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# Rate Capping: Exacerbating the infrastructure problem

Submission to the Essential Services Commission  
by Professionals Australia



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## Summary

The independence of Local Government is integral in the management of local communities and the delivery and maintenance of key infrastructure across Victoria. While Professionals Australia supports transparency and accountability in Council expenditure, it is our position that rate capping will not positively contribute to better Local Government, and will likely exacerbate the already growing backlog of infrastructure projects in Local Government.

Professionals Australia is therefore firmly opposed to the proposed cap on Local Government Rates.

We believe the existing framework – without rate capping - is a much more appropriate basis for providing strong and effective Local Government.

Our major arguments are as follows:

1. The independence of Local Government is integral to the management of local communities and their infrastructure needs. Independence allows Local Governments to better respond to the needs of their community.
2. Local Governments require the opportunity to apply the Principles of Best Value, as legislated by the former Labor Government. Rate capping will undermine the ability for Local Government to deliver on these requirements.
3. Previous attempts to cap rates in Victoria - under the Kennett Government - and in other states have led to inadequate maintenance of existing infrastructure and serious backlogs in infrastructure delivery, such as those in NSW.
4. Rate capping creates incentives for reduced transparency in Local Government and threatens the capacity of Councils to employ skilled staff.
5. Capping rate rises to CPI is both inadequate to cover rising costs of Local Government, and fails to account for the diverse needs of different communities. Arbitrary caps, without proper consideration of each individual Council's infrastructure needs and capacity to pay are detrimental to the quality of Local Government.
6. If rate capping is enacted, at a minimum any cap must be adequate to cover each Council's infrastructure needs and must take into account the differing requirements of different councils. Professionals Australia opposes a flat cap on rates in line with CPI.
7. Proposed variation frameworks do not provide adequate scope for Local Government to increase rates, even when necessary and beneficial for the community. On the contrary, the cost, bureaucracy, time, and political implications discourage Local Governments from acting in the best interests of their communities.
8. If variation is required, it should not impose any undue administrative, political or cost burden on councils.
9. The empowering of Local Government as an informed purchaser should be the primary goal in ensuring efficient spending and reducing waste.

## Introduction

In January 2015, The Victorian Government released terms of reference for the consideration of the Essential Services Commission in developing a framework for the capping of Council rates across Victoria.

The terms of reference requested that the Essential Services Commission assess the effects of rate capping, with particular reference to the following points:

1. Available evidence on the magnitude and impact of successive above-CPI rate increases by Victorian Councils on ratepayers.
2. Implementation of the Government's commitment to cap annual Council rate increases at the Consumer Price Index (CPI) with Councils to justify any proposed increases beyond the cap, including advice on the base to which the cap should apply (e.g. whether to rates or to general income).
3. Any refinements to the nature and application of the cap that could better meet the Government's objectives.
4. Options for the rate capping framework should be simple to understand and administer, and be tailored to the needs of the highly diverse local government sector. The framework should take into account factors that may impact on local governments' short and longer term financial outlook.
5. Consider how local governments should continue to manage their overall finances on a sustainable basis, including any additional ongoing monitoring of Council service and financial performance to ensure that any deterioration in the level, quality or sustainability of services and infrastructure and Councils' financial position is identified and addressed promptly.
6. The processes and guidance to best give effect to the recommended approach for the rates capping framework and a practical timetable for implementation.
7. Options for ongoing funding to administer the rate capping framework, including the potential for cost recovery.

On 17 April 2015, the Essential Services Commission released a consultation paper for comment. Professionals Australia provides this submission in response to the consultation paper.

## Background

Professionals Australia is the trading name of the Association of Professionals Engineers, Scientists and Managers, Australia (APESMA). Professionals Australia is a registered organisation of employees under the Fair Work (Registered Organisations) Act 2009.

Professionals Australia represents over 24,000 professionals, including over 1700 professional engineers working in Local Government. We welcome the opportunity to provide a submission in response to the consultation paper released by the Essential Services Commission (ESC).

Professionals Australia's submission will concentrate on matters in the consultation paper that affect professional employees within Local Government, and matters concerning the adequacy of infrastructure funding within Local Government.

## The role of Local Government

Professionals Australia holds the view that rate capping of Local Government in Victoria will prevent Councils from efficiently administering their local community.

The primary goal of Local Government is the provision of good governance to the local community. In doing so, the Council is answerable to their electorate for any decisions regarding the provision of services, the delivery and maintenance of infrastructure, and the collection and use of financial resources. The independence of Local Government is critical in the management of the local community. Rate capping will arguably put at risk the relationship between the Council and the community, hindering Local Government's ability to fulfil its role. Councils will now have an additional layer of accountability – the Essential Services Commission – beyond the citizens that elected them.

The Local Government Act 1989<sup>1</sup> confirms the role of Council in “planning for and providing services and facilities for the local community” and “providing and maintaining community infrastructure in the municipal district”. To enable Councils to effectively carry out these roles, the law provides Local Government with the responsibility of “raising revenue to enable the Council to perform its functions”.

The 2013-14 Audit of Local Government<sup>2</sup>, conducted by the Victorian Auditor General's Office, makes specific mention of some Councils facing significant challenges in maintaining existing assets and developing new infrastructure. The report also notes challenges faced by local Councils in delivering high quality services to their local communities. Rate capping will exacerbate this problem, making it more difficult for Local Government to meet the needs of their communities. As a result, Local Governments will have the responsibility to adequately represent their community, without the financial resources to do so under all circumstances.

## Principles of Best Value

Professionals Australia strongly believes that the current Principles of Best Value provide the optimal level of regulation for Local Government in ensuring efficient management of community services and infrastructure.

The Local Government (Best Value Principles) Act 1999, provides a firm framework by which Councils can manage their expenditure, to ensure the best value for their local community. The law, legislated by the former Labor Government established the following principles:

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[http://www.legislation.vic.gov.au/Domino/Web\\_Notes/LDMS/LTObject\\_Store/LTObjSt6.nsf/DDE300B846EED9C7CA257616000A3571/32807739DAFB424ACA2578DB001B8014/\\$FILE/89-11aa109A%20authorised.pdf](http://www.legislation.vic.gov.au/Domino/Web_Notes/LDMS/LTObject_Store/LTObjSt6.nsf/DDE300B846EED9C7CA257616000A3571/32807739DAFB424ACA2578DB001B8014/$FILE/89-11aa109A%20authorised.pdf)

Local Government Act 1989

<sup>2</sup> VAGO - Local Government: Results of the 2013–14 Audits

[http://www.audit.vic.gov.au/reports\\_and\\_publications/latest\\_reports/2014-15/20150226-local-government.aspx](http://www.audit.vic.gov.au/reports_and_publications/latest_reports/2014-15/20150226-local-government.aspx)

1. All services must meet quality and cost standards.
2. All services must be responsive to community needs.
3. Each Council service must be accessible to those for whom it is intended.
4. A Council must achieve continuous improvement in its provision of services.
5. A Council must develop a program of regular consultation with its community regarding the services it provides.
6. A Council must report regularly to its community on its achievements in relation to first five principles.

Professionals Australia believes that these standards effectively cater for the needs of the community, and their rigorous application ensures an efficient government and efficient spending. This view is supported by the Productivity Commission<sup>3</sup>, which has found that the rigorous application of a set of principles can lead to more efficient government. Rate capping will unavoidably hinder the ability of Councils to deliver on the above Principles of Best Value, essentially replacing them with flawed principles of low cost. The following consequences of rate capping will tangibly reduce Local Government's ability to meet legislative requirements:

- Cost standards will now outweigh quality and value requirements.
- A cap on rates will make revenue less responsive to community needs.
- Continuous improvement in the provision of services is not possible if revenue growth lags behind cost increases.
- Councils will now be answerable to the ESC, rather than the community for major expenditure decisions.

## Empowering local decision making

Professionals Australia supports the empowerment of Local Government, rather than taking key decision making capacities away from local Councils.

One of the key functions of Local Government is the management of infrastructure. Professionals Australia believes that Councils should have the capacity to make informed decisions about how best to manage their existing infrastructure assets and how to develop their infrastructure in the best interests of the community.

In order to best manage community infrastructure needs, Councils should be informed purchasers. In order to be informed purchasers, Councils must ensure that their engineering staff have the skills and competencies to meet the needs of the Council and the local community. Professionals Australia supports the requirement for a strong level of competent in-house engineering within Local Government as this would provide greater efficiency for Councils internally – through greater expertise in project delivery and infrastructure management – and externally, when dealing with the private sector. Councils should also maintain adequate in-house expertise to critically analyse

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<sup>3</sup> Productivity Commission 2008, Assessing Local Government Revenue Raising Capacity, Research Report, Canberra.

infrastructure spending prior to engaging the private sector, enabling them to prioritise areas of Best Value.

It is also important that Councils are in the best position to provide essential services to their community. Professionals Australia defines essential services as those, which if not properly managed, would pose a significant risk to the community in terms of safety and amenity. As a result, Professionals Australia regards the management of infrastructure, maintenance and capital expenditure as essential services for local communities. Therefore, rate capping seriously threatens the provision of essential services in local communities as it is integral the rates are allowed to rise adequately to cater for the upkeep and ongoing improvement of infrastructure. Greater empowerment of Councils as informed purchasers would ensure the efficient provision of essential services, minimising waste while catering for the changing needs of the community.

Professionals Australia is aware of many recent cases where the cost of infrastructure projects have blown out due to external bodies not completing projects to an acceptable or safe standard. One example occurred when a Council in metropolitan Melbourne was working to resolve significant flooding problems. The Council did not directly approach the engineers to resolve the issue until after the project was completed. At this point the engineers identified a significant error in the project and subsequently allocated the time necessary to resolve the issue for the community. In this instance, as in most across the sector, costs were unnecessarily increased due to the unsatisfactory work undertaken by the contractor.

While the above example falls at the larger end of the scale, there are also many smaller projects that Professionals Australia could highlight. Another such example occurred when contractors at a project in metropolitan Melbourne failed to consult with the engineers prior to implementation. The result being that the project did not incorporate the appropriate drainage and the in-house engineers were required to undertake work to rectify the error. Professionals Australia seeks to highlight that through ensuring the maintenance of a strong level of in-house engineering, and maintaining an in-house process for review, efficiencies can be gained and needless cost blow-outs can be avoided.

## Rate capping and inefficiency

Professionals Australia rejects the notion that rates capping will improve the efficiency of Councils.

The Productivity Commission stated in their research report<sup>4</sup> into local government that regulation of rates that:

*“might prevent local governments from providing these services and subsidies at the levels preferred by their communities (that is, levels for which the community would otherwise be willing to pay through rates)”.*

These findings tell us that rate capping will likely have unintended consequences and will not improve the efficiency of Council spending. Ultimately rate capping will not provide the best outcomes for local communities as it is likely to restrain rate rises and spending on services and

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<sup>4</sup> Productivity Commission 2008, Assessing Local Government Revenue Raising Capacity, Research Report, Canberra.



infrastructure that communities would ultimately support. This is likely to exacerbate the current infrastructure backlog, and contribute to the further decline of existing infrastructure assets.

Professionals Australia also disagrees with the idea that rate capping will improve the transparency and accountability of Local Government.

We believe that there is significant scope for the opposite to occur, as Councils seek to slash operating costs. Rate capping is likely to push many Councils to reduce their in-house staffing in many roles, in favour of outsourced staff on a project-by-project basis. This will make Councils less transparent, as Councils are likely to report more project based costs, with little detail as to what is comprised in the cost. This issue is compounded by the inefficiency of an environment of contracting, which is prone to cost blow-outs and waste. Additionally, real costs of the contract do not include in-house costs incurred when contracts do not meet Council's expectations or requirement and in-house resources are required to ameliorate the deficiency. According to a recent report by Deloitte Access Economics<sup>5</sup>, the average cost overrun for infrastructure projects is 6.5%, while the level is much higher for major projects costing over \$1.0 billion, where the average overrun is 12.7%. Greater engineering knowledge throughout the process - from accurate scoping of projects to final delivery – would avoid significant waste in Local Government.

Ultimately, rate capping represents an ineffective method of seeking to improve Council efficiency, and may even reduce the overall value for money that Councils derive from ratepayers' funds. The current system of "Best Value", combined with enhancing the in-house engineering expertise of Councils, represent a much more appropriate method of providing value to communities.

Rate capping is not a new policy, and has been in place across NSW since the 1970s. It is important to note that NSW suffers from one of the largest infrastructure backlogs in the country. A recent investigation into rate pegging in NSW<sup>6</sup> noted that:

*"the magnitude of this backlog is so substantial that it is now beyond the present capacity of any Australian local government system to remedy without outside financial intervention."*

While the entirety of this backlog cannot be attributed solely to rate pegging in NSW, the inability of councils to raise rates when needed has undoubtedly contributed to this problem. Similar issues occurred in Victoria, when the Kennett Government imposed rate capping in the early 1990s. The subsequent Labor Government quickly repealed rate capping, with studies showing that all councils had significant infrastructure backlogs<sup>7</sup>. A reintroduction of rate capping poses a significant threat to the ongoing maintenance of community infrastructure.

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<sup>5</sup> <http://www2.deloitte.com/au/en/pages/economics/articles/major-infrastructure-projects.html>

<sup>6</sup> Dollery, Brian; Wijeweera, Albert --- "An assessment of rate-pegging in New South Wales local government" [2010] ComJLocGov 2; (2010) 1(6) Commonwealth Journal of Local Governance 56

<sup>7</sup> Victoria. Department of Infrastructure. & AMQ International. & Skilmar Systems. & Jeff Roorda and Associates. (1998). Facing the renewal challenge: Victorian local government infrastructure study. Melbourne : Department of Infrastructure



## CPI as a basis of increase

Professionals Australia is opposed to the use of CPI as a basis of rate capping on Local Government in Victoria.

