

Liverpool Plains Shire Council

Proposed Special Rate Variation June 2021

15/1/2021

Submission objecting to the proposed 3 x 8% SRV over 3 years compounding to 26%.

The Senior Officer

IPART

Sydney

Dear Sir,,

This is a submission objecting to the propose SRV by LPSC.

Background

I have been a councillor of LPSC since 2012 including 8 years on the audit and risk committee. I resigned from Council on the 19th November 2020 . My resignation was triggered by a serious lack of confidence in the newly appointed GM and Mayor and ongoing fiscal and governance issues that have been reported to the OLG and the Auditor General on a regular basis. In the last 12 months there has been a distinct lack of transparency and accountability, to councillors, no legal , property, acquittal's on projects , reports on activities of various departments.

The appointment of a new General Manager in December 2019 and a new Mayor in September 2020 has not given me confidence in Management and the long term sustainability of Liverpool Plains Shire council.

The Special Rate Variation implemented in 2014 for a increase of 12.5% has now compounded to 28 3% including annual rate pegging. This increase was supposedly to be applied to capital works on roads and infrastructure and a small component to go towards improving financial sustainability. Disappointedly management failed to indicate in its annual reports how its actual expenditure evolved relative to its proposed program of expenditure. This serious lack of reporting was raised by the OLG on a special visit in November 2018.

Fit for the Future was submitted to Government in 2015 where we were judged as Not Fit as our scale and capacity did not satisfy but a survey of 700 ratepayers (87%) did not support the proposed merger with Gunnedah council. Disappointedly of the 62 proposed actions to improve council's viability, 32 were never acted upon. (see attached documents). The submission also included information on 3 billion dollar projects that did not eventuate including BHP coal project, Shenhua Coal project and a 1500 man workers village at Werris Creek.

Current Priorities for Council.

With a number of qualified audits over the past number of years, continued losses and a Long Term Financial Plan that paints a very bleak future for our shire. Our internal auditor has highlighted a large number of areas that need improvement including procurement, tenders, contracts and cashing handling. The Auditor management letter has continually raised items that were previously addressed by management. Since 2015 we have had a regrettable high turnover of senior staff, including 7 senior staff from finance including managers, 4 senior engineers including two Directors managers of people and Culture and OHS departments.

Councils proposed Special Rate Variation for 2021

Council decided at its October meeting 2020 to apply for a SRV because of the downward spiral of council finances and the release of the Long Term Financial Plan which highlights 10 years of future deficits. Management has at no time in the past 12 months tried to implement cost reductions across the whole organisation and in fact is on a wild spending spree. In December council confirmed the likely request to lpart and announced what the actual % increase would be 3 x years at 8 % compounding to 26 % over three years.

A Claytons advertising programme was implemented on council's webpage and as our local paper was closed there were a large number or rate payers that were unaware of any rate rise. Individual letter were sent to households over the Christmas break and a large number of residents did not receive them until after the community meetings were held. Councils communication included, fact sheets, media releases public meetings. There was no mailed out survey, resident workshops, discussion forums, or consultation with community group's.

The public meetings were a disgrace with no debate allowed, no questions to the GM or councillors, and chaired by Consultants who were paid \$97,000 . There were 7 public meetings approx. 500 attendees who asked the consultants a wide range of questions, some were answered honestly but a large number were not.

Some of the issues raised and were not clarified were,

- (1)What the SRV would fund? Not communicated.
- (2) The community were unaware of the need for and the extent of the raise, including that the council had been running deficit budgets for a number of years.
- (3)The facts sheets were not clear and in formation hard to understand.
- (4) The size and impact on rates including the 2014 SRV
- (5) no quantified indication of services that would be impacted .
- (6) council has not disclosed all relevant information to the community
- (7) the SEI indicates that 30 % of our population is over 65 .

(8) Council had threatened ratepayers that if the SRV was not supported that we would be amalgamated, some of our roads would not be roadworthy, our pools will close etc.

(9) There were no minutes or recordings of the meetings, including questions.

(10) When votes were taken 100% of the attendees voted against the proposed SRV.

The results from the public meetings have sent a very clear message that the ratepayers have no appetite for a 26 % increase of their rates. We are included in Group 10 of CNSW Councils (22 Councils) of similar size and currently we are well above the average for residential and rural rates. The proposal would put us at the top.

