6 Regional Co-operation and the ROCs – a missed opportunity?

Local government generally and local councils through their ROCs are in a strong position to engage government at a regional level.

Regional Organisations of Councils have done some extraordinarily good work in:

- Joint Purchasing
- Regional research and planning studies
- Lobbying on specific issues

However there has been less success in obtaining regional agreements in the provision of community facilities including, for example multi purpose leisure centres.

There is still evidence that each council “wants one too” rather than taking a truly regional approach and sharing the financial burden along with the political kudos.

Perhaps this is a missed opportunity that the ROCs and individual councils have not yet come to grips with.

8) A REVIEW OF FUNDING CONSTRAINTS

8.1 A fair go?

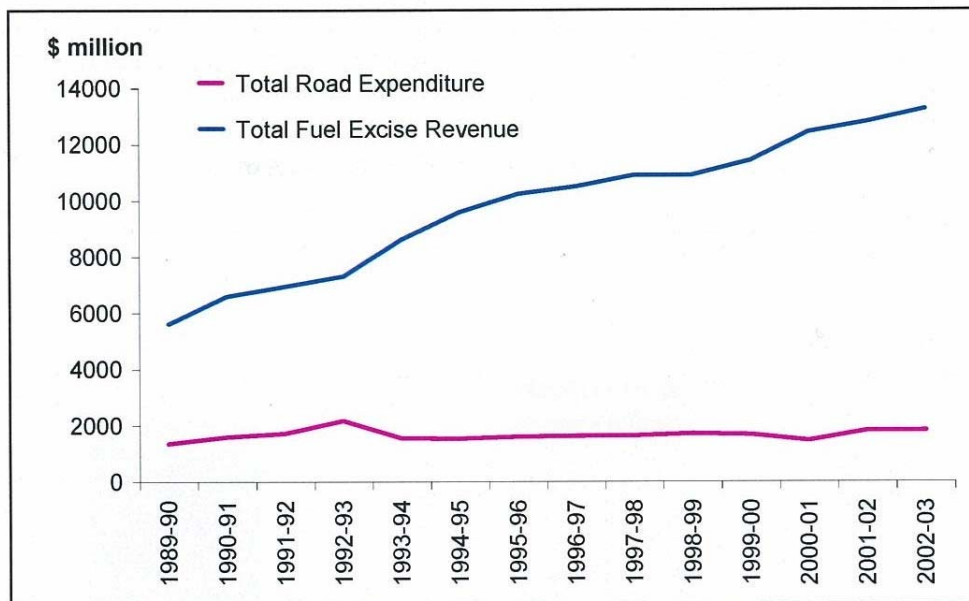
A response to the Inquiry would not be complete without some reference to funding.

A review of the funding arrangements from both State and Federal governments and potentially some relief from the constraints imposed by rate pegging on both community infrastructure and ongoing asset management is strongly recommended.

For example and yes, this is an old chestnut for local government, the following chart shows the extent of fuel excise collected by the Federal Government compared to the total road expenditure by that government¹⁸



Figure 5: Commonwealth Road Expenditure & Fuel Excise Revenue



8.2 Rate Pegging

The compounded effects of rate pegging since 1977 are set out in Appendix B.

Over this 28 year period rates have been allowed to increase by just over a factor of around 5, a similar increase to movements in CPI over the same period.

¹⁸ NRMA Roads Services ROADS CHALLENGE Report – December 2003

On the surface this would appear to represent a fair rate increase for councils provided that

1. The range and level of services provided by councils had remained static over the same period and that
2. The fees and charges levied on councils by state government had also been similarly pegged for example:
 - o Tipping fees
 - o Fire levies
 - o Planning levies
 - o Street lighting charges

We suspect this has not been the case.

For example some government programs have provided funding for capital works to meet the environmental challenges outlined in Section 4. However these programs have not been supported by additional whole of life funding to maintain the “gifted” wetland, boardwalk or ongoing education program.