Professionals Australia believes that CPI is an inadequate basis for rate increases, if a rate cap is to be introduced. The arbitrary selection of CPI as a basis for increase gives no consideration to the diverse and changing needs of local communities and provides inadequate flexibility for Councils to be responsive to their communities. If rate caps are imposed, they must at a minimum take into account the needs of each Council, particular with regards to infrastructure maintenance and development. The current Labor Government of Victoria has objected to limits on operating expenditure at a State level in the Victorian Budget 2015-16<sup>8</sup>, labelling near CPI increases as unsustainable to deliver necessary projects and services. Limitations on rate increases at Local Government level are equally unsustainable, and it would not be responsible for the regulator to impose unsustainable funding caps on any level of government.

Infrastructure planning, maintenance and development are primary roles of Local Government, as infrastructure is an essential service for local communities. Rates must be allowed to rise appropriately to allow these roles to be carried out effectively. The inefficient management of infrastructure can lead to vast backlogs, neglect of existing infrastructure and substantial reductions in the useful life of existing infrastructure. This may ultimately increase the cost of meeting local infrastructure needs in the longer-term.

Asset management is essential to avoid waste. It is highly likely inadequate revenue will lead to a reduction in asset management because the lack of maintenance rarely has an immediate impact. However the reduction in maintenance will lead to increase costs of asset replacement at a significant multiple compared to prudent maintenance expenditure.

Therefore, each individual Council's rates must take into account the following:

- The current infrastructure base across the Council.
- The expected useful life of existing infrastructure.
- The existing infrastructure backlog and plans for priority projects.
- Expected maintenance and upkeep costs of infrastructure.
- Expected costs to meet the new infrastructure needs of the local community.

These criteria mean that no cap would be appropriate across all Councils due to the diverse range of needs, diverse revenue bases and widely differing infrastructure needs. Professionals Australia believes that the ESC requires a full understanding of all of the above criteria before considering any arbitrary rate capping of Local Government.

While Professionals Australia acknowledges the differing needs of Councils, the issue is particularly problematic when looking at the different Council groups (metro, interface, regional centres, large rural and small rural).

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<sup>8</sup> <http://www.dtf.vic.gov.au/State-Budget/2015-16-State-Budget/Budget-Overview>

- Metro Councils typically manage mature infrastructure networks, with the support of a large rate base. The provision of services and maintenance of complex infrastructure networks are likely to suffer under rate capping<sup>9</sup>.
- The needs of interface Councils face costs of infrastructure expansion in order to cater for the growing urban sprawl<sup>10</sup>. Infrastructure in these Councils needs to move ahead of the population to encourage expansion. Professionals Australia recognises the efforts of the current Labor Government to provide some aid to these Councils through the Interface Council Infrastructure Fund. However, this fund does not make up for the much more significant loss of revenue that will occur over the longer term through rate capping.
- Rural Councils, both small and large, are required to manage infrastructure across a much larger geographical area, with a much smaller rate base. This issue is exemplified by West Wimmera Council, which has campaigned for State Government assistance for road funding. The Council already contributes the largest share of its revenue to roads of any Council, and still requires an additional \$46.0 million to bring their network up to modern standards<sup>11</sup>.

Any rate capping – particularly to CPI – would not account for the vastly different needs of Council groups, and would in all likelihood boost inequity between Councils and exacerbate existing problems with infrastructure delivery. Additionally, rate capping is likely to shift costs to other levels of government when infrastructure investment is required.

## Issues with variation

Professionals Australia considers that the proposed framework for variation poses a significant burden on Councils, and does not adequately cater for additional rate rises, even where demonstrably necessary.

If rate caps are introduced, the proposed system of variation does not adequately enable Councils to effectively govern their local community. Professionals Australia does not accept the notion of essentially raising a referendum on any rate rise, even where clearly beneficial to the community. The cost and political difficulty in putting any rate rise directly to the community will make effective government more difficult. While Councils will be able to apply for variation, the process adds another level of bureaucracy for Councils in applying for rate rises. This will come at an additional cost as Councils may choose to pay external contractors to assist with submissions due to a lack of internal skills. The difficulty of the process and the additional cost may cause some Councils to avoid requesting variation, even where appropriate and in the best interests of the community. This is likely to lead to the neglect of infrastructure and further backlogs in new infrastructure delivery.

The presence of rate caps also undermines the independence of Councils, suggesting to the community that Councils may not be acting in their best interests. As a result, any efforts to apply for variation - even where appropriate - are likely to be seen as a “money grab” or an unfair attempt to raise rates when other Councils are not doing the same. This provides negative incentives for Councils to look after the best interests of the community. Again, there is no incentive for Councils

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<sup>9</sup> <http://www.heraldsun.com.au/leader/inner-east/boroondara-joins-in-the-council-chorus-against-rate-caps/story-fngnvlpt-1226927081067>

<sup>10</sup> <http://www.heraldsun.com.au/leader/west/melton-council-anger-over-labor-plan-to-cap-council-rates-at-inflation/story-fngnvmj7-1227159414027>

<sup>11</sup> <http://www.mailtimes.com.au/story/2574041/west-wimmera-in-state-government-plea-fix-our-roads/>

to properly manage infrastructure. Instead it would be politically difficult to provide responsible government.

The variation process in NSW demonstrates the additional bureaucratic burden that will be placed on councils. The process is long and potentially costly, with IPART noting that councils need to be preparing for any variation request at least one year in advance. The process may require councils to pay private sector employees for advice or audits. Additionally, the process requires an assessment of all areas of spending, not just new items or large infrastructure spending. Ultimately, the long and arduous process provides further incentive for Councils to avoid raising rates, even where beneficial to the community.

Professionals Australia agrees that it is reasonable that Councils have a coherent plan to use the additional funds, and that budget should go through normal community consultation processes. However, any variation framework must not impose any undue administrative or political burden on councils. In addition, the ESC should consider ways to ensure that the process is fast and economical for Councils, to allow them to quickly get on with their primary role of governing their local community, with some assurance of their revenue base going forward.

## Impact on the community

Professionals Australia believes that the consultation paper does not adequately address or consider the possible negative impact on communities.

Rate capping poses a major threat to the proper management and investment in infrastructure. With this in mind, it is important to consider the impact on the community if infrastructure is managed poorly, through underinvestment or neglect.

- Threat to public health safety if key infrastructure is not maintained.
- Growing congestion if roads do not adapt to meet growing needs of the community.
- Greater future cost of replacement if poor maintenance reduces the useful life of infrastructure.
- Growing backlog of infrastructure needs if Council cannot even afford to maintain existing infrastructure.
- Increasing burden on future generations to foot the bill for infrastructure repair and replacement if current rates are not allowed to rise.
- Unfair punishment on Councils that have already significantly improved efficiency through "Principles of Better Value". These proactive, well-managed Councils have fewer savings available through improving efficiency and will be more affected by rate capping.

Arbitrarily capping rates to CPI, without any critical assessment of the infrastructure needs of local Councils would be irresponsible. Before considering any regulation of rate rises, a detailed assessment of current infrastructure, determined useful life, maintenance needs, upgrade needs and new infrastructure needs must be completed.

Such an evaluation would put Councils in a better position to understand the costs that they should be expecting going forward, in order to maintain and develop essential infrastructure across their local communities. Any such evaluation would also need to address the engineering workforce skills and capabilities required to maintain and develop community infrastructure.

Professionals Australia recommends that Councils devise a comprehensive 5-10 year Asset Development and Maintenance Plan. This plan will enable Councils to demonstrate that they are reducing the gap and backlog of renewal projects to ensure sustainability of Council assets. These considerations should come well before any consideration of rate capping, as rates must be allowed to rise adequately to cater for the differing infrastructure and service needs of each local community.

If Government wishes to have rate capping, it is essential Government commits to fund the essential projects and maintenance provided in the plans. That is, fund the gap through grants. These plans could be provided to the proposed Infrastructure Victoria to assess, with the assistance of a Local government advisory group. The proposed Project Victoria should audit the capacity of Councils to deliver these projects and maintain assets, with the assistance of local government experts. Best practice approaches can be developed to formalise this process. This will create efficiency and savings, and fits with current government policy.

## Improving efficiency and minimising waste

Professionals Australia recognises that efforts to enhance the position of Local Government as an informed purchaser produce the best outcomes for Council efficiency.

Strengthening the efficiency of Local Government is not about price signals. In reality, price is a dull weapon against inefficiency, and often results in cuts occurring in the wrong areas. Professionals Australia is particularly concerned that rate cuts would encourage Local Councils to cut spending where it is easiest to do so, not where it is most beneficial to the community. Infrastructure is a prime target for cost cutting, as cuts to services are more immediately noticeable to the community, and therefore less politically viable.

Instead of arbitrarily capping rates, policy should address areas of wastage among Local Councils. This should include thorough consideration of the following:

- Local Government should be empowered as an informed decision maker. This would allow Councils to better allocate funding, reduce inefficient expenditure, target spending where “Best Value” lies, and minimise the need for outsourcing.
- Improve the engineering capacity of local Councils. This will enhance the ability of Councils to deliver some basic infrastructure projects internally and retain necessary expertise. This will also minimise the double handling of projects, when local Councils have to re-work or re-do private sector work that fails to meet Council needs and health and safety requirements.
- Workforce development plans should be established to attract, develop and retain skilled engineers. This would ensure that Local Governments maintain their capacity as informed purchasers to deliver best value for the community.
- Minimise hidden expenditure costs through the employment of qualified staff. Outsourcing typically results in project-based expenditure costs. Project costs typically lump all costs together into the total figure required to deliver a project. In doing so, the transparency of each aspect to infrastructure delivery is lost.

Cost cutting should not be the objective, particularly where there is no evidence of irresponsible expenditure within Local Government. Policy should target the efficient use of rate-payers' funds. Professionals Australia argues that the current model of rate rises and the Principles of Best Value are most appropriate in addressing community needs. The empowerment of Local Governments as informed purchasers would enhance efficiency at Council level.

## Informed decision making

Professionals Australia contends that if efficient spending in Local Government is to be maintained – regardless of the outcome of rate capping – minimum thresholds for engineering skills within Local Government are required.

Without a sound base of engineering skill, local Councils lack the foundations to best assess infrastructure needs, determine required investment and prioritise developments. Maximising engineering knowledge within local government would enable Local Government to act as an informed purchaser, enhancing spending efficiency and minimising wastage. Greater empowerment of Local Government as an informed purchaser can be assisted through the following:

- Minimum thresholds for engineering in Local Government and a workforce development plan.
- The establishment of 5-10 year Asset Development and Maintenance Plans, to be regularly updated and monitored by in-house engineering staff.
- Comprehensive internal approval processes for infrastructure works, necessitating a high level of internal engineering expertise. This ensures that internal decisions are made and implemented according to regulatory requirements and are consistent with Council's 5-10 year Asset Development and Maintenance Plan.
- Ensuring that an engineering voice is a major part of the assessment of expenditure. This will provide a better understanding as to whether proposed expenditure meets the "Principles of Best Value".
- Professionals Australia strongly recommends that each Council introduce or reintroduce a Chief Engineer. This step would ensure each Council remains an informed purchaser, with oversight of engineering undertaken by a senior and professional engineer with specific experience in Local Government.
- Plans should be provided to the proposed Infrastructure Victoria to assess, with the assistance of a Local government advisory group.
- The proposed Project Victoria should audit the capacity of Councils to deliver these projects and maintain assets, with the assistance of local government experts. Best practice approaches can be developed. This will create efficiency and savings, and fits with current government policy.

## Areas not addressed by the ESC

Professionals Australia holds the view that the current consultation paper on rate capping as it relates to the principles underpinning the proposed policy, does not address the following;

- The need to be an informed purchaser, with adequate expert internal advice within each Council.
- Whether rate capping is an effective or optimal method of ensuring efficiency within Local Government.
- The future expected costs facing local Councils, both to maintain current infrastructure and to make responsible investment in new infrastructure projects.
- The potential negative impacts on communities that may result from rate capping, particularly with regards to aging infrastructure assets and investment for the future.
- The impact on jobs, including work for second and third tier construction companies.
- The potential health and safety consequences of underinvestment in infrastructure.

While we have provided some detail as to our opinion in these matters, Professionals Australia believes that no alteration to the funding structure of Local Government should occur without a thorough investigation of the above areas.

## Recommendations

Professionals Australia is strongly opposed to the proposed capping of Council rates, and makes the following recommendations to the ESC regarding the proposed changes:

1. Each Council should conduct a comprehensive audit of current infrastructure, as this must be considered prior to imposing caps on council rates.
2. Each Council should maintain a 5-10 year Asset Development and Maintenance Plan to fully understand the revenue required to maintain and develop infrastructure. These plans should be submitted to the soon to be formed Project Victoria for evaluation.
3. The proposed rate caps should not proceed. Instead the Principles of Best Value should be used to guide efficiency.
4. If rate capping is imposed, there should be no flat rate of capping as this does not account for the diverse needs of different communities. Caps should be adequate to cater for each individual Council's needs, particularly with regards to infrastructure maintenance and development.
5. Any variation framework should not be inflict any unnecessary administrative, political or cost burden on Councils. The process should be fast to ensure that Councils have the ability to plan future policies.
6. A minimum threshold of engineering skill should be required within each Council, to enable Local Government to act as an informed purchaser and avoid waste. This should ensure that workforce planning meets the ongoing needs of the Council and the community. The newly formed Project Victoria should audit capacity to deliver projects and maintain assets and develop best practice approaches.
7. Each Council should introduce a Chief Engineer, with significant experience in Local Government.
8. The ESC should conduct a comprehensive risk assessment concerning the negative impact of underinvestment in infrastructure and the capacity for rate capping to exacerbate this problem.

## Conclusion

Professionals Australia is pleased to respond to the consultation paper, released by the Essential Services Commission, regarding the proposed capping of council rates in Victoria.

The concerns and recommendations that we have addressed in this response are based on our significant industry knowledge, the knowledge and opinion of our vast network of members, and substantial research and fact regarding rate capping and the potential outcomes for local communities. We urge the ESC to give serious consideration to the information provided in this submission.

Ultimately, it is the position of Professionals Australia that rate capping will provide no significant benefit to local communities and will not contribute to better or more efficient government. On the contrary, it is our opinion that there are numerous negative consequences that may result from the arbitrary capping of council rates.

