



Institute of
Public Works
Engineering
Australia
(NSW Division)

7 May 2007

Mr Ross Woodward
Deputy Director General
Department of Local Government
Locked Bag 3015
NOWRA NSW 2541

Dear Ross

**A New Direction for Local Government - a Position Paper
IPWEA (NSW) Submission**

Thank you for the opportunity to comment on a position paper "A new Direction for Local Government" in October 2006.

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 IPWEA (NSW) strongly supports the position presented by the Department of Local Government. This is consistent with earlier submissions made by the Institute to the Independent Inquiry into the Financial Sustainability of NSW Local Government (Allen Report) and the Provision of Infrastructure in Coastal Councils Inquiry. Our detailed comments included in this submission seek to highlight the complexity and challenge of some of the proposed changes.

As these ideas are progressed, the IPWEA (NSW) is willing and keen to participate in the management of change through its Board, Staff and member resources.

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

Yours faithfully



Mark Turner
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IPWEA (NSW)

**A NEW DIRECTION FOR LOCAL GOVERNMENT - A POSITION PAPER
IPWEA (NSW) SUBMISSION**

The Department of Local Government published a position paper "A new Direction for Local Government" in October 2006.

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 sector.

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 Institute is committed to reform and change to ensure a sustainable Local Government sector. This is evidenced by our recent contribution to the following inquiries:

- Independent Inquiry into the Financial Sustainability of NSW Local Government (Allen Report)
- Provision of Infrastructure in Coastal Councils Inquiry.

Subsequent to these contributions, IPWEA is now actively involved in the LG&SA "Strengthening Local Government Taskforce" and various working groups of the Taskforce.

The Institute is also committed to, and involved in, the Department of Local Government's Infrastructure and Skill Shortages Taskforces.

The basis of IPWEA's comment on this paper is predicated by our key position that strong and sustainable Local Government requires the following:

1. Strategic planning is undertaken by local government with at least a 10 year planning horizon.
2. Strategic planning is informed by sound Asset Management policy and systems with a focus of at least 20 years or longer for critical infrastructure.
3. The provision of a skilled workforce of local government employees who value the delivery of services to their community.

This submission makes a number of contextual comments on Section 1 - "A New Direction" with point by point comments on Section 2 - "Building on the Strengths" The New Direction in Practice".

Section 1 - A New Direction

1. The Challenge for the 21st Century

The IPWEA (NSW) is pleased to note that the position paper seeks to address relevant issues and recommendations made by Professor Allen.

We believe the position paper presents a coherent extension of the "NSW Government State Plan" to Local Government.

2. Snapshot of Local Government in NSW

2.4 Council Resources

This section highlights the narrow revenue base available to Local Government. Long-term sustainability of Local Government will depend on secure revenue streams to meet ongoing delivery of services and servicing of debt incurred for planned infrastructure. The findings of the Allen Inquiry confirm the view that higher levels of Government need to consider the resources applied to Local Government as reform of the sector internally will not be enough.

2.5 The New South Wales Department of Local Government's Role

IPWEA commends the Department's "systems approach" to building a strong and sustainable sector.

2.6 The Fork in the Road

IPWEA supports the assumption that Local Government wishes to take the path of increasing its role to match the changing needs of local communities.

However IPWEA is of the view that the expansionary approach should occur with Local Government being a facilitator or broker rather than a funder. Professor Allen identified this "maximist" option however he remarked that a Council can establish a vision and work towards it without necessarily consuming additional finances. IPWEA believes councils should not apply funding to expansionary services unless the Council can satisfactorily demonstrate it has the capacity in the long term to service the renewal of its existing assets and infrastructure.

2.7 Obstacles in the Path

IPWEA agrees that reform has been limited. In addition to the statement identifying resistance to reform from an amalgamation focus, IPWEA also believes that a lack of resources, system deficiency, and capacity constraints at leadership levels, are also impediments to the reform process. Part Two of the paper does however offer proposals to assist in developing a new culture and system that will support reform. Education and training, combined with skilled people retention will assist to give "reformers" some critical mass within individual councils and the sector more broadly.

3. The Future for Local Government

3.1 Sustainable Communities

IPWEA agrees with the core components of a sustainable community. One tenet of any sustainable system is inter-generational equity. If Local Government is to deliver this vision, it must ensure that its environment, infrastructure and other assets are well managed. Decisions will need to be made on a whole-of-life basis taking account of future maintenance, replenishment, reuse, and growth of the community without an undue burden on future generations.