Council had not addressed service and efficiency levels before applying for a SRV, council has not a current asset valuation programme in place and our depreciation has increased by \$3m, a difficult thing to do especially as there are no current valuations. LPSC has the 5th highest depreciation level in the state.

There are many ways council could improve financials by,

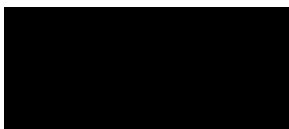
- (1) Selling off surplus land and lazy assets
- (2) Leasing or selling Caravan parks, Gym, picture theatre etc
- (3) Offloading some of our high maintenance roads to state government.—State Government classified roads (Werris Creek Road) part of the hub and spoke of Tamworth Council.
- (4) Moving to best practice with water and sewer.
- (5) Incentivise innovation
- (6) Cut red tape
- (7) Smart lighting technologies.
- (8) Greater horizontal equity-by not allowing exemptions for those with a capacity to pay(commonwealth and state owned land.)

Finally

The General Manager and councillors must accept responsibility for the, serious situation they are now in, no rate increase is going to help the bottom line. In my 8 years on council I have witnessed far too much wastage of manpower and resources poorly planned projects with the same poor outcomes. Two current examples are the Quirindi Library that was budged for at \$200,000 and has blown out to \$1.6million and the Quipolly water project that started in 2014 at \$2.4million and has now blown out to \$40 million , yes that's right!! No one at council had the skills or experience to manage these types of projects. If IPART take a serious look at the LTFP you will easily recognize that a rate rise will not stop council from sinking , we must have an administrator appointed or be merged with another council. **We are not sustainable and certainly not Fit For The Future.**

Kind regards

Rob Webster (ex –councillor) now just a ratepayer



How will the LPSC Improvement Plan Work?

The LPSC Improvement Plan will be focused around the following key elements:

- ◇ A program of **Modernisation**;
- ◇ Building **Fiscal Responsibility**;
- ◇ Introduction of a **Service Review** program;
- ◇ Investing in its **workforce** and implementing a **cultural change program**;
- ◇ Providing greater structure around the **management of capital projects**; and
- ◇ Improving its interactions with the community and focusing on **community engagement**.



An Overview of the Proposed Modernisation Program

Liverpool Plains Shire has a strong desire and motivation to be 'fit for purpose' and to play a leading role in the provision of effective and efficient local government services. LPSC wants to shift its focus towards a more strategic view of its operations by developing a high capacity organisation. This revived entity will have the requisite knowledge, creativity and innovation to enable it to manage complex change and contemporary challenges.

The LPSC modernisation agenda comprises the following key components:

1. *The modernisation of management*—by making Senior Staff more strategic in focus and managers and their staff being directly accountable for operational outcomes. Staff will be encouraged to work more collaboratively and develop and apply innovations that are focused on the achievement of timely and tangible community outcomes;
2. *Modernising corporate governance*—through strong leadership and improved decision making based on appropriate and meaningful community consultation. Consideration will be given to streamlining current meeting arrangements;
3. *Modernising service delivery*—through the provision of best value services that are strategically targeted towards the greatest needs.
4. *Modernisation of systems using technological changes*—stakeholder consultation in the rollout of improved systems enabled by use of technology.

The requisite change and modernisation process is well underway at LPSC. Staff and its elected representatives are strongly focused on the need to improve efficiencies and effectiveness. This is also evidenced from the \$615,310 in demonstrated savings that it has made in the past 2 years. Council considers that it needs to significantly improve its financial and performance reporting. Whilst significant recent investment has been made, an ongoing commitment has been given to investing in new integrated financial and corporate reporting systems. Council has allocated an additional funding of \$80,000 in 2015/2016.

ACTION PLAN — Modernisation

STRATEGY	KEY MILESTONE	OUTCOME
Establish agreed core business functions	2015/2016 / NO	Policy position developed.
Identify & scope organisational corporate improvement requirements with the assistance of key stakeholders	2015/2016 / NO	Clearly identified and agreed project goals
Tendering & implementation	2016/2017 / NO	Corporate systems installed on time & within budget.