To be constructive, Professionals Australia is preparing a separate report to government. The purpose of the report is to highlight how Engineers in Local Government can assist the State Government to deliver on its policy initiatives relating to: jobs, delivery of key infrastructure, better management, and greater efficiency.

The challenges being faced by local government in Victoria need to be addressed to ensure effective project delivery and asset management is achieved, and to minimising the waste that is occurring across all governments due to insufficient skills and the skills gap.

We welcome any further requests for clarification or information regarding this submission.



## Attachments

- LGEA submission to the Local Government Act Review Taskforce
- LGEA response to the Independent Local Government Review Panel's Final Paper "Revitalising Local Government" and the Local Government Act Review Taskforce



**LOCAL GOVERNMENT ENGINEERS'  
ASSOCIATION OF NEW SOUTH WALES**

**SUBMISSION TO**

**LOCAL GOVERNMENT ACT REVIEW TASKFORCE**

**Prepared January 2013**

**Organisation Contact: Gordon Brock**

**Contact Email: [gbrock@apesma.asn.au](mailto:gbrock@apesma.asn.au)**

## 1. INTRODUCTION

- 1.1 The Local Government Engineers' Association of New South Wales (LGEA) is a registered industrial organisation representing professional engineers, engineering staff, and related professionals in Local Government in New South Wales.
- 1.2 The LGEA is a division of the Association of Professional Engineers, Scientists and Managers, Australia (APESMA), a registered industrial organisation of employees, with approximately 25 000 members.
- 1.3 The LGEA welcomes the invitation of the Local Government Act Review Taskforce ("the Taskforce") to comment on its "Preliminary Ideas Paper" released October 2012. Our written comments are designed to expand upon those matters which were discussed with the Taskforce at our meeting on 23 October 2012.
- 1.4 LGEA members are directly responsible for the planning, design, construction and maintenance of council assets and infrastructure including roads and footpaths, parks and gardens, community buildings and amenities and water and sewerage assets owned and operated by local government authorities.
- 1.5 Given the nature of the Association and the positions occupied by our members within the industry, the LGEA believes that we are well placed to provide comment on the Council Staffing arrangements within the current Local Government Act. We have chosen to limit our submissions to those aspects which deal with the employment of staff (including senior staff) within the industry at this time as we are aware that members are making broader submissions through their own employing councils.



## 2. SUMMARY

- 2.1 The arrangements dealing with the employment of staff to assist councils to exercise their functions are set out at Chapter 11 of the current Act.
- 2.2 The introduction to Chapter 11 suggests that a *"council should have sufficient and appropriately qualified staff for the efficient and effective management of its organisation"*. Beyond that there is no direction or requirement within the Act as to the sorts of qualifications councils should ensure that they have within their workforce.
- 2.3 The LGEA submits that given the massive infrastructure backlog that is currently faced by the industry it is not appropriate for the Act to remain silent on the issue of qualifications and that direction does need to be provided to councils to ensure that they employ appropriately qualified engineers at a senior level so that councils maintain a focus on infrastructure delivery and maintenance.
- 2.4 In the first part of our submission we call for the reinsertion of the requirement that councils employ qualified engineers in all positions that have "principle oversight" of asset construction and maintenance as found at section 90 of the 1919 Local Government Act.
- 2.5 In the remainder of our submission we deal with the other employment-related provisions of the current Act. On many of those matters we share the views expressed by Mr Ian Robertson, Secretary, of the Development and Environmental Professionals Association (depa) at our meeting with the Taskforce on 23 October 2012.

### 3. Re-insertion of Engineer Qualification Requirements within the Act

- 3.1 It is widely recognised that local government in NSW needs to change if it is to deliver better infrastructure and services to the community of NSW. In its report, *Better, Stronger Local Government – the Case for Sustainable Change*, released in November 2012, the Independent Local Government Review Panel goes so far as to suggest that *“tackling infrastructure needs and backlogs warrants the highest priority”*. (page 4)
- 3.2 The Panel goes on to suggest that the extent of the backlog is estimated to be about \$4.5 billion and that tackling it will *“require continued efforts to make more efficient use of available resources”*, and that, *“the underlying issues of local government revenues and the limited technical capacity of many smaller councils must also be addressed.”*
- 3.3 Further, at page 21 of its report the Panel notes that *“skills shortages are of growing concern throughout local government.”*
- 3.3 These findings are consistent with the LGEA's own research into the engineering skills shortage and the infrastructure backlog in NSW local government.

In a report commissioned by the LGEA in 2012 it was found that:

- *“In local government the skills shortage is exacerbated for reasons such as; remote location, employer size, budgetary constraints, inability to offer a competitive salary, declining quality of working conditions, management attitude and low perceptions of career prospects,”* and



- "In some cases up to 50% of professional engineering positions are occupied by non-professionals," and
- "Most local councils use engineering consultancies" to address any skill gaps existing within the organisation structure.

A copy of the report is attached to this submission for the Taskforce's review.

- 3.4 While it is not practical to resolve all of the issues related to the infrastructure backlog within the review of the Local Government Act, the LGEA submits that it possible to make amendments that at least help to address the issue of the limited technical capacity of councils and the inefficient use of costly engineering consultants to bridge skill gaps which exist within council organisation structures.
- 3.5 In order to overcome barriers to efficient asset management the LGEA submits that the requirement that councils employ appropriately qualified professional engineers in all positions that are responsible for the principle oversight of asset construction and management as included in the 1919 Local Government Act be reinserted in an appropriate form.
- 3.6 The 1919 Act included the following arrangements;

**Section 90 (1)**      *Every shire council shall appoint an engineer who shall hold a certificate as prescribed.*

**Section 90 (2)**      *Where, after the commencement of this Act, a vacancy occurs in any municipality in the position of the servant having the principle oversight of the work of road construction and maintenance....the council shall....appoint an*

*engineer who shall hold a certificate as prescribed.*

- 3.7 To give appropriate weight to the provisions, **section 93 (1)** of the Act provided power to the Minister to require a council that has failed to appoint a certificated engineer to appoint one in a reasonable period of time, and **section 93 (2)** provided the Governor with the power to appoint an engineer if the council continued to fail to do so.
- 3.8 Finally, **section 205 (1) (c)** of the 1919 Act enabled the Minister to withhold payment of endowments and main road grants of a council which neglects to appoint a certified engineer in accordance with section 90.
- 3.9 The LGEA submits that requiring councils to appoint a Chief Engineer will assist greatly with the efficient delivery of asset management to the local communities in a number of ways including:
- It will help councils to better develop project scope documents (the fundamental objectives of projects) which will in turn assist to avoid / minimise cost overruns, delayed completion and contractual disputes.
  - Elected councillors will be able to obtain better advice in relation to infrastructure projects that are being submitted for their consideration by senior management representatives thereby assisting them to make better informed decisions in relation to the spending and use of community resources.
  - As well as ultimately bearing the costs of projects being delivered late and over budget there are also serious risks to public safety for councils that lack engineering capacity at senior levels within their organisation structure. The consequences of engineering failure



resulting from the poor scoping or design of projects can be devastating. Appropriately qualified and experienced engineers employed in senior positions are vital to ensuring that an adequate focus remains on asset management so that tragedies such as those that have been seen in local government and other industries are avoided.

- 3.10 The LGEA acknowledges that requiring councils to employ an appropriately qualified engineer to have principal oversight of asset construction and maintenance will not in all cases be cost neutral for councils. However, the LGEA submits that any short-term costs will be outweighed by savings arising from the more efficient delivery of asset management and maintenance that the lift in engineering capacity will realise for those organisations.

**3.11 Proposed New Section for Act**

The LGEA submits that a new section requiring councils to employ a Chief Engineer should be inserted within the new Local Government Act. A suggested provision is:

**Section XX Appointment of a Chief Engineer**

- (1) A council must appoint a person to be its Chief Engineer.**
- (2) The Chief Engineer is responsible for the principal oversight of the management of council's assets and infrastructure programme.**
- (3) The Chief Engineer position shall be a senior staff position.**

(4) The Chief Engineer must hold such a qualification that meets the requirements to be admitted as a graduate member of Engineers Australia.

(5) The Chief Engineer is subject to the direction of the general manager.

#### 4. Comment on Other Employment Related Sections of the Act

4.1 Set out below are our comments in relation to those provisions of the current Act where we see a need for change. If we have not provided a comment on a particular section we are satisfied that the existing provision is working satisfactorily.

##### 4.2 Section 333 – Re-determination of structure

4.2.1 The current requirement that councils re-determine their organisation structures within 12 months after any ordinary election of the council is in our view unnecessary and often a waste of council resources. Instead we propose that the current section be amended to provide that organisation structures must be *re-determined during each term of the elected council*.

##### 4.3 Section 338 – Senior Staff Contracts

4.3.1 The LGEA calls for the removal of the requirement for senior staff to be appointed to **fixed term** contracts.

4.3.2 The Act provides that senior staff may be employed under a contract which is:



- performance based,
- for a fixed term of no more than 5 years, and
- a model contract approved by the Director General of Local Government.

4.3.3 The **model contract** allows an employer to terminate the employment of a senior staff member:

1. in circumstances where summary dismissal is justified,
2. if the employee is incapacitated,
3. if the employee fails to meet performance requirements, and
4. for any other reason.

4.3.4 Given the above provisions of the model contract the LGEA contends that no further safeguards are required and that there is no need for senior staff to be appointed to a contract which is for a fixed term.

4.3.5 The fixed term provision is superfluous and creates unnecessary complications in the employment relationship. The examples below are from real cases involving LGEA members.

1. The model contract has convoluted renewal procedures relating to offer and acceptance of a new contract. The failure of either party to meet time/date obligations under these procedures regularly leads to disputes.
2. Senior staff can be offered a 5 year contract by a General Manager shortly before the General Manager leaves the Council, creating complications for the incoming General Manager.

3. If a Council is restructuring and reducing the number of senior staff, it is perceived that those whose contracts are close to expiry are more likely to be terminated than those with longer contracts, regardless of merit.
4. On the other hand, some General Managers with **pending** restructures believe they can't offer a new 5 year fixed term contract to senior staff whose contracts are about to expire, and their inability to do so means that their Council can be at risk of losing a valued staff member to another Council where a 5 year contract is on offer.

4.3.6 The LGEA submits that there are no commercial imperatives for fixed term contracts where the employer has all the other safeguards that are available under the Local Government Act and model contract. Where employers have similar safeguards in the private sector, fixed term contracts are generally restricted to positions reporting directly to the Board of Directors or where the employment is for a project limited by time.

#### 4.4 **Section 340 – Exclusion of Industrial Arbitration for Senior Staff**

- 4.4.1 The LGEA calls for the removal of the exclusion from industrial arbitration of senior staff for the purposes of resolving disputes that arise in relation to the implementation and interpretation of the model senior staff contract.
- 4.4.2 Presently the Act provides that any matter arising from the employment of a senior staff member is not an industrial matter for the purposes of the Industrial Relations Act 1996 (NSW). This has meant that in order to resolve a dispute involving a senior staff member the parties have had to pursue costly, inefficient and overly legalistic avenues in order to seek a remedy. More often than not, the costs of seeking the outcome are greater than the value of any claim to both parties.



4.4.3 In contrast to the costly and inefficient process involved with pursuing damages for breach of contract and other claims, we submit that the NSW Industrial Relations Commission provides a cheap, convenient and experienced jurisdiction for the resolution of disputes involving senior staff members. Opening up access to the Commission to senior staff for the purposes of dispute resolution and contract interpretation would in our view be a very effective way of helping to avoid protracted and financially crippling contractual disputes involving senior staff members of councils.

#### **4.5 Part 4 Equal Employment Opportunity**

4.5.1 The LGEA submits that part 4 needs to be reviewed and updated to reflect any expanded areas of prohibited discrimination in the Anti-Discrimination Act since 1993. This will also enable the removal of the current awkwardness and apparent inconsistency that presently exists between section 344 and sections 346 and 347 of the Act.

#### **4.6 Section 352 – Independence of Staff for Certain Purposes**

4.6.1 The LGEA submits that section 352 should be reviewed to provide a new 352(3) that prohibits the direction of any employee, by any employee, as to the "content of any advice or recommendation."

4.6.2 Such freedom from interference is critical in order to enable engineering professionals and other professionals working within the industry to provide strong, accurate advice on matters within their domain.

#### **4.7 Section 353 – Other Work**

4.7.1 The LGEA submits that section 353 should be reviewed to clarify that employees are not obliged to declare any work which *"does not relate to or conflict with the business of the Council or the employee's duties."*

4.7.2 In our view the present requirement upon employees to declare all external work is an unnecessary invasion of privacy and a waste of council time and resources.

#### **4.8 Section 354A - Ministerial Approval for Senior Staff Termination Payments**

4.8.1 The LGEA seeks the removal of the requirement for the Minister's approval of termination payments beyond 12 months for senior staff members.

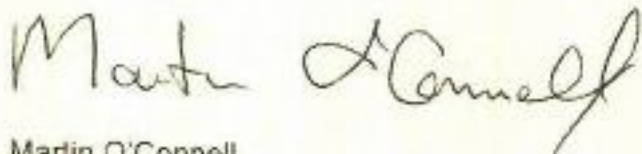
4.8.2 In our view it is vital that the industry attracts and retains high quality employees at the senior management level and there is no doubt that the inclusion of appropriate termination payments and other payments within employment contracts at that level will play a key role in getting and keeping the right people in the right jobs during a period of change.

4.8.3 If there was a need for Ministerial approval when this provision was originally included within the Act we submit that it is no longer appropriate in this time of industry change.

### **5. CONCLUSIONS**

5.1 The LGEA thanks the Taskforce for the opportunity to make a submission.

5.2 The LGEA would be happy to again meet with the members of the Taskforce to discuss our submission or to provide any further assistance as required.

A handwritten signature in black ink that reads "Martin O'Connell". The signature is written in a cursive style with a large, stylized 'M' and 'O'.

