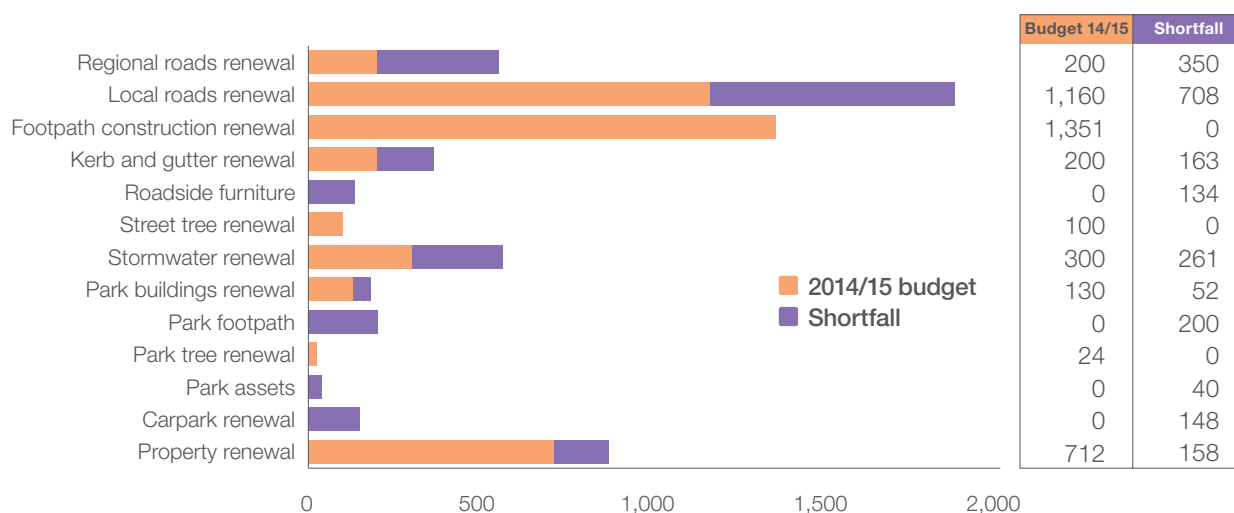


WHAT IS OUR ANNUAL SHORTFALL?

The total annual funding shortfall for infrastructure assets whole of lifecycle is \$9.2 million. This is further modelled in the detailed asset management plans and the long term financial plan. The shortfall estimate is based on the 2014/2015 budget and the renewal required to maintain existing assets at a satisfactory level of service. The total annual funding shortfall to renew existing infrastructure assets is \$2.354 million for 2014/2015.

2014/2015 renewal budget shortfall



Impacts of shortfalls

- Lower levels of service.
- Lower reliability of service.
- Poor asset conditions.
- Higher level of risk.
- Increased costs for critical assets.

Resolving the shortfalls

- Improve asset knowledge/data.
- Improve efficiency to optimise lifecycle costs.
- Identify and manage risks.
- Balance service levels and costs.
- Identify surplus assets and dispose.
- Consult with the community to make service needs affordable.
- Review funding levels and apportionments.

A funding gap exists where there is insufficient capacity to fund asset renewal, maintenance and other operational life cycle costs at the required level of service for existing assets. Further analysis will be required when community engagement on desired levels of services is carried out and more data is collected on operational and maintenance expenditure against assets. This shortfall estimate considers information reported in Councils annual financial reports including estimated cost to bring up to a satisfactory condition and the gap in required and actual maintenance expenditure.

This assessment does not include all new additional assets or an upgrade of existing assets to generate a higher level of service such as the 2013 Recreation and Community Facilities Strategies. An assumption for the Integrated Land and Property Strategy has been included as this is currently being developed which will inform new or upgrade opportunities. For this assessment it has been assumed that the funding levels are adequate unless noted below.