3.2 Strong and Sustainable Local Government

The components listed are consistent with a "systems approach" and is supported by IPWEA.

3.3 New Direction

IPWEA support the comments made in relation to a 'new direction'. Our responses to Part Two are aimed at providing suggestions and advice to the Department at a detail level to the proposals which are all aligned, in our view, to supporting the new direction description.

Section 2 - Building on the Strengths: The New Direction in Practice

In the context of the foregoing submission and supported by previous submissions to the Independent Inquiry into the Financial Sustainability of NSW Local Government and the Provision of Infrastructure in Coastal Councils Inquiry, the following comments are offered in relation to the proposals listed under your heading What We Think Needs Doing.

Element 1 - Good Governance

Proposal 1.1 - Peer Reviews of Councils

The concept of peer reviews is strongly supported as an opportunity to further develop good governance. IPWEA agrees with the proposition that peer reviews could be effective in speeding up the Promoting Better Practice reviews and in broadening the opportunities for learning across the sector.

IPWEA also supports the peer review process discussed in the Integrated Planning and Reporting Options Paper. Should dual (or more) peer review processes be established, we see an advantage to the concept as a whole in that the higher frequency of association to peer reviews should increase the learning and acceptance of the value of such processes. The frequency would also assist councils in developing the systems to assess and respond to the peer review processes.

Proposal 1.2 - Strategic Planning Assistance for Councils

IPWEA concurs with the view that strategic planning is a current gap in many councils. Therefore IPWEA fully supports the need for support and training to develop adequate strategic planning expertise across all councils. IPWEA also strongly supports the integrated planning and reporting reforms, particularly the proposal for councils to develop long term infrastructure and financial plans.

Proposal 1.3 - Red Tape Review

IPWEA supports the proposed red tape review. The diversity of size, range of services provided, and different functions of councils does not suit prescriptive legislation which by nature tends to attempt to produce a consistent standard or approach.

An over emphasis of regulation often supports a focus on compliance and therefore sets a minimum standard which is deemed acceptable rather than assisting an organisation to aspire to best practice.

Proposal 1.4 - Clarification of Roles

IPWEA concurs with the view that further clarity of the respective roles and responsibilities of Councillors, Mayors, and General Managers is required.

The Department is also encouraged to identify and promote good examples of systems developed within councils to support the improved understanding of the respective roles, including dispute resolution processes. The peer review process identified in Proposal 1.1 may have value for such a purpose.

There is also a need to further educate the community in this issue as it is their expectations of elected members that can at times be the catalyst for such conflict.

Element 2 - Representative Democracy and Community Support

Proposal 2.1 - Develop Principles for Determining Local Representation

The proposal to develop principles for determining local representation is supported.

As well as establishing agreement across the sector on the criteria to be used, it is also suggested guidelines or a toolkit could be produced to assist councils to lead community discussion on such issues.

Further, it is suggested that the Department give consideration to providing councils with an option to apply a staged approach to compliance to any new criteria on the basis that a transition period may assist in the acceptance of the proposition.

Proposal 2.2 - Develop a Kit to Promote 'Candidacy' in Local Government

IPWEA supports the proposal and agrees that it is essential that the best possible candidates are attracted. IPWEA has a range of resources that can assist the Department and the LGSA in this process. For example, the IPWEA DVD production entitled "Sustainable Communities: Critical Insights" is aimed at assisting elected members or aspirants understand the stewardship role of a Councillor.

Proposal 2.3 - Promote Flexible Meeting Times

This proposal is fully supported.

Proposal 2.4 - Guidelines on Community Consultation and Involvement

IPWEA fully supports this proposal and is prepared to assist the Department in developing suitable guidelines. IPWEA has gained significant exposure to the approaches in other jurisdictions, including New Zealand, in undertaking community consultation, particularly in the determination of levels of service for infrastructure.

Proposal 2.5 - Workforce Planning Assistance

IPWEA supports this proposal. The current and forecast continuing skills shortage of professional engineers is however emphasised as a key barrier to the successful implementation of workplace plans.