Martin O'Connell  
Director LGEA





# **A Report on Engineering Skills Shortages and the Infrastructure Backlog in NSW Local Government**

**Prepared for the Local Government Engineers  
Association of NSW**

**November 2012**

**Prepared by Arthur Banos**

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## EXECUTIVE SUMMARY

The Local Government Engineers Association (LGEA) has been active in surveying its membership to provide reliable data for submissions to the NSW Government and the Independent Local Government Review Panel (Panel). The LGEA previously submitted a short report to the Panel outlining results from a phone survey of 320 members conducted in August 2012.

This report forms part of LGEA's strategy to inform the NSW Government and the Panel on matters relating to the engineering skill shortage and infrastructure backlog in NSW Local Government.

The exercise was useful in two ways:

- i. The responses validated the LGEA's previous survey results regarding engineering skills shortages which in turn were consistent with the recent Senate inquiry as well as numerous government and non-government reports on this matter.
- ii. It allowed local government engineers the opportunity to articulate some of the strategies, ideas and actions utilised to cope with their Council's skills shortage and backlog.

### The Findings

1. The national shortage of professional engineering skills also applies within local government.
2. In local government the skills shortage is exacerbated for reasons such as; remote location, employer size, budgetary constraints, inability to offer a competitive salary, declining quality of working conditions, management attitude and low perceptions of career prospects.
3. In some cases up to 50% of professional engineering positions are occupied by non-professionals.
4. The real level of vacancies and skills gap is understated.
5. The resources sector is not entirely responsible for luring engineers from local government.
6. Most local Councils use engineering consultancies and Engineers claim this as a costly exercise.
7. Prolonged use of consultants may impact on the skills base, careers and Councils as 'informed clients'.

8. Design engineers are mentioned most often as the hardest to recruit.
9. The majority of Councils are affected by an infrastructure backlog.
10. The backlog is due to a lack of financial resources as well as the skills shortage.
11. The 'can-do' attitude of engineers provides a gratuitous buffer against the skills shortage for many Councils.
12. Not all engineers have access to continuing professional development.
13. Traineeships and graduate programs are the key to the 'grow your own' strategy to develop a skilled workforce.
14. Engineers need to broaden their 'soft skills' to communicate and present their case more effectively in order to influence key groups more successfully.
15. Pursuing 'employer of choice' strategies can assist Councils to better compete for skilled employees.

## **Recommendations**

### **Recommendation One**

An audit of engineering skill requirements in individual workplaces should be developed and implemented with regard to existing and projected workloads, at each Council.

### **Recommendation Two**

With the possibility of Council amalgamations occurring in NSW, research into the impact on engineer's career progression following the Victoria and Queensland council amalgamations may be informative.

### **Recommendation Three**

The LGEA needs to investigate whether the continued use of consultants and the outsourcing of specialist work has a detrimental effect on in-house engineering skills development and the ability of Councils to act as informed clients.

### **Recommendation Four**

Should council amalgamations be voluntarily or involuntarily introduced into NSW, mechanisms and policies should be put in place to ensure the industry does not lose scarce skills and staff.



#### **Recommendation Five**

The relevant industrial parties should utilise the workplace bargaining processes and available institutions to re-design and develop conditions of work and career progression to assist attraction, recruitment, retention and workforce development in local government.

#### **Recommendation Six**

LGEA to consider establishing guidelines for traineeships, cadetships and graduate programs to assist the development of new engineers. Additionally, guidelines for practical structured programs need to be defined to assist the development of new engineers.

#### **Recommendation Seven**

LGEA could consider inviting engineers who have moved into other senior roles, to address younger members on career related issues.

#### **Recommendation Eight**

LGEA should consider the merit of the request to access retired members for part-time or casual engagement. This request could also be discussed with other local government organisations.

#### **Recommendation Nine**

LGEA should consider the opportunities for industry wide application of the resource sharing and the other initiatives outlined in this report.

### **About the author of this report**

Arthur Banos, has extensive experience in employee relations and professional development in a number of industries.

Arthur was Senior Industrial Officer with the Association of Professional Engineers, Scientists and Managers Australia with responsibilities including the RTA, before becoming the NSW Manager of Chifley Business School.

Since 2006, Arthur has been engaged professional development projects in the medical industry as well as transport and logistics where he is currently engaged as a consultant.

Arthur holds a Bachelor of Economics (Hons), a Diploma in Labour Relations and the Law and a Postgraduate Diploma in Technology Management.



# A REPORT ON ENGINEERING SKILLS SHORTAGE AND THE INFRASTRUCTURE BACKLOG IN NSW LOCAL GOVERNMENT

## The Report

There are three parts to this report.

**Part A:** refers to the engineering skills shortage.

**Part B:** addresses the infrastructure backlog.

**Part C:** collects ideas and suggestions made in the interviews.

## Introduction

Following the Destination 2036 conference held in Dubbo in August 2011, the NSW Local Government Minister established the Local Government Review Panel (Panel), to examine issues raised at the conference. In a subsequent press release, the Minister indicated the Panel,

*...will take into consideration Councils' ability to support the needs of their communities, ability to deliver services and infrastructure efficiently<sup>1</sup>, ...<sup>2</sup>*

As part of the consultative arrangements put in place, LGEA determined to provide the Panel with a submission containing updated data and commentary on the ability of Councils to provide engineering related services in the context of a skills shortage and an infrastructure backlog.

## The Brief

In 2004 the LGEA had commissioned a survey of NSW Councils. The purpose of the survey was to collect data on local government engineering positions<sup>2</sup>, to ascertain the extent of engineering skills shortages in local government. During 2012 the LGEA decided to update the 2004 survey and obtain quantitative and qualitative data to assist in the development of the submission in response to the Panel's work. This report provides substantive material from senior managerial and technically qualified professionals in local government.

## Methodology

The methodology used in compiling this report consisted of in-depth interviews with a sample of LGEA members, representative of the rural-urban mix of Councils. The discussion format, although focusing on the key areas of engineering skills shortage and infrastructure backlog, provided an opportunity for the respondents to discuss

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<sup>1</sup> Panel to set direction for Councils of future; Media Release: Minister of Local Government 20 March 2012

<sup>2</sup> Positions that specify engineering qualifications as essential or desirable



related topics and issues such as; engineering supply, resources sharing, graduate programs and local initiatives.

The interviews were not tape-recorded; errors in transcript are the responsibility of the report author.

#### **Areas canvassed during discussions**

- Confirmation of position, employer, number of engineering staff/vacancies
- Discussion about difficulty in attracting, recruiting and retaining engineers
- Most difficult disciplines.
- Effect on current projects/community. Any problems?
- Strategies used to overcome skill shortage: short term and long term.
- Discussion about infrastructure backlog and its magnitude.

#### **The Respondents**

In total, **25** NSW local government professionals were interviewed for an average 30 minutes.

The respondents were: General Managers (2), Directors (10), Managers (5), Senior Engineers (3), Engineers (5).

The classification of Councils: Metropolitan **Total (11)**: Large Councils (6), Small Councils (5)

Regional **Total (14)**: Large Regional (6), Small/Medium Regional (8)

## PART A: THE ENGINEERING SKILLS SHORTAGE

### What the Figures Say

A considerable amount of evidence has accumulated to indicate that there is a national skills shortage. The Department of Education, Employment and Workplace Relations (DEEWR), prepares reports monitoring skills shortages. According to DEEWR, 'skill shortages exist when employers are unable to fill or have considerable difficulty filling vacancies for an occupation, or significant specialised skill needs within that occupation'.<sup>3</sup>

The 2012 DEEWR Skills Shortage report listed the 'Engineering Professional' amongst the 'Hardest vacancies to fill'.<sup>4</sup> The report also advised that, with respect to professional engineering, less than half of the vacancies are filled. Specifically, Engineering Managers and Civil Engineering Professionals are listed as a 'national shortage' whilst Construction Project Manager is a 'recruitment difficulty'.

The shortage is not a new phenomenon. In December 2010, DEEWR in Skills Shortages Australia found,

*"Shortages of professional engineers have returned to levels similar to those recorded before the global recession, being evident for 70 per cent of engineering professions surveyed."*<sup>5</sup>

In July 2012 the Australian Senate tabled findings from an Inquiry<sup>6</sup> into engineering skills shortages, confirming previous reports that indicated the demand for engineers is higher than supply. In discussing reasons for the skills shortage, the Senate noted the 2006 Census data which revealed that:

*"...only 55 per cent of engineering graduates were employed in an engineering occupation."*<sup>7</sup>

### So how fares Local Government?

The situation in Local government was reported in the Senate Inquiry report as follows.

*"4.23 The impact of the skills shortage is also exacerbated for local governments which tend to have fewer resources but must compete with the mining and private civil construction sectors for engineers."*

<sup>3</sup> <http://www.deewr.gov.au/employment/lmi/skillshortages/pages/skillshortagelists.aspx>

<sup>4</sup> <http://www.deewr.gov.au/Employment/LMI/SkillShortages/Documents/SkillShortagesSummary.pdf>

<sup>5</sup> Skills Shortages Australia December 2010 Prepared by Labour Market Research and Analysis Branch Department of Education, Employment and Workplace Relations. P.14

<sup>6</sup> The Senate Education, Employment and Workplace Relations References Committee, The shortage of engineering and related employment skills, July 2012

<sup>7</sup> The Senate Education, Employment and Workplace Relations References Committee, The shortage of engineering and related employment skills, July 2012



The 2012 Environmental Scan produced by Government Services found that in Local Government,

*"Seventy-two per cent of survey respondents indicated they have had difficulty recruiting for positions over the last 12 months. The occupations that have been problematic to recruit have included engineers..."<sup>8</sup>*

There is no lack of evidence of skills shortages in NSW. In 2006 the NSW Legislative Council tabled an inquiry into skills shortages in regional and rural NSW which reported shortages as:

*"Civil engineers – shortages are especially evident in the private sector, including building services, hydraulic services and concrete and reinforced structural steel design. Shortages are also evident in local government, including traffic management, design for civil work, technical services and asset management."<sup>9</sup>*

In 2005, the Department of Local Government commissioned a report on skills shortages in NSW.

*"Almost three quarters of respondents mentioned engineering as a specific area of skills shortage (n=67 mentions). By discipline, civil engineering appears to represent the largest skills shortage, ..."<sup>10</sup>*

Mention should also be made of the LGEA Vacancy Survey 2004<sup>11</sup> which found the following:

- Fifty five percent of respondent Councils had unfilled positions,
- Twenty eight percent of Councils had 20% or more of their Engineering positions unfilled,
- Fifteen percent of Councils had 40% or more of their Engineering positions vacant positions,
- Fifty one percent of Councils could fill their vacancies within three months,
- Thirty seven percent of Councils took three to six months to fill their vacancies,
- Eight percent of Councils took more than a year to fill their vacancies,
- Vacancies were most difficult to fill in regional and rural Councils, particularly in small rural Councils.

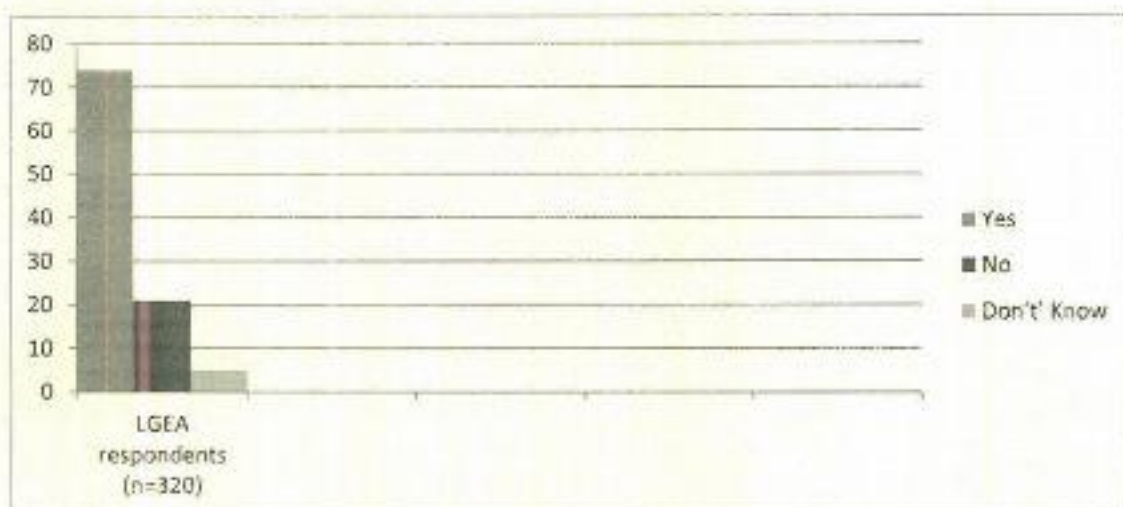
Finally, in the recently conducted brief telephone survey of LGEA members, 74% of the respondents (n=320) indicated their Council had difficulty recruiting and retaining engineers.

<sup>8</sup> 2012 Environmental Scan . Government and Community Safety Industry Skills Council.P11

<sup>9</sup> Inquiry into Skills Shortages in Regional and Rural NSW, the Final Report of the Legislative Council Standing Committee on State Development, 11 May 2006.P.31

<sup>10</sup> Survey of Skills Shortages In NSW Local Government, A report prepared by the NSW Department of local Government on behalf of the Training and Professional Skills Shortages Taskforce, August 2005. P24.

<sup>11</sup> LGEA Vacancy Survey 2004. Local Government Engineers Association



**Figure A:** Chart showing responses (%) to the survey question; 'Does your Council have difficulty in recruiting and retaining engineering staff?'

Additionally, the top five reasons why the difficulty occurred were recorded as;

- i. uncompetitive salaries/salary packages,
- ii. remoteness of the Council location,
- iii. the national skills shortage,
- iv. council not allocating sufficient resources to engineering,
- v. excessive workload/stress at the Council.

The Local Government Managers' Association submission<sup>12</sup> to the Senate inquiry included the following;

*'It's been said that engineers spend less than half of their time using their engineering skills.'*

*Most of their time is taking up by:*

- *Project management;*
- *Budgeting and financial reporting;*
- *Administrations and governance;*
- *Public consultation; and*
- *Routine technical work.*

*Investment needs to be made to investigate and develop new ways of working for engineers.'*

<sup>12</sup>The Senate Education, Employment and Workplace Relations References Committee, The shortage of engineering and related employment skills Local Government Manager Association 2012



## The 2012 Discussions with LGEA members

### What is a 'vacant' engineering position?

Discussing the level of vacant positions is not as straight forward as one would expect. The most obvious response is to nominate a vacancy number against the current engineering staff establishment.