Lifecycle	ANNUAL INFRASTRUCTURE SHORTFALL (SCENARIO 1)				
	Open Space	Transport	Stormwater	Carpark	Properties
Operations total: \$1,646,000	\$225,000 Waterplay park (\$50k), Bush regeneration (\$100k), Weekend and new toilet cleaning (\$75k)	\$970,000 Planned tree maintenance including tree base (\$700k), Graffiti removal (\$20k), non chemical weed removal (\$50k), Green LATM and verge garden maintenance (\$200k).	\$150,000 Drainage pipe cleaning (\$100k) Floodplain studies and plans (\$50k)	\$13,000 Landscape maintenance	\$288,000 Increased facilities operating costs including new aquatic centres
Maintenance total: \$745,500		\$300,000 Line marking and signage	\$150,000 Pits and pipes	\$47,500 Line marking and signage	\$248,000 Facilities maintenance including new aquatic centres
Capital Renewal total: \$2,353,500	\$432,000 Playground equipment (\$140k), Park footpaths (\$200k), Park buildings (\$52k), Park assets (\$40k)	\$1,355,000 Regional roads (\$350k), Local roads (\$708k), Kerb & Gutter (\$163k), Roadside furniture (\$134k)	\$261,000 Pits and pipes	\$147,500 Resurfacing	\$158,000 Facilities renewal
Capital Upgrade total: \$2,054,500		\$750,000 Town centre upgrade	\$1,000,000 Flood mitigation & increased pit and pipe capacity	\$12,500 Lighting upgrade	\$292,000 Facilities renewal with upgrades to current standards
Capital New total: \$2,420,000		\$920,000 Kerb ramps (\$120k), Bicycle plan (\$400k) LATM (\$400k from 2017 onwards)			\$1,500,000 Integrated property strategy
TOTAL \$9,219,500	\$657,000	\$4,295,000	\$1,561,000	\$220,500	\$2,486,000

SCENARIO 2

Council will review the current budget to fund areas requiring increased operational and maintenance.

Capital renewal is modelled in the Long Term Financial Plan Scenario 2.

Item No: C0614 Item 5

Subject: INFRASTRUCTURE ASSET RENEWAL - A CASE FOR A DELIBERATIVE DEMOCRACY

File Ref: 14/3935/45752.14

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SUMMARY

Like most NSW councils, Marrickville has an annual infrastructure asset renewal shortfall and a number of unfunded capital works as outlined in the Integrated Planning and Reporting suite of documents. Council proposes a process to determine whether community expectations of service levels and infrastructure delivery align with Council's analysis of the shortfall and ability to deliver new capital works.

To ensure maximum public confidence in the decision, a deliberative democracy process of community engagement is proposed. This involves a randomly recruited demographically representative citizen's jury of local residents with the remit and authority to deliver credible and robust community recommendations to Council. The jury will utilise evidence-based deliberations, informed by broad community and business input and expert advice to achieve consensus.

This will assist Council to make informed decisions about infrastructure asset renewal, prioritisation of unfunded capital works and funding strategies, along with measures Council might take to address these.

RECOMMENDATION

THAT Council:

1. **endorses a deliberative democracy/Citizen's Jury program of community engagement to analyse the assumptions that define Council's infrastructure asset renewal shortfall and to assess unfunded capital works;**
 2. **acknowledges that the Jury's recommendations will shape Council's decision on addressing infrastructure asset renewal, prioritisation of unfunded capital works and funding strategies;**
 3. **agrees to notify the Jury and invite them to the February Council session where action on local infrastructure spending will be discussed and voted upon;**
 4. **agrees to publish the Jury's recommendations unedited and in full to the community; and**
 5. **acknowledges that the Jury's recommendations will be responded to in-person by the Mayor, a representative from each party and an independent councillor within 2 months of the conclusion of the process at a formal meeting on a date to be advised.**
-

Our Place, Our Vision – Marrickville Community Strategic Plan 2023

- 3.4 Marrickville's roads are safer and less congested.
- 3.5 Marrickville's streets, lanes and public spaces are sustainable, welcoming, accessible and clean.
- 3.6 Marrickville's parks, grounds and open spaces provide diverse opportunities for recreation and enjoyment and are designed with community input.
- 4.3 Council is innovative in its delivery of services and projects.
- 4.6 Council consults, engages and communicates with the community effectively.

BACKGROUND

Infrastructure asset renewal is arguably the single biggest issue confronting NSW Local Government today. The issue first captured the attention of the public sector following the release of Percy Allen's report titled 'Are Council's Sustainable - An independent Inquiry into the Financial Sustainability of NSW Local Government' (2006). The report identifies an estimated \$6 billion shortfall in funding for asset renewal purposes throughout NSW Local Government.