The establishment of the Department's Skills Shortage Taskforce is acknowledged, however, for this proposal to be of value, initiatives such as the Taskforce need to be properly resourced, afforded priority, and be able to develop programs or tools that will be effective in addressing the issue.

Element 3 - Sound Policy

Proposal 3.1 - Develop a Policy Directory

The proposal for a policy directory is supported.

It is also suggested that the Department examine the education and training available to support councils in the development of their capacity to prepare public policy.

Element 4 - Sufficient Resources

Proposal 4.1 - Asset Management Plans

As the Department is aware from IPWEA's contributions to a variety of forums, particularly the Infrastructure Taskforce, IPWEA fully supports the proposal to develop a framework for Asset Management Planning.

IPWEA is regarded internationally for its leadership capacity in asset management practice and is therefore delighted that finally there is recognition of the benefits to communities through proper infrastructure management.

IPWEA looks forward to the release of the Department's Asset Management Discussion Paper and the opportunity to be a major part of the sector's response to improving its asset management performance.

IPWEA, through its National Asset Management Steering Committee (NAMS) has a wide range of projects either under development or already supporting the industry. These resources are in fact the backbone to achieving the consistent approach envisaged by the recently adopted national framework.

The Department is urged to continue to promote the importance of asset management and examine ways it can assist Councils to ensure they avail themselves of the existing resources and expertise within the industry.

Proposal 4.2 - Efficiency Statement

IPWEA supports the principal of the efficiency statement, particularly if it allows the sharing of information relating to best practice.

However, reference is made to our response to Proposal 6.5 where we discuss the difficulties in measuring efficiency.

As well as the comments in 6.5, we also note that the diversity in service levels and aspirations of individual councils, combined with their geographic and social differences makes comparisons and efficiency measurement difficult.

Perhaps an alternative process would be for councils to formally review a proportion of their operation annually. An annual minimum limit could be set by the Department such as a percentage of operating expenses. For example, the number of sections reviewed would need to total at least 25% of a Council's total operating expense. The Council would be required to report the review outcomes, including any productivity savings found or targeted for the future. Under this alternative proposal, the whole organisation is reviewed over time and reported, not just identified savings.

Element 5 - Meaningful Planning

Proposal 5.1 - Integrated Planning and Reporting

IPWEA has also responded to the invitation to make a submission in response to the Integrated Planning and Reporting Discussion Paper. IPWEA fully supports Option 3 within that paper.

In doing so IPWEA is of the view that the Community Strategic Plan must be informed by formal Asset Management Plans which have a planning horizon of at least twenty years.

Element 6 - Connectedness

Proposal 6.1 - Benchmarks

IPWEA supports the principle of organisational benchmarking on a statewide basis. However, the complexity of developing such benchmarks should not be underestimated. The diverse political, social and physical environments in which councils operate will require the development of high level benchmarks which may have limited value as a measure of the relative performance of individual councils. To be valued and accepted as robust measures, there needs to be reliability and consistency in the data to be collated.

As an alternative, IPWEA would suggest that the DLG focus on the development of sustainability index. The work of the Department's Infrastructure Taskforce has to date endorsed the direction that the IPWEA's project to develop National Infrastructure Financial Management Guidelines has taken. These guidelines, once implemented, will allow a reliable and comparable sustainability index to be produced by councils.

The advantage of a sustainability index is that it focuses attention on a council's capacity to manage its existing assets. That core obligation can be relatively benchmarked regardless of the difference between councils and is a measure that is highly relevant.

A simpler form of benchmarking that may be suitable for an initial program could be the development of a framework which simply rated a Council's performance against its statutory obligations. These measures, whilst they are a minimum, are also the most important for a community to understand and maintain its confidence in the governance and operation of a Council. The rating may also provide a similar early warning to issues like those achieved through the Promoting Better Practice Program.

Proposal 6.2 - Regional/Cluster Indicators

IPWEA supports the principle of regional cooperation and resource sharing. IPWEA is of the view that whilst more can be done, there are already a range of arrangements that have been delivering regional outcomes for a long time. Given many of these are well established, perhaps they are not currently directly reported in the context of the recent government statements. It can be argued that the extent of resource sharing is perhaps understated. Therefore your paper's invitation to councils to highlight the same is important and will help clarify the remaining opportunities.

Differing legal, political and social elements can be an impediment to developing regional approaches. The proposal elsewhere in the paper to complete a red tape review should be completed by including an examination of the existing statutory framework to ensure that there is sufficient flexibility to support a variety of service delivery models.