In keeping with the surveys and reports mentioned above, interviewees overwhelmingly advised that vacant positions existed and skill shortages were widespread.

*"It is a FALSE nil vacancy figure." - Senior engineer, large metropolitan Council.*

Significantly, a number of interviewees asserted that the official level of engineering vacancies is understated and the 'real' vacancy situation is considerably worse.

*"When an engineer retires, they advertise at a lower rate and find that they can't get the 'right person'. We have no trainees or cadets. We had a lot more engineers 15 years ago!" - Services engineer, large metropolitan Council.*

*"There was a major mistake made 25 years ago when local and state governments ceased cadetships and traineeships" - Director of Technical Services, large regional Council.*

The engineering skills shortage in local government has been a fact for many years. A number of mature engineers date the difficulties to the late 1980s or early 1990s when engineering departments lost status in relation to non-technical management areas. Tighter budgets were put in place, outsourcing of engineering design work eventuated, contract employees increased and a general reduction in trainee/graduate engineers occurred. Such organisational changes were also taking place in state government departments and instrumentalities. The term 'de-engineering' was coined at the time.

Many Councils eventually re-sized their technical staff establishments, often deleting positions that had been difficult, or near impossible, to fill.

Hence it is argued that a low, or nil vacancy rate, masks the actual requirement for engineering capability in a Council. By extension, a full complement of engineers may also be insufficient.

### **If a professional engineering position is filled by an unqualified person, is it a vacancy?**

A liberal interpretation of the skills shortage definition used by DEEWR suggests that occupation of a professional engineering position by a non professional is a vacancy. On the other hand a more conservative view would suggest that the situation amounts to a **skills gap**.



At the time of interview there were numerous examples of this form of a skills gap.

1. In a small rural Council all three of the Engineering Director's subordinates were unqualified staff in professional positions.
2. Another small rural Council has five of its ten engineering positions filled by unqualified staff.
3. In a large regional Council, six of the eleven engineering positions were occupied by para-professionals.
4. In a metropolitan Council ten professional engineering positions in an establishment of twenty-five were filled by non-professional engineers or experienced staff.

By any definition there is a considerable gap in professional engineering capability in the four instances cited above. Yet statistically, the same four Councils could submit a nil vacancy result.

#### **Potential problems**

The on-going occupancy of professional positions by para-professionals (regardless of their ability), increases responsibility and risk management for existing engineering staff as the supervisory function becomes stretched. Quality issues are also relevant as professional supervision, vetting of contracts, design and consultant's reports become the role of fewer persons.

#### **Recommendation One**

**An audit of engineering skill requirements in individual workplaces should be developed and implemented with regard to existing and projected workloads at each Council.**

#### **Are cultural or structural issues in local government contributing to the skills shortage?**

The following conversation extracts indicate that a gap exists between what engineers require to get the job done and what Council management and elected members consider is needed or even affordable.

*"Senior Council management has not established enough positions. They're not engineers and do not understand the technical requirements. The most senior engineer is a Unit manager which is below Director level, therefore engineers don't have real influence." - Manager, large metropolitan Council.*



*"In Local government you essentially have a Board of Directors (Councillors), who have 'no idea' about how projects need to be resourced and delivered. The difficulty increases when you have management that is not engineer conducive." - Manager, large metropolitan Council.*

*"The skill shortage here is due to management's approach. Our GM has a finance background and does not believe what the engineers are saying about staffing needs." - Services engineer, large metropolitan Council.*

*"The issue is that with tackling infrastructure issues the elected Councillors and many of the managers do not fully understand that engineering staff are required for analysis and supervision of the projects." - Senior engineer, small metropolitan Council.*

An engineer who has moved from the technical area into a senior management and leadership role reflects on the ability of engineers to effectively influence other key groups or people in local government.

*"Engineers do not promote their profession and what they do very well outside of their own group. They need to realise their role is to provide assets to the community and it is necessary to engage with other groups about what is going on and what is required." - General Manager, small regional Council.*

A senior engineer with considerable experience sees the technical aspect of the job as the easy part.

*"...the profession needs to communicate what it does better. Also engineers need to develop their soft skills in communication, relationships, trust etc, to get the job done and help people understand what is going on. The technical side is easy. Leadership skills are important as is mentoring." - Senior engineer, small metropolitan Council.*

A strategy to influence, reduce or eliminate tensions between engineering and non-engineering decision makers involves using available systems and tools.

*"Our customised asset management system helps Council make informed decisions on asset condition, funding and asset life. It helps manage fund allocation for maintenance. The asset management system allows engineers to provide good data to finance and management in Council, to assist decision making. It allows Councillors to be part of the process by engaging with them to explain and demonstrate how the modelling works, followed by a site visit. It might take half a day, but we have champions within the elected members." - Director of City Works, large metropolitan Council.*

There exists in some Councils a definite 'us v. them' attitude which deflects proper articulation of the engineer's cause in the workplace. Requests to fill vacant positions and/or, address specialist skills shortages, are not assisted by this environment. On



the other hand, good advice on what is needed to effectively influence the decision-makers, is set out by at the three of the interviewees.

### **The scarcity of Design Engineers**

*"Design engineers are the most difficult to recruit." - Director of Technical Services, small regional Council.*

*"It is a struggle to get designs done to give the works branch enough time to provide an estimate for the work. There are errors that get picked up and lead to delays. Where missed this leads to cost over-runs with re-do work. The lack of 'care' in the design area leads to insufficient preconstruction time." - Director of Technical Services, large regional Council.*

There was general agreement, especially among non-metropolitan interviewees that design engineers (including senior design engineers) were the most difficult to attract and retain. In some cases senior design positions had remained unfilled for up to eight years.

Works engineers, asset engineers and engineering project managers were also mentioned.

Specific to urban Councils, traffic and hydraulic engineers were mentioned as difficult to attract and retain.

There were a number of views as to why design engineer positions were so difficult to fill.

- Graduates have little practical knowledge and understanding of local government,
- Private consultancies offer better pay,
- Lack of senior design engineers reduces in-house development and mentoring,
- Large public sector agencies have outsourced, thus removing a traditional source of talent,
- Design is seen as desk bound compared to field work. This leads to lower supply.

*"We could do with more engineers, especially another design engineer, as we work 15 hour days." - Contracts engineer, small regional Council.*

A number of respondents offered ideas to deal with the lack of design engineering skills which entailed greater sharing of existing resources. These suggestions are detailed later in this report.

### **Capability issues – formal education**

*"They are too specialised, for local government they need to be generalists" – General Manager, small regional Council.*



A frequently expressed view was that engineering graduates lacked sufficient practical knowledge and experience to be useful in the short term. Much was made of the demise of the University of Technology Sydney's (UTS), sandwich course in engineering. This course had a significant work experience component which benefitted employers offering cadetships and graduate programs. New graduates are seen as being too academic and somewhat lost in the practical environment of local government.

This criticism extends beyond local government as evidenced by the Senate, below.<sup>13</sup>

*"Recommendation number 7.5.39 The committee recommends that the government work with states and territories through the Council of Australian Governments to engage with engineering industry peak bodies with a view to developing measures to encourage the provision of practical, paid work experience to university students."*

Hopefully this Senate Recommendation will lead to an outcome that Local government will welcome.

For many of the smaller rural Councils, supporting student financially is difficult. Equally the cost of tertiary education may deny local high school students an opportunity to enter the profession.

*"This council does not encourage trainees/graduates despite many advocating for this to happen. Council needs to embrace a youth/graduate program." - Projects engineer, small regional Council.*

*"Advertise for locals willing to obtain a qualification whilst being paid. HECs should be paid for as well. HECs - HELP is a real disincentive for so many would be engineers from rural areas." - Director of Technical Services, small rural Council.*

### **Capability – Continuing Professional Development (CPD) and on-going training**

As for existing engineers, there were a number of grievances in relation to on-going development and CPD.

*"Training needs to go beyond the current limit of OH&S. There is no CPD. This is not good for the future." - Projects engineer, small regional Council.*

*"There is a lack of CPD opportunities for engineers in rural areas, especially in the west. It costs too much for engineers to travel to Sydney to get their points up." - Manager Infrastructure, west NSW Council.*

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<sup>13</sup> The Senate Education, Employment and Workplace Relations References Committee, The shortage of engineering and related employment skills, July2012 Recommendation 7, 5.39



## Capability – Industry Demographics

*"I see too many baby boomer engineers at ROC meetings that are stuck to the old ways of doing things." – 'young' Engineering Manager, small metropolitan Council.*

At the other end of the age spectrum there seems to be a rarely expressed feeling that Local Government is beholden to the old techniques by virtue of the age demographic of engineers which tends to be around 45 years of age.<sup>14</sup> Related to the quoted sentiment was a perception that the 30 - 40 year old engineers have declined in number by gaining positions outside of local government.

In 2011 the Division of Local Government (DLG), published a Census of Local Government Employees which showed that 20% of all employees were over 55 years of age and the over 45's bracket accounted for 48% of all employees.<sup>15</sup>

What happens when the older engineers retire? Local government is in a similar position to many other industries, including public sector agencies, where the ageing workforce is apparent.

*"We have no design office, so most of this work is outsourced. The experienced engineers are called upon to lend a hand with a bit of design and modify the consultant's work on the job. We are stretched." - Engineer, small metropolitan Council.*

The depth of engineering experience that is currently present in local government seems to be taken for granted in many Councils such as the one above, which has removed its design section and reduced its engineering establishment. Yet, it relies on the experience of engineers to 'lend a hand' to cover the skill gap.

## Career progression

*"Engineers do move around in Local Government as career progression is not always clear. Progression is often easier into a managerial position. If you want to stay technically oriented you need to move." – Services Manager, medium sized regional Council.*

*"Progression is out of here! Unless you change to a finance type role." - Services engineer, large metropolitan Council.*

The above comments introduce a number of issues for local government engineering. With such a large number of Councils in NSW there is a natural tendency for engineers to move around for pay, conditions and other reasons. For engineers there is always the attraction of moving into a managerial role when technical opportunities

<sup>14</sup> Submission to The Senate Education, Employment and Workplace Relations References Committee, The shortage of engineering and related employment skills 2012. Local Government Managers Australia. P3

<sup>15</sup> 2010 Census of Local Government Employees. Report on Findings. NSW Government Premier and Cabinet Division of Local Government. August 2011. P19



dry up, or the rewards are no longer there. This issue attracted some attention in the Senate enquiry with a recommendation that a senior technical role be created to build on expertise.<sup>14</sup>

### **Recommendation Two**

**With the possibility of Council amalgamations occurring in NSW, research into the impact on engineer's career progression following the Victoria and Queensland council amalgamations may be informative.**

### **Overseas trained engineers**

There were various views concerning the ability of overseas educated engineers in local government. It was generally accepted that engineers from the Indian sub continent were technically sound in most engineering disciplines. Doubts were expressed about soft skills such as teamwork, presentation skills and communication with other staff and the general public.

Interestingly, the issue of soft skills and engineers received considerable comment from the more senior interviewees. There was agreement that engineers needed to acquire broader workplace skills. This is discussed below.

### **Use of Consultants and Contractors**

Most Councils resort to the use of private industry consultancies and contract staff to fill various needs. Putting aside the use of contractors for major works, short and longer term contract staff are utilised in filling vacancies or a particular skill such as project management.

*"Consultants make up the balance between the in house 'base load' and peak requirements". - Director of Technical Services, large regional Council.*

This represents the pragmatic view of many Council engineers who are balancing a thin engineering capability and/or specialist skill gap, with a backlog of work.

*"Use of consultants increases project costs and briefing time. Local consultancies also have difficulties hanging onto experienced staff, thus there is no real advantage for 'on-time' performance by using them." - Director of Technical Services, large regional Council.*

*"We use contractors to make up the labour shortfalls. However we now do our design and project planning in-house due to some bad experiences with consultants in the past where things were wrong, had to be re-done, and it led to a cost blow -out." - Services engineer, large metropolitan Council.*

<sup>14</sup> The Senate Education, Employment and Workplace Relations References Committee, The shortage of engineering and related employment skills, July 2012 Recommendation 6, 4.41



On the other hand the often repeated reality is that using consultants does impact on project costs and in many cases, project timelines. In Councils that outsource the design function, there was a complaint that the work often required re-doing or that on-site modifications were necessary.

*"Who vets the consultant?" – Manager, medium sized Regional Council.*

If Local Government engineering capability continues to be stretched, resulting with an increased reliance on outsourcing to get the work done, will Councils continue to be informed clients?

*"When the work is farmed out, there is no in-house skills development occurring especially in areas such as natural system studies. That is another reason engineers leave after 2-3 years in the job." – Professional engineer/environmental, large metropolitan Council.*

Continued outsourcing of work to consultants also affects skill development of staff and retention.

### **Recommendation Three**

**The LGEA needs to investigate whether the continued use of consultants and the outsourcing of specialist work has a detrimental effect on in-house engineering skills development and the ability of Councils to act as informed clients.**

### **So why are there vacancies?**

The discussions related to the causes of the engineering skills shortage in local government tended to be influenced by the size of a Council and its location.

*"Incentives are needed to offset the salary and location problem." – Manager, large Regional Council.*

*"We can't compete on salary! We need a 'whole of local government approach' to this issue. Conditions of employment are a better solution. Superannuation, sick leave entitlements, rental assistance, motor vehicle lease back arrangements. Over the divide, rental assistance over a number of years keeps someone in town. Providing a generous motor vehicle lease back allows a staff member to visit family every so often." – Director of Engineering Services, small regional Council.*

Councils located west of the Great Dividing Range experience difficulty in attracting quality candidates for advertised positions. Despite using market rate adjustments, location was seen as a major impediment in attracting professionals. Councils in the west of NSW are numerous, usually small and have a tighter financial base than the larger metropolitan Councils. These features are a disadvantage in trying to attract mobile professionals from another area. Incentives such as rental assistance and



motor vehicle lease back arrangements are used in an attempt to, 'keep someone in town'.