In many respects, the Percy Allen Report helped shape what would later become a legislative requirement of all Councils in NSW, Integrated Planning and Reporting (2009). A prominent part of Integrated Planning and Reporting today is the requirement to develop and cost long term asset management plans (including the identification and costing of asset renewal shortfalls).

In 2012/13 TCorp undertook a financial sustainability assessment of all Councils in NSW. Many Local Government practitioners saw this as the 'second wave of evidence' supporting the size and magnitude of the asset renewal shortfall. Using data related to financial year ended 30 June 2011, TCorp estimated that the total shortfall of infrastructure asset renewal funding was now more than \$7.2 billion. This represented a 20% increase in the estimated \$6 billion shortfall Percy Allen reported in 2006.

Whilst there are many reasons why NSW Councils find themselves in the predicament they are in today, one of the primary reasons relates to the cumulative impact rate pegging has had on NSW Local Government over the past 30 years.

The following table highlights the disparity between NSW Local Government and other States over the past 10 years.

Table 3.1 Annual average percentage increases in revenue 2001/02 - 2010/11

NSW – Local Govt	4.4%
Victoria – Local Govt	8.2%
Queensland – Local Govt	8.6%
South Australia – Local Govt	7.0%
Western Australia – Local Govt	8.1%
NSW – State Govt	5.0%
Commonwealth Govt	5.5%

Source: ABS, Government Finance Statistics, Australia, 2010-11, Cat No. 5512.0.

By way of example, if Marrickville Council was the beneficiary of the annual average rate increase experienced by Queensland Councils over the past 10 years (8.6%), an additional \$20 million in rate revenue would have been generated and could have been used to tackle our increasing funding shortfall in infrastructure asset renewal.

In 2014/15, a modest 2.3% rate increase has been determined by the Independent Pricing and Regulatory Tribunal (IPART). This is the lowest rate increase in NSW since 1999 (15 years) and the 4th lowest since 1987 (27 years). These modest rate increases do little to assist NSW Councils make inroads into infrastructure asset renewal funding shortfalls.

Not surprisingly, many NSW Councils have applied for special rate variations to address the infrastructure asset renewal shortfall issue. In the past 4 years alone, 53 Councils throughout NSW (35% of all NSW Councils) have had special rate variation applications approved by the Independent Pricing and Regulatory Tribunal (IPART) for **infrastructure asset renewal related purposes**. Of those 53 Councils, 21 have been Sydney Metropolitan Councils (51% of all Sydney Metropolitan Councils).

DISCUSSION

Council's Infrastructure Asset Renewal Shortfall

Today, Marrickville Council has infrastructure assets valued at nearly \$1 billion. Whilst significant funding is allocated to maintain the service standard of our existing network of infrastructure assets, our asset management systems reliably inform us there is still an annual renewal shortfall of \$6.3 million. This annual renewal shortfall is expected to grow whilst ever limited resources are available to address the situation.

Council's total infrastructure asset shortfall is estimated at \$10 million per annum. Included in this figure are shortfalls relating to upgrade works, operational and maintenance costs as well as necessary renewal works. The shortfall that relates specifically to renewal works is estimated at \$6.3 million per annum.

From an asset management (engineering) point of view, Council's network of infrastructure assets are assessed in accordance with approved asset management standards which categorise assets into one of the following 5 conditions:

- 1 – Very Good
- 2 – Good
- 3 – Fair
- 4 – Poor
- 5 – Very Poor

Council undertakes regular condition-based assessments of its assets network to ensure condition ratings are both accurate and current. The asset renewal breakeven point (whereby there is no shortfall) is universally considered Condition 3 – Fair.

Council has a number of assets that fall into Condition 4 and 5. The aggregated value of renewing these assets, less the total funds available to spend on those assets, is the estimated renewal shortfall.

The following hypothetical example is used to illustrate how shortfalls are determined. In this particular example, the assumption is Council's average condition of Local Roads is Condition 4 – Poor.

Annual cost of renewing Local Roads to a standard equivalent to Condition 3 – Fair	\$5,500,000
Available funds in the Annual Budget	\$3,000,000
Local Roads Asset Renewal Shortfall	\$2,500,000

What type of renewal works are we talking about?