Another growing “public works and services” issue passed on to local government is local traffic management and road safety – once the exclusive responsibility of State Government now firmly in the province of local councils with responsibility for Local Traffic Committees with supporting Traffic Engineers and Road Safety Officers.

Division 3 of the NSW State Emergency Management Act¹⁹ mandates that councils provide extensive support to local emergency management procedures. No ongoing financial support has been provided to cover these new duties.

We will leave it to other respondents to the Inquiry with access to council data to present arguments regarding other specific new services that local government has been obliged to take on, either by regulation or by choice, in response to community expectations since 1977.

As indicated in Section 1 and 2 of this submission, local government is an asset rich industry where the life cycle costs of infrastructure management are paramount.

What we will attempt to provide, for the Inquiry’s further guidance during the course of your deliberations, is an indication of the increase in costs of the goods and services that directly impact on those life cycle costs.

¹⁹ State Emergency and Rescue Management Act 1989 No. 165

9) A ROLE FOR IPWEA

We confirm our wish to assist the Inquiry in any way possible.

In particular the following two officers of the Institute appreciated the opportunity to make presentations to the Inquiry workshop held in Sydney on 1 December 2005 and are keen to play an active role in the Inquiry's further work:

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To support Chris and Mick we can seek the assistance of our members working in local government and also utilize our active Regional Group network across the state.

Local government is a much disaggregated industry. There are some 152 councils in NSW where great benefit can be obtained by the use of shared best practice guidelines, standards and initiatives to build the capacity of the industry.

The range of services is equally extensive. These services include the local road network; recreational spaces such as parks; management of the natural environment; water, sewerage and drainage services; waste and recycling management; libraries; and development consent and planning authority.

The purpose of best practice guidelines and standards is to greatly reduce the need to “re-invent the wheel” when goods and services are produced. **The best examples are where they are implemented so as to still encourage innovation and initiative at the local level.** This is often the case with industry developed guidelines as opposed to government imposed compliance and regulations.

Industry developed guidelines and Australian Standards represent the consensus amongst stakeholders in the particular subject matter on what represents good management and best practice, and performance, safety and compatibility requirements.

IPWEA is a not-for-profit (NFP) professional association and like many NFP's has only limited resources. However for the given limited resources, IPWEA makes a significant contribution to development and capacity building of the industry.

It is considered that local government should seek to support, consult and make greater use of the networks and untapped energy that organisations such as IPWEA can provide. There is certainly potential for IPWEA to make an even greater contribution if given the support and opportunity.

IPWEA has produced a range of industry best practice guidelines and represents the industry on a number of Standards Australia committees. It has demonstrated leadership in a number of areas with the objective of building the capacity of the industry.

A selection of IPWEA best practice guidelines and capacity building initiatives which may assist the Inquiry in its deliberations and subsequently NSW local government in meeting the challenges identified in this submission are summarized below and are outlined in detail in Appendix C:

- Best Practice, Standards and Local Government
- International Infrastructure Management Manual
- IPWEA Plant & Vehicle Management Manual
- National Asset Management Strategy Committee (NAMS.AU)
- Managing Your Community's Infrastructure – Critical Insights (DVD 2006)
- National Infrastructure Asset Financial Reporting Guidelines
- Yardstick – A new measure of success in parks and recreation
- AUS-SPEC Civil Engineering Specification System
- IPWEA National Asset Condition & Financial Reporting Guidelines

We would welcome the opportunity to be an active and strong contributor and participant in delivering the outcomes of the Inquiry.