One expects that the lifestyle appeal of coastal-rural Council areas would provide a large applicant pool of engineers. Yet, coastal Councils also expressed difficulty recruiting to fill vacancies. To overcome key skills shortages, some coastal councils have made attempts to entice retirees to work part-time, or on a casual basis.

Port Stephens Council invested in signage billboards aimed at holiday makers in a successful effort to tap into the pool of potential 'grey nomad' employees. Another coastal Council that had also identified retirees and holiday makers as potential skills source did not share the same success.

In the case where a retired engineer has been lured back for a few hours work, the experience and informal mentoring that resulted proved to be beneficial to many existing staff. This is seen as a bonus.

Local conditions affect the professional labour market dramatically. One coastal Council that rarely experienced difficulty in attracting quality candidates recently noticed a decline. This has been attributed to the extensive capital works projects undertaken in the vicinity by the Roads and Maritime Service and its contractors, who have attracted skilled labour and professional services.

#### **The mining sector is not the only 'villain'.**

*"Many people, like myself, did not join local government for the money, rather the lifestyle of 35hrs and flexibility was attractive. I can see the chipping away of perks and work pressure increasing where long hours are now the norm. The working conditions are beginning to mirror private industry, so it becomes easier to look at private industry opportunities and get the large pay packets." - Senior engineer, large metropolitan Council.*

Much has been said and written about the effect of the resources sector on the supply of labour throughout Australia. The conversations provided some evidence of engineers leaving local government for better paying positions in the resources sector. Examples of this occurring in rural and metropolitan Councils were provided.

*"We lost a water and sewerage engineer to the mining sector and it took 10 months to fill the vacancy." - Director Technical Services, small regional Council.*

Local government sheds engineers to other areas in private industry such as consultancies and construction firms, as well as to NSW public sector instrumentalities. A large metropolitan Council reported losing two engineers in quick succession to RailCorp who offered a higher base salary and overtime.

*"Hence the competition for engineering resources coupled with the salary issue means higher calibre applicants are going elsewhere raising the capability*



*issue for the Council. There is a concern about what happens further down the track." – Director Water and Sewerage, large regional Council.*

It has been acknowledged by the Australian Senate that local government does not have the resources to compete with private industry. For this reason Councils need to take steps to become considered as 'employers of choice'. The sentiments expressed above by the senior engineer offer an insight into the areas that need to be initially addressed. An example of the implementation of the Senate's advice is discussed later in the report.

### **The effect of the skills shortage on local government programs and projects**

*"With the lack of senior engineering expertise, projects languish."- Director of small regional Council.*

Without the experience of senior engineers, there is a tendency for less experienced professionals to proceed with projects with less confidence. Guidance and mentoring are lacking and quality of work will suffer with the reduction in overall engineering supervision.

In the case of a small regional Council only two of four directorates were filled, requiring the Engineering Director to work across Council functions. Apart from illustrating that staff shortages exist in other positions and functions, this instance highlights the stretch that is experienced.

*"The more experienced engineers are doing the work, their job as well as supervision and practical design, on the job." – Contracts engineer, small regional Council.*

Where design engineers are in short supply, the 'older heads' use their cross-discipline experience to make up the skills gap. Hence, the long days.

*"Project managers have a huge workload, consisting of too many jobs requiring supervision. Hence there are short cuts, use of consultants who cost more. Quality suffers and this usually becomes a problem later on." – Manager, large metropolitan Council.*

Inevitably, projects are affected by time blow outs and cost over-runs. Quality also suffers, which is a community concern.

*"I start work at 4.00am and tonight I'll finish at 6.00pm. I do it because it needs to be done. I don't really mind it." - Director of Technical and Water Services, small regional Council.*

What is also evident from the discussion with local government engineers is the undercurrent of professional pride in doing a project well. There is a certain resolve amongst the engineers who remain within this industry to deliver community projects to a high standard. Frustration with the skills shortage is latent but comes to the fore when it is felt that the situation is exacerbated by Council decisions or inactivity.



## PART B: THE INFRASTRUCTURE BACKLOG

### Why the Backlog?

The current focus on the infrastructure backlog is overdue. The backlog developed over time for various reasons. Here are some

#### 1. Budgetary and financial reasons;

*"Council was a bit budget conscious but has begun to put more money towards infrastructure in recognition of the need for renewal. The infrastructure backlog is about money and if we got more we would use in-house staff and recruit supervisory guys. Maintenance and renewal has to happen. The Gosford culvert problem will re-occur as jobs are getting on to 30 years old. That was the time that planning and good design were short changed." - Director of Technical Services, small metropolitan Council.*

*"Community loses out!! With low engineering budgets, all public infrastructure is reduced and quality suffers as well. Service to the community therefore decreases." - Manager Civil Works, large metropolitan Council.*

*"Revenue squeeze has led to an infrastructure gap. The capital- works program is dependent on grants." - Infrastructure Manager far western NSW Council*

#### 2. Financial reasons not necessarily related to the engineering skills shortage

*"The infrastructure backlog is a finance construct unrelated to engineering capability. A council such as ours needs another \$10million per year for a number of years to ensure asset renewal." - Director of Technical Services, large regional Council.*

*"Infrastructure backlog is about money and capacity to fund the backlog, not about lack of skills. With an asset base of \$1.4bill, there is a backlog of \$35mill." - Director of Engineering, large regional Council.*

#### 3. Engineering skills shortage in addition to financial reasons;

*"The infrastructure backlog is due to both skills shortage and the financial aspect." - Director of Technical Services, large regional Council.*

#### 4. Due to the engineering skills shortage

*"My estimate is that, 30% - 50% of our capital projects, are delayed due to engineering position vacancies. (roads, bridges, playgrounds, storm water)." - Director of Technical Services, small regional Council.*

#### 5. Council culture and other competing priorities

*"Local government needs to "get back to the basics". Maintenance is not sexy, it's not a ribbon cutting opportunity for Councillors and other politicians. There*



*are too many non-core functions and non-essential services provided by Council and as a result, infrastructure suffers." – Manager Civil Works, large metropolitan Council.*

Whilst there are various perspectives expressed about the cause of the infrastructure backlog it does not detract from the reality that the backlog exists and needs to be dealt with.

The NSW government is to be commended for taking a number of steps to assist local government in dealing with the backlog following the Dubbo conference. The DLG commenced a 'council by council' audit of the local infrastructure backlog and also implemented a loan subsidy scheme.

For most LGEA members responding to the 2012 survey and discussions, the formula for renewal involves additional funding and increased capability. It also involves knowing the size of the problem.

### **Dealing with the infrastructure backlog**

*"To tackle the infrastructure backlog issue, you need to create capacity." - General Manager, small regional Council.*

*"The issue is that with tackling infrastructure issues, the elected Councillors and many of the managers do not fully understand that engineering staff are required for analysis and supervision of the projects." - Senior engineer, small metropolitan Council.*

*"It is important to get the asset funding right. Our Council is on the forefront thanks to Jeff Roorda's spatial asset management plan. We are into a second infrastructure spend having introduced a levy via IPART. If not for the levy we would be looking at a backlog of \$80m in 20 years. Now this will reduce to \$18m over the same time." – Manager Projects, small metropolitan Council.*

Influencing the decision makers in Council by using reliable data obtained through an asset management system has assisted a large metropolitan Council in a number of ways.

*"By subjecting just about everything to the asset management system, it has broken down the silos in the Council. Assets data can be compared across Council roles for a total perspective. Council becomes aware of what is going on and what needs to be done. It can make decisions on a number of funding scenarios. Hence the backlog is manageable." – Director City Works, large regional Council.*

Some Councils are in a relatively good position, (at this stage).

*"Our Council is in an enviable position as it is a relatively new area with newer developments providing a good rate base for upkeep of the older areas. Hence*



*we do not have the backlog of older LGA's." - Senior Development Engineer, large metropolitan fringe Council.*

## **How will Councils cope with skills shortage and an infrastructure backlog?**

A former Chief Engineer felt the present planning process needs to be addressed.

*"Discipline in strategic planning needs to return to many Councils. There is a culture of delusion now where things need to get done immediately. Proper planning design, administration, compliance and approval usually requires a lead time of close to 12 months. In the past a job didn't get into the budget unless it had consent and planning approval." – former Chief Engineer.*

There appeared to be a difficulty responding to this discussion topic. The tendency was to initially consider a short term set of solutions such as; use more consultants, engage more supervisors to allow engineers more strategic planning time, outsource more work, engage experienced project managers, share resources better. The difficulty stems from the fact that the engineering skills shortage is a national problem and that nothing that has occurred recently, before or after Destination 2036, has altered local government's ability to compete for engineers in the marketplace. Accordingly the responses reflected this 'reality'.

The interviewees who mentioned Destination 2036 and the Panel felt the main short term outcome would be a recommendation for council amalgamations. As a warning to those who feel amalgamations offer a panacea, one respondent offered:

*"The experience of City of Sydney and South Sydney is not a good one to go on. Careers were affected and the amount of down time in trying to synchronise different systems distracted from the real work that was required." – Senior Engineer, small metropolitan Council.*

Another perspective considers the longer term effects on recruitment and expertise.

*"Amalgamation of councils may assist lower level positions, but it will lead to losses at higher levels. If there is a decline in those coming into industry, problems filling positions will continue as well as a loss of high level expertise." – Director of Technical Services, small rural Council.*

Although NSW is poised to learn much from other local government jurisdictions which have undertaken amalgamation, such as Victoria and Queensland, one aspect raised in the extract above rings true. NSW benefitted from Queensland amalgamations whereby displaced engineers secured positions in NSW councils. Amalgamations will displace engineers at various levels and frustrate others into seeking employment outside the sector.

**Recommendation Four**

**Should council amalgamations be voluntarily or involuntarily introduced into NSW, mechanisms and policies should be put in place to ensure the industry does not lose scarce skills and staff.**



## PART C: WHAT SHOULD BE HAPPENING ACROSS LOCAL GOVERNMENT

Whilst many in local government are content to contribute to and see through the current NSW Government driven actions arising out of the Destinations 2036 forums, many interviewees provided innovative examples of local initiatives.

### Attract, recruit, train and retain

*"Be open with consultation to engender trust and develop a cooperative relationship and support."* - General Manager, medium size regional Council.

Port Stephens Council successfully implemented a strategy to become an 'employer of choice' through successive rounds of enterprise bargaining under the auspices of the NSW Industrial Relations Commission. The enterprise agreement introduced a variety of flexible working conditions such as flexible leave entitlements including enhanced carer's leave, parental leave, grandparent's leave and the ability to buy additional annual leave. It also provided opportunities for remuneration improvements through the introduction of annualised salaries and packaging for senior operational and functional managers.

By relaxing the requirement to produce medical certificates for sick leave, a notion of trust and self management was introduced into Council. Three years on, there has been an improvement in staff retention and the quality of applicants for vacant positions. Importantly, there are changes for long term workplace culture.

*"...the requirement for supervision and management has decreased, allowing more time for leadership and support."* - General Manager, medium size regional Council.

### Recommendation Five

**The relevant industrial parties should utilise the workplace bargaining processes and available institutions to re-design and develop conditions of work and career progression to assist attraction, recruitment, retention and workforce development in local government.**

*"Traineeships are the answer!"* – Director of Technical Services, small rural Council.

*"What do we do about the skills shortage? Remuneration policy (i.e. paying more) is not sustainable. We need a 'whole of local government approach' to this issue."* – Director of Technical Services, small rural Council.

One 'whole of local government approach' could involve the development of appropriate standards for trainees and graduate programs. Albury City Council decided to take a positive step towards developing skills for the future.



*"About 3-4 years ago Council decided to commence a 'Grow your own' workforce plan to deal with turnover and skills issues. They offer traineeships and apprenticeships. Community is aware of this and supports it. Councillors support it due to trade-off being that vacancies will be offered to trainees if appropriate". That is the overall wage bill won't blow out.*

*"There are 7 trainee engineers at the moment, 3-4 years into the qualification that is provided by University of Southern Queensland (USQ). The course is distance based with residential which mean trainees work for Council whilst studying. Total time is 8 years. They get an associate degree issued after 4 years, then a Bachelor of Technology after another 2 years and finally the BEng. There is no guarantee of a job, the trainees are free to apply for vacancies. A number have secured positions." - Director of Engineering, large regional Council.*

Dubbo City Council has a relationship with the University of Newcastle for its cadets.

*"Council has supported a local student with a scholarship through University of Newcastle. During semester breaks, this student works at Council. When he graduates, he will be free to go, although it is hoped he will stay on." - Manager Infrastructure, large regional Council.*

A key ingredient in both examples above is the 'grow our own' strategy of developing a future employee from the local community. The aim is to keep the 'local' for a number of years following graduation.

In the metropolitan area a number of larger Councils encourage traineeships and cadetships. Smaller Councils are looking at the possibility that their Regional Organisation of Councils (ROCs) will play a part in a 'grow your own' strategy.

*"When the UTS sandwich course was running, Councils would be approached for placements. Now Councils have to seek students. Perhaps our ROCs may be able to play a role via a pro rata levy of participating Councils to find placements for cadets from Unis." - Manager Projects, small metropolitan Council.*

*"The UTS course was good. We now need a structured program for cadets/trainees that an employer can follow. With structured work experience, employers will help develop the cadets into practically qualified professionals." - General Manager, small regional Council.*

#### **Recommendation Six**

**LGEA to consider establishing guidelines for traineeships, cadetships and graduate programs to assist the development of new engineers. Additionally, guidelines for practical structured programs need to be defined to assist the development of new engineers.**



## Further training and skill development

*"Councils need more 'well rounded' engineers. They need something like the Certificate IV which contains many of the soft skills like communication, management, leadership and presentation skills, to assist development (not MBA's). Use role models, career path advice and mentoring, so long as it doesn't teach the old ways." - General Manager, small regional Council.*

*"Why not use former engineers who have moved into senior managerial positions or other non-technical roles to convey a message or two... it seems they are forgotten when they leave an engineering job. They can assist in talking up cadets and presenting on opportunities etc." - General Manager, small regional Council.*

### **Recommendation Seven**

**LGEA could consider inviting engineers who have moved into other senior roles, to address younger members on career related issues.**

## New sources of engineering skills

*"Untapped resource is female engineers. Tapping the gender issue is a challenge. Most female engineers have been exceptional in his experience." - Director of Technical Services, small rural Council.*

The participation rate of women in the engineering profession is another area addressed by the Senate and found to contribute to the skills shortage

*"It took 12 months from the time of interview to get a British engineer on the job." - General Manager, small regional Council.*

On the face of it, this is not a good outcome for skilled migration.