The \$6.3 million infrastructure asset renewal shortfall is made up of many different classes of assets. The following table depicts the wide variety of works that comprise the annual renewal shortfall.

Renewal Works	\$ p.a.
Local Roads	\$ 2,560,000
Kerb & Gutter	\$ 450,000
Community Facility Buildings	\$ 450,000
Stormwater pits & pipes	\$ 400,000
Bicycle Plan	\$ 400,000
Traffic Amenities (LATM)	\$ 400,000
Regional Roads	\$ 350,000
Roadside Furniture	\$ 300,000
Parks Assets	\$ 250,000
Parks Buildings	\$ 250,000
Park Footpaths	\$ 200,000
Carparks (including lighting)	\$ 160,000
Kerb Ramps	\$ 120,000
SUB TOTAL	\$ 6,290,000
New Works	\$ 1,500,000
GRAND TOTAL	\$ 7,790,000

Note: The figures in the table above are net of any available funds that might be available from Developer Contributions, Council's Internal Reserves or known Grant funding opportunities.

What are the community's expectations of our infrastructure asset network?

In order to answer this question thoroughly and properly, Council needs to embark upon a comprehensive community engagement program which will maximise public trust in the outcome.

What we do know through community surveys, is the community place importance on having access to a good local road, footpath and drainage network. The community's satisfaction in this regard, however, is considered relatively low. This results in a significant performance gap. Typically, infrastructure assets such as local roads, footpaths and drainage have the largest performance gaps of all services Councils provide. This is not unique to Marrickville Council; it is a sector-wide reality.

However, these survey results do not take into consideration the community's priorities through a values lens nor allow for levels of understanding or engagement of evidence when making decisions. We need the community to be able to explore issues such as expected service standards and condition ratings versus trade offs they would be prepared to accept.

This will determine whether there really is an 'infrastructure asset renewal shortfall' in the eyes of the community and, if so, how much is it, weighed against community priorities for unfunded infrastructure and potential funding strategies required to match expectations.

Or put simply: ***What level of infrastructure quality do we want to pay for in Marrickville, what are our local priorities for investment?***

The Community Engagement Program

Traditional community engagement processes tend to favour the opinions of interest groups and hyper-interested individuals. Communities often then do not trust the outcome. Council proposes embarking on a new level of engagement with the community, going beyond previous techniques to facilitate a community led, and community informed program, that holds a deliberative democracy process as its nucleus.

Deliberative democracy

Deliberative democracy is a field of political inquiry that is concerned with improving collective decision-making. It emphasises the right, opportunity, and capacity of anyone who is subject to a collective decision to participate (or have their representatives participate) in consequential deliberation about that decision. Deliberative democracy generally involves a representative sample of the community who engage in deliberations that directly affect public decisions and ensures legitimacy in bringing consensus outcomes through the process.

If 30-40 citizens can explore the topic in depth and find agreement, it is the core of this process that will enable a more trusted public decision to be made.

Rather than asking the community "what do you want", a deliberative process asks them ***how*** they wish to address the issues stated above. This makes for a more actionable and considered set of recommendations to inform and empower council, who have final responsibility.

The objectives of a deliberative democracy process for Marrickville Council

The objective of this process for Council would be to provide clarity of intent as to the what level of infrastructure quality the community wants to pay for in relation to what the local priorities are for investment.

It does not intend to make the residents experts in infrastructure provision and find ways to do things better.

Success would involve a clear consensus emerging from a visually representative group immersed in the issue across several months, and that group clearly involving the broadest possible demographic range in proportion to their presence in the community.

Success would also see active interests from the community group sector, local businesses and disadvantaged/minority communities actively engaged in making their views known to the jury of citizens randomly chosen to participate.

While the process serves to empower Council with more credible recommendations, the trade-off is an “unknown” result – the community selects experts of their own choosing. Expert groups, interest groups, community groups etc will be invited to make their case, but the extent of the role is in the hands of the randomly selected citizens, not organisers, facilitators or the Council.

A deliberative process must be focused on fairness, long term viability and public trust.