APPENDIX A

NEW ENGLAND GROUP SURVEY

		Totals	Organisation														
			Armidale Dumaresq	Glen Innes Severn	Gunnedah	Guyra	Gwydir	Inverell	Liverpool Plains	Moree Plains	Narrabri	Tamworth Regional	Tenterfield	Uralla	Walcha	LEGS	
Current Staff																	
Number of professional engineering positions in your organisational structure.		84	13	2	3	2	3	4	5	12	5	15	5	3	2	10	
Number of current vacancies for professional engineering positions.		17	2	0	1	1	0	1	0	2	0	4	1	0	0	5	
No of professional engineers by age	<35	17	0	1	1	0	1	0	1	2	1	5	1	1	0	3	
	35-44	18	7	0	0	1	0	1	2	2	1	2	1	0	1	0	
	45-54	17	3	1	1	0	1	1	0	2	0	3	2	1	1	1	
	>54	9	3	0	0	0	1	1	0	2	0	1	0	1	0	0	
No of para-professional engineers by age	<35	9	1	1	1	0	1	2	0	0	2	0	0	0	0	1	
	35-44	13	1	0	1	0	0	3	1	1	0	6	0	0	0	0	
	45-54	13	1	2	1	0	1	1	0	0	1	6	0	0	0	0	
	>54	5	0	0	1	0	0	0	0	1	0	2	0	0	1	0	
Number of current staff undertaking Civil Engineering Related Studies (Certificate, Diploma, Degree)		13	0	1	1	1	2	1	1	0	1	1	0	0	0	4	
No of current staff who would consider either changing to or starting a Civil Engineering Course at UNE.		17	1	1	1	1	1	3	1	1	1	1	1	0	0	4	
Preferred method of attendance.	Distance	10	1	0	1	1	1	1	1	1	1	0	1	0	0	1	
	Part Time	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	
	Sandwich	4	0	1	0	0	0	0	0	0	0	1	1	0	1	0	
	Full Time	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

APPENDIX A

NEW ENGLAND GROUP SURVEY (CONT.)

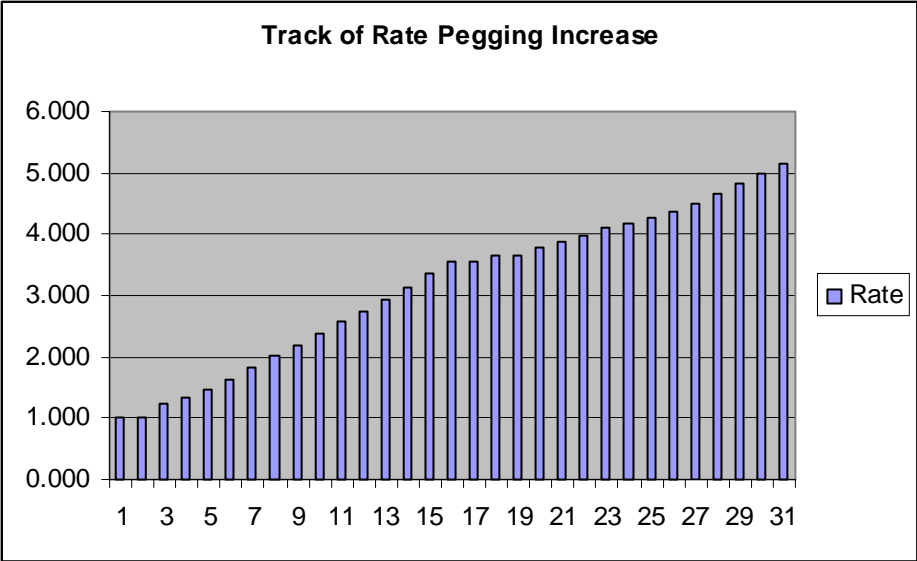
Trainees (New Staff)																
No of Civil Engineering traineeships proposed for 2006 (new staff).		9	1	0	0	0	0	1	1	1	1	1	1	0	0	2
No of trainees that would consider enrolling in a Civil Engineering Course at UNE.		9	1	0	0	0	0	1	1	1	1	1	1	0	0	2
Preferred method of attendance.	Distance	9	1	0	0	1	1	1	1	1	1	0	1	0	0	1
	Part Time	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0
	Sandwich	5	0	1	1	0	0	0	0	0	0	1	1	0	1	0
	Full Time	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Preferred Level of Qualification	Certificate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Diploma	5	0	0	0	1	1	0	1	1	0	0	0	0	0	1
	Degree	10	1	1	1	1	0	1	0	0	1	1	1	1	1	0
	Post Grad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Preferred Steam/s																
Road Survey and Design		14	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Pavement Design (including subgrade investigation)		13	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Water Supply (Treatment and Reticulation)		13	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Sewerage Reticulation and Treatment		13	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Drainage Design		14	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subdivision Design		10	1	1	1	1	1	1	0	0	0	0	1	1	1	1
Structural Analysis		5	0	0	0	0	1	1	0	1	0	0	1	1	0	0
Concrete Design		7	0	0	1	0	1	1	0	1	1	0	1	1	0	0
Steel Design		6	0	0	1	0	1	1	0	1	0	0	1	1	0	0
Environmental Engineering		13	1	1	1	1	1	1	1	1	0	1	1	1	1	1
Risk Management (OHS and Public Risk)		12	1	1	1	1	1	1	1	0	1	1	1	1	1	0
Project Management		14	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Traffic Engineering		13	1	1	1	1	1	1	1	1	1	0	1	1	1	1
Others		2		0	0	0	0	0	1	1	0	0	0	0	0	0
Town Planning Principles		3	1						1	1						