Mention has been made above of attempts to tap in communities with retired engineers and other mature professionals and entice them to work on a part-time, casual or short term contract basis.

A respondent queried whether LGEA had a register of retired members that could be approached to determine whether they were prepared to be part of a pool of part time, casual, volunteer professionals.

### **Recommendation Eight**

**LGEA should consider the merit of the request to access retired members for part-time or casual engagement. This request could also be discussed with other local government organisations.**



## Resource sharing

It was common, although not the rule, for Councils to enter 'formal arrangements' to share resources with neighbours, or in some cases, with Councils in other regions, in 'sister-city' relationships. Some examples;

- i. Broken Hill City Council and Bankstown City Council share a 'sister city' relationship whereby the latter provides a development application service when capacity allows.
- ii. Campbelltown City Council and Coonamble Shire Council have developed a 'sister-city' relationship based on their common use of an asset management system. The latter has a reputation for excellent bridge work.

Other formal and informal examples included the sharing of equipment, secondment of employees, advice on data collection systems, design services and road gangs. e.g. Gilgandra Shire Council sends its road gang into the Bourke Shire.

The many formal commercial and informal sharing arrangements were in most cases attempts to alleviate the effects of a skill shortage or entered into as recognition of the inability of a smaller Council to find resources.

## Networking works

Campbelltown City Council uses an asset management system called Conquest, and is involved in a network of over 30 councils, including Victorian, New Zealand and South Australian councils, which similarly use this system. The networking allows sharing of ideas, innovation and problem solving.

The interviews suggested that professional engineers by virtue of their qualifications and roles are well positioned to encourage and make use of networking opportunities. The examples were encouraging, with time constraints being the major challenge.

## Centralisation of Design and Project Management services

*"There may be an opportunity for regional councils to share resources through a 'regional design office or bureau'. It could be housed in a bigger council or managed by a ROC. Centralising this service will assist smaller Councils that cannot afford to buy in design expertise, or for those Councils that have entirely outsourced the function." - Director of Technical Services, large regional Council.*

*"The centralisation of design and project management may work as would the off-shoring of some work such as design. The shared services model (Allan), is worth considering." - General Manager, small regional Council.*

The suggestion that a central office be established in regional areas is reasonably popular, with one General Manager suggesting such an office could generate its own



income stream. The idea is accepted as being consistent with much of the resource sharing, (and procurement), that occurs between Councils or through ROCs. The latter is certainly true of metropolitan areas.

The contributions above show that Councils are seeking to resolve their difficulties in either an independent or regional way. Whilst many initiatives are excellent examples of localised problem solving, there seems to be a lack of industry wide communication, or sharing of information, about successful initiatives.

#### **Recommendation Nine**

**LGEA should consider the opportunities for industry wide application of the resource sharing and the other initiatives outlined in this report.**

### **Concluding Remarks**

NSW Local Government has an opportunity through Destination 2036 to map a course for the future.

What is evident from the above initiatives is a tendency for Councils to 'do their own thing' to remedy what is in most cases, a national or industry – wide difficulty.

Despite their limited resources, Councils have undertaken measures to become 'employers of choice', resource sharers, graduate engineer developers and asset management system advocates.

There appears to be an opportunity for greater 'whole of industry' thinking and action on the issues facing local government as well as the initiatives being considered to offset the challenges.

As stated earlier in this report, local government is at a disadvantage in competing in the market for skilled employees. On the other hand, it presently retains an advantage by offering flexible and 'family-friendly' conditions of employment.


Should this advantage disappear, scarce, skilled employees will re-assess their terms of engagement and possibly re-consider the superior remuneration benefits of other industries.

As a form of advice to the Panel for its deliberations, a General Manager offered the following:

*"Don't eliminate flexibility in order to pursue outcomes, don't design structures that impede the outcomes we (local government) are looking for." - General Manager, medium sized regional Council.*



# Revitalising local government.



ROAD CLOSED

Improving engineering  
capacity to fix the  
infrastructure backlog.

A submission by





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## **LGEA’s response to “Revitalising Local Government” by the Independent Local Government Review Panel and Local Government Acts Review Taskforce**

Following is the LGEA’s response to the Independent Local Government Review Panel’s final paper “*Revitalising Local Government*” and the Local Government Acts Review Taskforce.

The LGEA welcomes the opportunity to provide our comments on the reports before the Government determines the direction it will take with regards to local government reform.

This response builds upon the position we have taken in our previous three submissions to the Panel and one submission to the Taskforce, all of which we have attached for the Government’s reference.



## Introduction

The biggest challenge facing NSW local government is the asset maintenance gap and the cumulative infrastructure backlog. If we are to address this gap and meet the backlog without wasting hundreds of millions of dollars in ratepayers' and taxpayer funds, we must make sure councils throughout the State are equipped to meet this gap and redress the backlog. We must equip them with the tools to undertake the task. The most necessary of those tools are the enabling professions on which the accurate costing, delivery and maintenance of infrastructure depends. Key amongst these are engineers.

In the words of the Panel,

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

(page 28)

Throughout Australia, governments have lost the necessary expertise to deliver infrastructure projects. They have become dependent on outsourcing projects to the private sector for delivery, and in many cases – including in Local Government – lack the required amount of resources or internal skills to conduct proper oversight. Local Government, with relatively low rates of pay when compared to public and private sector organisations, is at a particular disadvantage when it comes to attracting technical professionals and has become dependent on migrant engineers, who often use Local Government as a staging post to further career opportunities. There is a resultant loss of in-house capacity and expertise and the private sector increasingly deals with an ill-equipped client (what has become known as an “uninformed purchaser”) which drives project delays, cost over-runs and waste.

The Australian National Engineering Taskforce (ANET)<sup>1</sup> explains: “A lack of engineering capacity within agencies necessarily results in the outsourcing of scope and design work to the private sector. It means that the agency becomes an uninformed purchaser and drives inadequate scope and design, which can have severe consequences”<sup>2</sup>. 52 per cent of respondents (drawn from across sectors, public and private) to Blake Dawson in 2008, “felt their project was not sufficiently and accurately scoped prior to going to market”<sup>3</sup>, an increase of ten per cent from the same survey in 2006<sup>4</sup>. This caused “cost overruns (61%), delayed

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<sup>1</sup> ANET is a taskforce formed by the Association of Professional Engineers, Scientists and Managers Australia (APESMA), Engineers Australia, The Association of Consulting Engineers Australia (ACEA), The Australian Council of Engineering Deans (ACED) and the Australian Academy of Technological Sciences and Engineering (ATSE) with the purpose of creating a national strategy for the development of Australia’s current and future engineering workforce.

<sup>2</sup> ANET (2012), p51. *Realising an Innovation Economy*. ANET, Sydney.

<sup>3</sup> Blake Dawson in ANET (2012), p21-22. *Realising an Innovation Economy*.

<sup>4</sup> Ibid.





completion (58%) and disputes (30%)”, with “26% of the \$1 billion+ projects surveyed being more than \$200 million over budget”<sup>5</sup>.

The LGEA believes that in order to tackle the infrastructure backlog it is necessary to not only invest in infrastructure, but to also invest in the technical professionals which can enable the delivery of that infrastructure. Herein are what we believe are a range of low-cost, practical solutions which will ensure we make the most of taxpayer and ratepayer dollars when we address the maintenance and infrastructure backlog in Local Government.

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<sup>5</sup> Ibid.



## Summary of recommendations

Throughout this submission we have made the case for the following recommendations to be adopted, namely that:

1. The Government should require that each council must have a qualified Chief Engineer responsible for the principal oversight of the management of the council's assets and infrastructure program. The Chief Engineer position should be a senior staff position and must hold a qualification in a relevant discipline of engineering, as offered by an accredited Australian university, or a qualification gained elsewhere that satisfies the requirements of "the Washington Accord"<sup>6</sup> for recognition as a professional engineer.
2. In accordance with the recommendations of TCorp, the smaller councils or proposed Regional Joint Organisations of Councils could share a person as their Chief Engineer.
3. The Government should introduce a requirement for all council IPR plans to be signed-off by a council-employed engineer who meets the qualification requirements outlined in point one above.
4. The Government should introduce a Professional Engineer registration scheme, to be phased in over a five (5) year period, whereby all engineering work undertaken on council assets must be overseen by a registered engineer.
5. The Government should establish a Ministerial Advisory Committee to identify and oversee the implementation of other methods through which engineers and other technical professionals are able to be attracted and retained in industry.

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<sup>6</sup> A series of agreements relating to the recognition of equivalence of professional engineering qualifications and competence. Qualifications under this scheme are recognised as fitness to practice as a professional engineer across the signatory jurisdictions.





## Investing in Local Government capacity to tackle the infrastructure crisis

Our members have an acute sense of public responsibility. We are pleased to see the work of the Panel bringing attention to asset maintenance and the infrastructure backlog as these issues have troubled our members for many years. We particularly welcome the Panel's acknowledgement that these issues warrant the "highest priority" (page 28).

There is no doubt that the infrastructure gap (estimated at \$7.2 billion) is a large financial burden on councils and one that requires investment to overcome it. However, the Panel's final report appears to have reached the conclusion that by ensuring the financial management expertise of council's staff, the infrastructure backlog issue will be resolved. This is simply not the case. Yes, more funds are required and financial management needs to be sound however, financial management expertise alone will not fix the problem. Not only do the works require money in order for them to be undertaken, councils also require appropriately qualified and experienced technical professionals to undertake the work and/or manage its external delivery. As the Panel has noted,

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

NSW local government has increasingly limited career paths for engineers and comparatively low rates of pay compared to other public and private sector organisations. In an environment where competition for engineering skills has been acute due to a national engineering skills shortage this has led to a lack of experienced engineers working within the industry that is charged with delivering infrastructure for the public good. Local Government must work to attract and retain adequate numbers of suitably qualified engineers and other technical professionals. External providers – themselves often hampered by skills shortages - cannot be expected to deliver projects on time and budget to a client who often lacks the necessary skills to properly scope and design projects. Equally, the diminished capacity in Local Government needs repair to allow for improved management, oversight and delivery in its own terms.

In its final report the Panel has acknowledged that inadequate investment in maintenance and renewal, limited staff resources and a shortage of personnel with asset management skills have contributed to the current infrastructure crisis (pages 35 & 49). The Panel notes that skills shortages are of growing concern, and that local government needs to



prioritise ways of attracting and retaining skilled personnel, and developing the talents of its workforce. However, while the Panel has alluded to the engineering skills shortage, it has not offered any solutions for helping to resolve it. Unless the industry identifies and implements real strategies that help it to build its engineering and technical professional capacity, inadequate resourcing will continue.





## The case for a Chief Engineer

The LGEA notes that the Panel has recommended that each council have a qualified Chief Financial Officer (CFO), (page 37). This will undoubtedly help to raise the level of financial competence within the industry; however a CFO cannot scope, design, cost, nor manage delivery of a bridge, or any other piece of infrastructure for that matter. They will be placed in the position of accepting private sector pricing, designs and delivery timetables because they do not have to hand adequate technical expertise available to properly advise them.

In order to prioritise asset and financial planning within the industry and effectively tackle the infrastructure backlog, a council needs a Chief Engineer as much as it needs a Chief Financial Officer. A Chief Engineer, at the disposal of every Council, is a must to ensure value-for-money is delivered, optimal solutions found and timetables met when clearing the maintenance and infrastructure backlog.

The LGEA has called for the appointment of a Chief Engineer in every council in both our submission to the Local Government Acts Taskforce on 29 January 2013, and our submission to the Panel on 18 June 2013.

Simply equipping all councils with a Chief Financial Officer will not be enough to fix the infrastructure backlog – councils need not only their finances in order, but the skilled technical professionals to not only perform the work but to be an informed purchaser of infrastructure and engineering services. The creation of a statutory position of Chief Engineer would ensure that appropriately qualified people are involved in decision-making processes, helping councils to reduce costs and potential waste by assisting them to become informed purchasers of infrastructure and infrastructure services. While the competences of both occupation sets have financial management implications, they are distinct.

The Panel's final report is again replete with examples of how improved financial performance and improved asset management planning are considered inseparable. One without the other is not sufficient to ensure effective asset management planning. In its final report the Panel stated that asset management planning must be prioritised, and that long-term asset and financial plans are the essential foundations of sustainability for the industry (pages 34-5).



**The LGEA submits to the Government that requiring councils to appoint a Chief Engineer will provide for more efficient infrastructure investment and asset management through:**

- Helping councils to better develop project scope documents (the fundamental objectives of projects) which will in turn assist to avoid / minimise cost overruns, delayed completion and contractual disputes.
- Councillors being able to obtain better advice in relation to infrastructure projects that are being submitted for their consideration by senior management representatives thereby assisting them to make better informed decisions in relation to their spending decisions.
- Assisting in making the best use of councils' scarce resources. In its report "Better, Stronger Local Government" in November 2012 the Panel said that tackling the infrastructure backlog will *"require continued efforts to make more efficient use of available resources"*, and that, *"the underlying issues of local government revenues and the limited technical capacity of many smaller councils must also be addressed"* (page 20).
- Enhancing public safety. As well as ultimately bearing the costs of projects being delivered late and over budget there are also serious risks to public safety for councils that lack engineering capacity at senior levels within their organisation structure. The consequences of engineering failure resulting from the poor scoping or design of projects can be devastating. Appropriately qualified and experienced engineers employed in senior positions are vital to ensuring that an adequate focus remains on asset management so that tragedies such as those that have been seen in local government and other industries are avoided.
- Ensuring that the asset management plans reflect the engineering fundamentals in addition to the financial fundamentals as overseen by the proposed Chief Financial Officer.