The methodology

With input from newDemocracy, it is proposed that a Citizens Jury of between 30 to 40 participants be convened for approx. three months for five to six face-to-face meetings. The participant count is fluid to allow for the statistical profile match to the Census to be maintained even if there is a shortfall in a single category. There is negligible statistical impact (in confidence level and confidence interval) on representation within that range.

The participant number is based on relying on a 95% confidence level and a 15% confidence interval. These statistical labels mean that we can be 95% sure that the ‘descriptive match’ to the community would be repeated on any random sample. The confidence interval figure is large as we work on consensus, generally unanimous but occasionally this process relies on supermajority decisions with a floor of 80% of participants agreeing to a recommendation. (Statistical tools are available here: <http://www.surveysystem.com/sscalc.htm>)

The jury’s deliberations will be complemented by a range of traditional engagement techniques (surveys, websites, forums, interviews, Advisory Committees etc) to build on the passion and knowledge found in the actively engaged community. This encourages self-selected groups to discuss and share with a view to making a submission to be considered by the jury of their peers. An online platform can thus serve a dual role as a gathering place for finished ideas, and as a forum space for disparate groups to work within.

Random selection is a key tool used to identify participants as a means of securing a descriptively representative sample of the community. Representation by self-identified ethnic identity is achieved naturally by the randomisation element (with some limited exceptions where cultures have firm traditions of not talking to government and populations are relatively new – however they can be included through other consultative techniques which funnel results into the jury’s deliberations) and assisted by using ratepayer status as a surrogate indicator of income and education. This is not claimed as a “perfect” method, but it delivers more representative sample than any other community process.

The jury makeup will adhere to the Census profile data in drawing a stratified selection by age, gender and ratepayer/ tenant status.

Just as in juries payment is strongly advised so as to avoid excluding participants who may find this a hardship.

The group is convened solely for this process and any future deliberative process requires a new Citizens Jury recruited.

The process

Information and judgement are required in equal parts to reach decisions. Judgement of random samples (or mini-publics) has been shown to achieve very high levels of public trust because they are non-partisan. It is imperative that the method of provision of information to the Jury does not erode that trust.

Council will be asked to transparently respond to information requests of the jury. A detailed summary of Council's current infrastructure assessment and costings will be provided as a baseline.

Information selection can be a very time consuming process. A portion of this work comes from the self-interested willingness of advocacy groups and interested third parties to engage via submissions of their own independent work. A public call for submissions is thus factored into the design, and the operation of the jury allows it to ask to hear more from the author of any submission.

A series of stakeholder briefings will also be held, and while this is done in every process it is particularly notable given the skew in rates income to a small group of landholders who must have a chance to interrogate our methodology and feel comfortable that it passes a fairness test.

Council's Online discussion forum "*Your Say Marrickville*" will be a key platform during the process.

What does the Jury determine?

It is of central importance that the limit of the group's decision-making authority is pre-agreed and clearly conveyed. This must be expressed simply, broadly and openly so as not to be interpreted as directing a particular decision. If there is a specific area of Council operations which is off limits (and is small enough not compromise the broad nature of the task), then this needs to be declared at the outset.

It is proposed that the remit of the jury is to reach agreement on:

What level of infrastructure quality do we want to pay for in Marrickville: what are our local priorities for investment?

In terms of authority, it is proposed that:

- 1. The Jury's recommendations will shape Council's decision on addressing infrastructure asset renewal, prioritisation of unfunded capital works and funding strategies.**
- 2. The Jury will be notified of and invited to the February Council session where action on local infrastructure spending will be discussed and voted upon.**
- 3. The Jury's recommendations will be published unedited and in full to the community.**
- 4. The Jury's recommendations will be responded to in-person by the Mayor, a representative from each party and an independent councillor within 2 months of the conclusion of the process at a formal meeting on a date to be advised.**

What Constitutes a Decision?

In order to convey a message of broad-based support for the recommendations, it is recommended that 80% supermajority be required for a final decision from the jury. In practice, citizens' panels tend to reach consensus (or group consent) positions with minority voices included in any report; they rarely need to go to a vote. Decisions are frequently unanimous.

Media and Communications

Extensive media and communications activity will be crucial to maximize community engagement. The community should have the chance to see and identify with the people involved: an evoked response of *"people like me made the decision"* will see the recommendation earn widespread trust. The community will be familiarized with the citizens jury from the inception, and be encouraged to follow their progress through to final recommendations.