APPENDIX B

RATE PEGGING LIMIT (% INCREASE)

YEAR	STATUTORY LIMIT %	COMPOUNDED FACTOR
1976	BASE YEAR	1.000
1977	12	1.120
1978	9.5	1.226
1979	8	1.325
1980	10	1.457
1981	12.5	1.639
1982	12	1.836
1983	11	2.038
1984	8	2.201
1985	8	2.377
1986	8	2.567
1987	7	2.747
1988	6.5	2.926
1989	6.5	3.116
1990	7.3	3.343
1991	6.7	3.567
1992	0	3.567
1993	2.6	3.660
1994	0	3.660
1994 TP	3.5	3.787
1995/96	2.2	3.871
1996/97	2.7	3.975
1997/98	3.1	4.099

1998/99	1.7	4.169
1999/2000	2.4	4.268
2000/01	2.7	4.384
2001/02	2.8	4.507
2002/03	3.3	4.656
2003/04	3.6	4.823
2004/05	3.5	4.992
2005/06	3.5	5.167



APPENDIX C

IPWEA INITIATIVES IN CAPACITY BUILDING, BEST PRACTICE, STANDARDS AND LOCAL GOVERNMENT

The purpose of best practice guidelines and standards is to greatly reduce the need to “re-invent the wheel” when goods and services are produced. **The best examples are where they are implemented so as to still encourage innovation and initiative at the local level.** This is often the case with industry developed guidelines as opposed to government imposed compliance and regulations.

IPWEA has produced a range of industry best practice guidelines and represents the industry on a number of Standards Australia committees. It has demonstrated leadership in a number of areas with the objective of building the capacity of the industry.

A selection of IPWEA best practice guidelines and capacity building initiatives include:

International Infrastructure Management Manual

The IPWEA International Infrastructure Management Manual (IIMM) is recognised internationally as the leading standard for infrastructure management worldwide. Some 3,000 copies have been sold internationally and a new 2006 edition is about to be released.

The new 2006 edition includes country specific sections and case studies for Australia, New Zealand, United Kingdom, United States, South Africa and Canada. IPWEA in Australia and the NAMS Group in New Zealand, as joint publishers of the IIMM, are acknowledged internationally as having the tools and knowledge available to advance asset management best practice.

IPWEA Plant & Vehicle Management Manual

Effective plant and vehicle management can provide significant opportunity for savings in local government. The IPWEA Plant & Vehicle Management Manual provides a long-needed reference to best practice for novice and practitioner alike. Its ‘Systems Plus’ subscription service is ensuring continuing professional development, best practice newsletters and ongoing Manual updates. IPWEA recognised a need for a new resource to assist plant and vehicle managers in their role as true business managers. The release of this best practice Manual is seeking to raise the profile and practice of plant & vehicle management in local government.