It should be recognised that perhaps one of the more significant impediments to the creation of resource sharing is the capacity of individuals within councils to pursue such reform. Therefore, the proposals in regard to enhancing the quality of elected members, and recognition that the skills shortage is a threat to the performance capacity of the professional staff in councils, perhaps will have more influence on service delivery reform than any direct focus or framework from the Department.

Proposal 6.3 - General Manager Contracts to Enable Working with Neighbouring Councils

IPWEA suggests that it is not the General Manager performance contracts that are an impediment to the process. If a Council, by resolution, clearly articulates its support to the pursuit of business clusters, then the existing contract has sufficient performance management measures such as leadership, innovation and promptly implementing the policy of Council to assess the General Managers performance in regional cooperation endeavours.

Therefore it is argued that, unless the elected body is genuine in their pursuit of such options, the enabling clause in the contract is meaningless whilst ever the General Manager's role and relationship to the Council is defined as they are currently.

Proposal 6.4 - Resource Sharing Guidelines

IPWEA strongly supports this proposal. This is an essential element of widening the views of councils and encouraging their participation in the investigation of the benefits of regional cooperation.

As indicated in 6.2 above, the capacity of individuals in leadership roles (both elected and staff) is perhaps a greater impediment to resource sharing than any limitations in the existing statutory framework. Therefore any education or other tools to assist is considered vitally important.

Proposal 6.5 - Regional Context for Special Variation Applications to Exceed the Rate Cap

This proposal is not supported.

The Independent Inquiry into the Sustainability of Local Government made recommendations in regard to the financial sustainability of councils. In particular, the Inquiry identified the extent of funds needed for the backlog of works required for the renewal of existing assets. The adoption by councils of long term infrastructure plans and ten year financial plans will further define the extent of this issue. IPWEA is of the view that the outcomes of a council's integrated planning and review process should be the basis to determine a council's revenue needs and sources.

Professor Allen's comments in regard to organisational efficiencies are also worth noting in that he found "back room" overheads in Councils to be very favourably compared to other levels of Government and the private sector.

It should also be noted that efficiency gains are not easily measured. For example, some efficiency gains simply allow a higher level service or higher extent of access to a service, or they simply assist in offsetting the rising external costs impacting on service delivery. That is, efficiency may not always result in a clearly measured way or provide a direct release of funds for some other purpose. Even harder to measure is efficiency gains not achieved, or opportunities missed, by an under performing section of a council. Therefore unless the regional context is carefully constructed, dependant on presentation of data, it is conceivable the more genuine organisations could be unfavourably compared to less performing ones.

Further, this requirement could be an impediment to a performing council, or one with limited opportunities for further reform, yet have a genuine need and community support for an increase in rate revenue.

Whilst IPWEA strongly supports the importance of continuous improvement and development of enhanced efficiency it is of the view that efficiency gains are unlikely to make a major contribution to long term sustainability. This proposal therefore perhaps represents the right goal to achieve, however the linkage to rate revenue is viewed as inconsistent to integrated long term planning.

IPWEA's opposition to this proposal is not opposition to regional cluster's or the need to continuously pursue efficiency gains. Rather it is suggesting the context of the challenges facing local government are more substantial and that this proposal does not necessarily add value to the response to those challenges.

Element 7 - Strong Leadership

Proposal 7.1 - Accreditation for Councillor Learning and Development

IPWEA strongly supports this proposal. Whilst a range of training opportunities have been available to Councillors for some time, the proposal to develop a process that sets out clearly the outcomes and commitments expected of Councillors in terms of learning and development, is considered an innovative reform.

As well as considering formal accreditation or development processes, the Department is encouraged to also consider how it can assist in the development of resources (both formal and informal) to support the training of Councillors.

The "Sustainable Communities: Critical Insights" DVD developed by IPWEA is an example of an effective resource. The effectiveness is that the DVD can be held by a Council and used regularly, yet is inexpensive to purchase. The expertise and reach of the professional associations provides enormous potential. However, as member based, non-profit organisations, their financial resources are generally limited to the extent of product development that can be undertaken at any one time. Therefore the Department is encouraged to consider what options exist whereby the government or councils assist in the funding and development of such program resources and efficiently draw upon existing industry expertise.