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

Local government is not alone – other industries have also been grappling with the need to become "informed purchasers" in order to avoid waste, and to develop clear career paths for their engineers in order to boost attraction and retention rates. The creation of a Chief Engineer position as a way of helping to address these needs is not a unique proposal. In NSW all of the electricity distribution state owned corporations have in recent times





created the position of Chief Engineer in their organisation structures. And, the recent federal Senate inquiry into the shortage of engineering and related employment skills recognised that in-house engineering expertise within the Australian Public Service was lacking<sup>7</sup>, and recommended “the government consider creating senior technical engineering roles in the Australian Public Service”. The Inquiry added, “This measure would ensure that highly qualified technical engineers may continue to build upon specialist knowledge while enjoying career progression in the public sector”<sup>8</sup>.

The LGEA submits that the position of Chief Engineer should be a statutory position that is created by an amendment to the Local Government Act requiring all councils and the proposed Joint Organisations of councils to include the position of Chief Engineer in their organisation structure. In our submission to the Local Government Acts Review Taskforce we made the following key points:

- Given the massive infrastructure backlog that is currently faced by the industry it is not appropriate for the Local Government Act to remain silent on the issue of qualifications. Direction must be provided to councils to ensure that they employ appropriately qualified engineers at a senior level so that councils maintain a focus on infrastructure delivery and maintenance.
- Amending the Act will help to address the issue of the limited technical capacity of councils and the inefficient use of costly engineering consultants to bridge skill gaps which exist within council organisation structures.

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

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<sup>7</sup> The Senate Education, Employment and Workplace Relations References Committee (2008), p7. *The shortage of engineering and related employment skills.*

<sup>8</sup> *Ibid*, p60.



## The IPR framework

Throughout its final report the Panel notes that securing local government's financial capacity and sustainability is the fundamental pre-requisite for all other moves to enhance its strength and effectiveness. In Part B: Finance and Governance, it is noted that a medium-long term strategy is required, one that:

*"...combine(s) fiscal discipline with improved financial and asset planning, accelerated increases in rates and charges where required, redistribution of grant funding, and improved efficiency and productivity. (page 34)*

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

The Panel has concluded that many councils across NSW have been having difficulty in meeting the asset and financial planning requirements of IPR, and has recommended revised requirements for Delivery Programs, so that they accurately and fully reflect the provisions of its asset and financial plans (page 35). The Panel has also noted that the difficulties that councils have faced in meeting the asset and financial planning requirements of IPR can be linked to limited staff resources and a shortage of personnel with the necessary asset and financial management skills.

The LGEA submits that simply introducing more rigorous guidelines for Delivery Programs (page 35 and 37) will not equip councils to overcome the hurdles they have been facing with regards to IPR and the infrastructure backlog. As the Panel itself has concluded, these difficulties have been created in part due to a lack of qualified staff to undertake the necessary planning work. Without a strategy to overcome the staff shortage issue, the proposed changes to planning will simply stretch an already strained workforce across the industry, and exacerbate the existing problems.

Any strategy that seeks to improve the financial and asset planning capabilities of councils must include a consideration of the resources required to undertake that strategy. In this case, the question is how local government can address its shortage of personnel with the necessary asset and financial management skills to enable it to effectively improve its long term asset and financial planning.



The LGEA submits that if councils are to be subjected to more rigorous IPR guidelines, then the qualification requirements of the staff who undertake the IPR work should also be more rigorous. In short, the LGEA believes that the Panel should introduce a requirement that all IPR plans must be signed-off by a qualified engineer. If the Panel acknowledges, as it has, that the current infrastructure backlog has been brought about in part due to a shortage of appropriately qualified staff, then it must address this issue in its proposed solutions.

A requirement for all IPR plans to be signed-off by a qualified engineer would bring more rigour to the IPR framework and address the concerns raised that the current infrastructure backlog has been created in part by this work being undertaken by staff without the necessary qualifications. This requirement would also help to elevate the role of engineering within the industry, which the LGEA argues is necessary if NSW local government is to be able to attract and retain an increased number of suitably qualified engineers and technical professionals into the industry.

### **Recommendations**

- The Government should amend the Local Government Act to require each council to have a qualified Chief Engineer responsible for the principal oversight of the management of the council's assets and infrastructure program. The Chief Engineer position should be a senior staff position and must hold a qualification in a relevant discipline of engineering, as offered by an accredited Australian university, or a qualification gained elsewhere that satisfies the requirements of "the Washington Accord" for recognition as a professional engineer.
- In accordance with the recommendations of TCorp, the smaller councils or proposed Regional Organisation of Councils could share a person as their Chief Engineer.
- The Government should introduce a requirement for all IPR plans to be signed-off by a council-employed engineer who meets the qualification requirements outlined in point one above.





## A better regulatory framework for engineers

The LGEA believes that the Government must address the issue of the industry's shortage of appropriately qualified staff in order to adequately tackle the bigger issue of the infrastructure backlog. Ensuring that work on council assets and infrastructure is undertaken by appropriately qualified staff can only lead to better solutions and improvements in long term asset planning. And allocating clear roles and career paths for engineering professionals can only lead to an improved rate of attraction and retention of these individuals within the industry.

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

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

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

We support the implementation of a registration scheme in New South Wales on the basis that it helps to protect the community who rely upon local government infrastructure. Obviously the scheme will need to



be phased in over an appropriate period of time. We believe that such a scheme should be established on the basis of fair cost recovery. A survey by Professionals Australia of its engineer members found that the vast majority supported registration for engineers, with costs being levied at below \$500 for initial registration. As such, competition between assessment entities such as is provided for in Queensland is vital.

### **Recommendation**

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



## Taking the lead to tackle the infrastructure crisis

The engineering skills shortage and the infrastructure backlog require government leadership to solve it. At the moment there is no mechanism to ensure that demand for engineers is being met by supply and we are producing only approximately one third of our engineering needs domestically<sup>9</sup>.

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

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

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

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

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

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<sup>9</sup>Andre Kaspura (2013). *The Engineering Profession, A Statistical Overview*.  
[https://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CCgQFjAA&url=https%3A%2F%2Fwww.engineersaustralia.org.au%2Fsites%2Fdefault%2Ffiles%2Fshado%2FRepresentation%2FStats%2F2013\\_statistical\\_overview\\_australia.pdf&ei=7i86U56eEI-ZIQXD7YHqDw&usq=AFQjCNGt\\_EQx8BQV1n9du-M6shaenD-Bow&bvm=bv.63934634,d.dGI](https://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CCgQFjAA&url=https%3A%2F%2Fwww.engineersaustralia.org.au%2Fsites%2Fdefault%2Ffiles%2Fshado%2FRepresentation%2FStats%2F2013_statistical_overview_australia.pdf&ei=7i86U56eEI-ZIQXD7YHqDw&usq=AFQjCNGt_EQx8BQV1n9du-M6shaenD-Bow&bvm=bv.63934634,d.dGI)





The Legislative Assembly's Economic Development Committee recently conducted an Inquiry into the issue of skills shortages in NSW and earlier this week delivered its report to parliament in which it set out a series of relevant recommendations and findings. Key amongst those as it relates to this submission are:

**“Recommendation 7**

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

**Recommendation 21**

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

**Recommendation 22**

That the NSW Government implements programs to provide greater cultural and social support to skilled migrants relocating to regional communities”<sup>10</sup>.

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

**Recommendation**

- The Government should establish a Ministerial Advisory Committee made up of relevant parties to identify and oversee the implementation of other methods through which engineers are able to be attracted and retained in industry.

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<sup>10</sup> Legislative Assembly Committee on Economic Development (2014). *Skills Shortages in NSW*. [http://www.parliament.nsw.gov.au/Prod/Parliament/committee.nsf/0/ef8a635be9f5b23bca257ca7000ee0fc/\\$FILE/Report%20No%202%2055%20-%20Skill%20shortages%20in%20NSW.pdf](http://www.parliament.nsw.gov.au/Prod/Parliament/committee.nsf/0/ef8a635be9f5b23bca257ca7000ee0fc/$FILE/Report%20No%202%2055%20-%20Skill%20shortages%20in%20NSW.pdf) accessed 2 April, 2014.



## Additional comments on other recommendations from the Panel and Taskforce

### Amalgamation

Council amalgamations may help bridge the infrastructure backlog by building organisations of a scale and scope that are better able to deliver engineering services and manage infrastructure programmes. Our policy on amalgamations is that we will be guided by members at the councils involved as to whether a particular merger proposal has merit. We will only support an amalgamation where our members will not be disadvantaged and where the proposed amalgamation will lead to better resourced councils that are better placed to resolve infrastructure issues in the communities involved.

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

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

*The LGEA will support amalgamations which:*

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

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

### Regional 'Joint Organisations' of Councils

We note the Panel's recommendation that additional options for local government structures be considered, such as the proposed regional 'Joint



Organisations'. In principle, the LGEA is not opposed to these additional structures, and can see the value in increased resource-sharing and joint planning, particularly in regional areas. However, from our perspective it is vitally important that the creation of such entities is not undertaken in an effort to, amongst other things, avoid obligations arising from either the *Local Government Act*, or the *Local Government Award*. As such we support the Panel's recommendation that these organisations be formally established under new provisions of the Local Government Act as well as its recommendation that they should be subject to coverage by the Award.

The proposed new structures throw up a host of other issues that will need to be carefully considered prior to their implementation. Therefore, we suggest that if the Government decides to adopt this particular recommendation of the Panel then it should first establish an Industry Working Party including all relevant industry parties to identify the various matters that would be associated with the formation of such organisations. Given that these organisations are likely to have a focus on regional infrastructure assets we would have a particular interest in being involved on such a working party. We also agree that it would be prudent to trial the proposal in a pilot region as proposed by the Panel at page 82 of its report in the first instance.

### **Employment related sections of the Local Government Act**

We note the recommendation of the Acts Taskforce that the Act be streamlined and focused on IPR as its central framework (page 36). The LGEA generally supports this recommendation, and the recommendations regarding moving some of the employment-related sections of the Act into the *Local Government Award*.

Other key employment-related sections of the Act would also benefit from review, as outlined in our January 2013 submission to the Taskforce (attached). A summary of the key areas of our submission regarding this is contained below.

#### **Section 333 – Re-determination of structure**

The current requirement that councils re-determine their organisation structures within 12 months after any ordinary election of the council is in our view unnecessary and often a waste of council resources. Instead we propose that the current section be amended to provide that organisation structures must be ***re-determined during each term of the elected council***.





### Section 338 – Senior Staff Contracts

The LGEA calls for the removal of the requirement for senior staff to be appointed to **fixed term** contracts.

The Act provides that senior staff may be employed under a contract which is:

- performance based,
- for a fixed term of no more than 5 years, and
- a model contract approved by the Director General of Local Government.

The **model contract** allows an employer to terminate the employment of a senior staff member:

1. in circumstances where summary dismissal is justified,
2. if the employee is incapacitated,
3. if the employee fails to meet performance requirements, and
4. for any other reason.

Given the above provisions of the model contract the LGEA contends that no further safeguards are required and that there is no need for senior staff to be appointed to a contract which is for a fixed term.

The fixed term provision is superfluous and creates unnecessary complications in the employment relationship. The examples below are from real cases involving LGEA members.

1. The model contract has convoluted renewal procedures relating to offer and acceptance of a new contract. The failure of either party to meet time/date obligations under these procedures regularly leads to disputes.
2. Senior staff can be offered a 5 year contract by a General Manager shortly before the General Manager leaves the Council, creating complications for the incoming General Manager.
3. If a Council is restructuring and reducing the number of senior staff, it is perceived that those whose contracts are close to expiry are more likely to be terminated than those with longer contracts, regardless of merit.
4. On the other hand, some General Managers with **pending** restructures believe they can't offer a new 5 year fixed term contract to senior staff whose contracts are about to expire, and their inability to do so means that their Council can be at risk of losing a valued staff member to another Council where a 5 year contract is on offer.

The LGEA submits that there are no commercial imperatives for fixed term contracts where the employer has all the other safeguards that are



available under the Local Government Act and model contract. Where employers have similar safeguards in the private sector, fixed term contracts are generally restricted to positions reporting directly to the Board of Directors or where the employment is for a project limited by time.

### **Section 340 – Exclusion of Industrial Arbitration for Senior Staff**

The LGEA calls for the removal of the exclusion from industrial arbitration of senior staff for the purposes of resolving disputes that arise in relation to the implementation and interpretation of the model senior staff contract.

Presently the Act provides that any matter arising from the employment of a senior staff member is not an industrial matter for the purposes of the Industrial Relations Act 1996 (NSW). This has meant that in order to resolve a dispute involving a senior staff member the parties have had to pursue costly, inefficient and overly legalistic avenues in order to seek a remedy. More often than not, the costs of seeking the outcome are greater than the value of any claim to both parties.

In contrast to the costly and inefficient process involved with pursuing damages for breach of contract and other claims, we submit that the NSW Industrial Relations Commission provides a cheap, convenient and experienced jurisdiction for the resolution of disputes involving senior staff members. Opening up access to the Commission to senior staff for the purposes of dispute resolution and contract interpretation would in our view be a very effective way of helping to avoid protracted and financially crippling contractual disputes involving senior staff members of councils.



## Conclusion

The LGEA is grateful for the opportunity to provide our comments on the reports before the Government determines the direction it will take with regards to local government reform. We recognise the need for industry reform and encourage reforms that seek to help resolve the industry's cumulative infrastructure backlog. We believe that it is vital that skills and qualifications are recognised and that steps are taken to ensure that the industry has the expertise and knowledge required for the efficient delivery of safe and effective infrastructure to our communities.

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



## LGEA

**Street address** Level 1, 491 Kent Street, Sydney 200

**Phone** 1300 273 762

**Email** [gbrock@@professionalsaustralia.org.au](mailto:gbrock@@professionalsaustralia.org.au)

**Web** [www.professionalsaustralia.org.au/groups/lgea](http://www.professionalsaustralia.org.au/groups/lgea)

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