National Asset Management Strategy Committee (NAMS.AU)

[NAMS Australia](#) is an initiative of the IPWEA National Asset Management Strategy Committee. NAMS.AU seeks to provide national leadership and advocacy in the sustainable management of public works infrastructure, community assets and services. It seeks to provide resources, training, discussion forums and a NAMS.AU website (www.nams.au.com) to assist asset management practitioners. It also assists coordination of approaches to asset management and best practice across the various States.

Professional Development in Asset Management

Nationally in 2005, IPWEA delivered some 20 asset management 2-day introductory workshops on asset management planning based on the approach outlined in the International Infrastructure Management Manual. Asset management plan templates were provided to the 450 participants. It incorporated a major Asset Management stream into its biennial national conference in 2005. IPWEA has the industry knowledge and capacity to deliver practical training courses in asset management and other technical subject areas.

Managing Your Community's Infrastructure – Critical Insights

IPWEA has commissioned the development of a DVD targeted at informing and improving awareness of elected members of their stewardship responsibilities and the whole-of-life cost for managing community infrastructure. The sub-title of the DVD reinforces that it is about "Building Futures, Delivering Services ...Sustaining Lifestyles". The DVD will be released in early 2006. It will be a good base for providing training and awareness workshops for elected members, CEO's and the wider industry.

National Infrastructure Asset Financial Reporting Guidelines

IPWEA is undertaking the first stage development of new National Infrastructure Asset Financial Reporting Guidelines. This first stage investigation is jointly funded with the assistance of the Commonwealth Department of Transport and Regional Services (DOTARS). The objectives of the new financial guidelines include:

- Providing best practice guidelines for engineering and accounting practitioners to value and depreciate infrastructure assets **to improve the accuracy and quality of financial reporting**
- Provide enhanced management information to allow better decision making.
- Provide a reference for Auditors in auditing of councils' financial reports.
- Increase the confidence levels of local government financial reports and encourage councils to take a long-term view to providing services from infrastructure assets.
- Improve the integrity of data used by national and state road funding authorities, Grants Commissions - and importantly councils themselves.

This IPWEA project is attracting interest and support from the accounting and auditing professions, state departments of local government, local government associations, and Commonwealth departments of Treasury, Finance & Administration.

Yardstick – A new measure of success in parks and recreation

Yardstick is IPWEA's latest project with a new focus on parks and recreation activities. This new service collects and compares a range of information relating to the provision and cost of parks & recreation services. It extends to asset management processes, and planning & policy information.

The approach is designed to encourage and enable 'best practice' operations. This goes well beyond normal benchmarking exercises. It is centred on tight definitions and site visits by an IPWEA project manager to ensure information supplied is as comparable as possible. Membership of Yardstick is now available through IPWEA in Australia.

AUS-SPEC Civil Engineering Specification System

IPWEA considers much benefit for the industry can be obtained from a nationally endorsed civil engineering specification system.

This is an initiative instigated by IPWEA some years back. Two years ago IPWEA joined with Standards Australia to partner in the further development of the AUS-SPEC Series of Contract Documents for Councils. This comprises eight separate specifications for use in Local Government. The specifications and associated documentation provide an excellent platform for preparing both construction and maintenance contracts.

A new development for AUS-SPEC is to re-format the documents to structure them taking into account an asset management and whole-of-life cycle approach. Updates and development of the AUS-SPEC series of specifications is guided by industry based practitioner user groups.

AUS-SPEC can assist Councils by:

- simplifying the specification process saving internal costs
- reduce costs for tender submissions as tenderers will be familiar with the standardised specifications from other works thus reducing the cost of tendering which is passed on to clients in prices for work
- create a more competitive marketplace for Council works
- increase the quality of works by more completely specifying the works and the familiarity that contractors have in working with the specifications from other jobs
- Increase the durability of assets due to superior specification and quality requirements

The whole AUS-SPEC series is shortly to be made available on a subscription basis with special consideration for smaller councils. This will improve availability and access to the AUS-SPEC series for all councils.

APPENDIX D

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