



Our reference: D21/9534
Contact: Jo Sangster

22 April 2021

Sheridan Rapmund
Director
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Via email: Sheridan_Rapmund@ipart.nsw.gov.au

Dear Sheridan,

Response to formal opportunity to comment on Liverpool Plains Shire Council's Special Variation Application

Reference is made the correspondence from IPART's Executive Director, Pricing & Policy, Ms Fiona Towers, dated 14 April 2021 regarding Liverpool Plains Shire Council's 2021-22 Special Variation (SV) Application. Thank you for time on 16 April 2021 to discuss this matter by telephone.

IPART has sought Council's position on:

1. Our willingness to consider a temporary SV while we implement planned initiatives to achieve cost savings; and
2. Our preferred duration of a temporary SV.

For the reasons outlined in our SV Application, Council's preference is that IPART approve a permanent SV under section 508A of the *Local Government Act 1993*. Through the NSW Government's *Fit for the Future* process, Council was assessed as being "not fit", and at that time, Council committed to pursuing an SV. In the years since *Fit for the Future*, the organisation has continued to provide significant operating deficits. Our position remains that a permanent SV is essential to maintaining local assets at existing service levels.

Council's Infrastructure Backlog Ratio within Special Schedule 7 has been steady near 2.10 per cent for several years, with the condition assessment of our road assets being last completed in 2014/15. We have been undertaking asset condition inspections throughout 2020/21 as part of our transportation revaluation and have identified significant condition issues within the network. This work had not been completed at the time of our SV application.

With inspections nearing completion, I can provide a clearer picture of Council's asset condition. Our inspection data shows that 27 per cent of Council's sealed road network is in an unsatisfactory condition, and a further 59 per cent of Council's unsealed network is in an unsatisfactory condition. Utilising the same methodology used in our 2019/20 Special Schedule 7, it is expected that an Infrastructure Backlog Ratio of approximately 9 per cent will be reported in the 2020/21 financial year.

Notwithstanding our preference for a permanent SV; should IPART instead favour a temporary SV, our preferred duration would be three years. This timeframe would allow Management to work closely with the incoming Council following the upcoming 2021 local government elections to implement various cost containment strategies, service level reviews and efficiency improvements prior to seeking a permanent SV at a later date.

Finally, I wish to reiterate the point that I made when we spoke last week: along with my Executive Management Team, I have undertaken a significant body of work since joining the organisation in December 2019 to achieve savings, realise efficiencies, enhance productivity, and strengthen our financial controls and governance arrangements. I draw your attention to the following achievements during this period:

- Review of Council's organisation structure aimed at achieving long-term savings and improving functional alignment;
- Review of the organisation's Integrated Planning and Reporting (IP&R) framework, including development of a compliant Long-Term Financial Plan (LTFP);
- Prioritisation of a business systems replacement project and associated IT improvements aimed at enhancing productivity and modernising the way the organisation operates;
- Reconstitution of our Audit, Risk and Improvement Committee and recruitment three skilled, remunerated independent external members to that Committee; and
- Review of our Internal Audit Charter and design of a rolling programme of internal audits for the coming three-year period.

Despite the considerable steps we have taken over recent months to improve Council's financial position, we acknowledge that further work must be done over the coming years to reduce expenditure, achieve savings, and refocus our efforts on core services. As you are aware, prior to making application to IPART, we engaged CT Management Group to prepare a Service Efficiency and Improvement Plan to identify areas for potential further efficiencies. We have already identified various recommendations from that review which will be incorporated into Council's draft Operational Plan 2021/22 for delivery over the following 12 months.

Should you require any further information from me to assist in your consideration of Council's SV Application, please do not hesitate to contact me on [REDACTED] or via return email at [REDACTED]

Yours sincerely,

[REDACTED]

Jo Sangster
General Manager