A multi-channeled public communications plan running in tandem with the Jury's activities would ensure regular updates and opportunity for feedback is disseminated throughout the LGA via Council digital platforms, bulletin boards, local media advertising, Marrickville Matters and E-Newsletters etc.

The Councillors Role

It is important to have Councillors highly visible during the process. To achieve this Councillors from a mix of political backgrounds should be brought together in media opportunities to promote the significance of the process.

Councillors will be invited to meet and spend time with the Jury and to participate in an early session to represent their communities on the issues being considered. It is also recommended that Councillors attend all sessions as observers to be seen by the community as supportive of the Jury and to bear witness to the proceedings.

The Councillors will receive the preliminary report and have an opportunity to refine this with the Jury prior to the final report going up to the November 2014 Council meeting. This is an important step as the Citizens Jury will provide the final recommendations, but the Council will have final decision-making of an "all or nothing" adoption of the recommendations of the Jury.

Financial implications

Indicative costs would be up to \$70,000 including but not limited to printing and postage, catering, independent facilitators, participants per diems, venue hire, operational expenses etc.

Timeline

Week 1 July 2014 <i>Kickoff</i>	Planning session with NewDemocracy and Council staff.
Week 2 July 2014 <i>Recruitment</i>	Printed invitation sent to a random sample of 3,000+ citizens by 10 th July. Call for community submissions and stakeholder briefings commence 23 rd July.
Week 2 Aug. 2014	Recruitment complete by 8 th August Communications plan activated
Mid August 2014 <i>Finalisation of Jury.</i>	Provision of welcome kit of materials with detailed background reading. Active community & business groups content available as well as Council material
July/ August (timing tbc) <i>Media briefing</i>	Media briefing to explain process. Mayor and Councillor support and availability to publicly endorse the Citizens Jury.
Day 1 Saturday Sept 20 th <i>(Jury Full day)</i>	Opening day: The First Deliberation– The Learning Phase Welcome from Mayor requested (9-10am). Informal morning tea attendance by councillors requested.
Day 2 Wed Oct 1st (6:00-9:00pm)	The Second Deliberation – Understanding Ongoing online discourse among the panellists is encouraged during the “away” period. Councillors welcome as observers
Day 3 Saturday Oct 11 th <i>(Jury Full day)</i>	The Third Deliberation – Focus Dialogue session with Councillors to be included at this meeting. Key meeting for integration of wider community feedback, presentations and submissions.
Day 4 Wed Oct 22 nd	The Fourth Deliberation – Reflect. Discuss. Deliberate. Councillors welcome as observers.
Day 5 Saturday Oct 25 th <i>(Jury Full day)</i>	The Fifth Deliberation – Shared Goals Councillors welcome as observers.
Wednesday October 29 th (time tbc)	Shared Decisions – Discourse with the Mayor and Councillors Delivery of a prioritised list of reform recommendations by the Jury to the Mayor and Council. Acts as a ‘sanity check session’ but report will be 95% completed: session allows for final amendments.
Tuesday Nov 18th <i>Council Meeting</i>	Final report with Council along with council staff paper on potential next steps. Jurors in attendance.
Wed Nov 19th	Report to go on public exhibition and further community engagement
Jan/Feb 2015 <i>Community feedback</i>	Notify jurors of final Council meeting to discuss and vote on recommendations for infrastructure spending. Community engagement and exhibition feedback paper to Council.
Feb 17 th 2015 <i>Council Meeting</i>	Council to determine action on infrastructure asset renewal, prioritisation of unfunded capital works and funding strategies. Jurors in attendance.

Conclusions

To ensure maximum public confidence in the decision, a deliberative democracy process of community engagement is proposed. This involves a randomly recruited demographically representative citizen's jury of local residents with the remit and authority to deliver credible and robust community recommendations to Council. The jury will utilise evidence-based deliberations, informed by broad community and business input and expert advice to achieve consensus.

This will assist Council to make informed decisions about infrastructure asset renewal, prioritisation of unfunded capital works and funding strategies, along with measures Council might take to address these.

ATTACHMENTS

Nil.