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An Overview of the Proposed Fiscal Responsibility Program

Liverpool Plains Shire Council is committed to securing of its financial capacity and long term sustainability. The key to financial sustainability is by Council being committed to achieving and maintaining financial sustainability. More money is not always a panacea to solve financial problems. An additional commitment is needed to build technical knowledge and financial understanding of both staff and elected members. Council acknowledges that its decisions about service levels and revenue raising are critical factors in long term financial performance.

To often staff see their financial management responsibilities as primarily to ensure compliance with legislative requirements. Optimisation of outcomes and ensuring that decision makers are aware of the long-term implications of decision making are often overlooked.

The LPSC fiscal program agenda comprises the following ten (10) key components:

1. Break even annual operating positions; ✕
2. Ensuring that any rate increases meet underlying costs as well as annual growth in expenditures;
3. Medium-term pricing paths for any ongoing adjustments to rates and charges;
4. Smart strategic planning processes and 'real world' documents;
5. Asset management planning prioritised and directly linked to the long term financial plan;
6. Councillor and management capacity and expertise developed and maintained;
7. Sound policies and guidelines around smart growth and use of restricted assets;
8. Smart use of borrowings for infrastructure when justified through a rigorous capital expenditure review and identification of revenue sources to meet any loan repayments;
9. Good accounting and fully integrated financial systems; and ✕
10. Good-quality performance reporting systems to measure performance and operational efficiencies. ✕

To embed LPSC's new fiscal responsibility agenda Council will introduce the following requirements

- Include measures to promote efficiency improvements, productivity gains and fiscal responsibility measures; ✕
- Ensure a fair and reasonable distribution of the rate burden across categories of ratepayers; ✕
- Seek out all avenues to increase funding for infrastructure maintenance and renewal (where backlogs have been identified);
- Soundly justify any proposed increases in service levels or creation of new assets. These will be based on community consultation to determine desired service levels;
- Give effect to long-term financial and asset management plans prepared in full compliance with integrated Planning and reporting (IP&R) requirements;
- Establish reasonable timeframes as a revenue path for all categories of rates linked to specific proposals for infrastructure and services; and
- Contribute effectively to progressive elimination of an operating deficit.

The above items will be incorporated into a series of financial policies to guide its fiscal responsibility agenda. This mechanism will ensure conflicts, inconsistencies and gaps are identified in Council's approach to financial management. The following specific actions are proposed:

ACTION PLAN — Fiscal Responsibility		
STRATEGY	KEY MILESTONE	OUTCOME
Adopt a range of new financial policies including Fiscal Responsibilities Principles and Restricted Assets	2015/2016 <i>NO</i>	Policy framework to institutionalise fiscal responsibility
Formal implementation of a Councillor professional development program	Ongoing <i>POORLY DELIVERED</i>	Councillors having the information, skills and resources to undertake their roles and responsibilities effectively

An Overview of the Proposed Service Review Program

Liverpool Plains Shire Council is committed to improving its services. Council will introduce systematic and formal reviews of its services, both internally and externally, with the primary purpose of identifying and implementing service delivery improvements.

The LPSC service review program agenda includes the following key components:

1. *Conducting efficiency reviews* — through an Efficiency Review Group to conduct a full review of key operations commencing in 2015/2016. This efficiency analysis will be based on best practice concepts including zero based budgeting. The Group will comprise of nominated Councillors and staff and will address two (2) targeted areas each financial year.

Efficiency Works Pty Ltd (www.efficiencyworks.com.au), an accredited training company, have been recently engaged by LPSC to conduct Competitive Business System Training for 48 members of Council staff. The training program will focus on lean simulations, value stream mapping, problem solving, management strategies and change management fundamentals

2. *External service reviews* — to ensure best value external service delivery
3. *Leveraging better value services* — through the Namoi Joint Organisation (JO) and resource sharing activities with adjoining Councils. Evidence suggests that operating costs can be reduced by smart resource sharing and/or shared administration. Extensive resource sharing through regional organisations or Sub-Regional Alliances has proven to be successful for many councils. There is a wide range of possible activities for resource sharing, including:

- Community Strategic Plans
- Shared administrative services (including the sharing of senior/professional staff)
- A wide range of 'back office' governance functions
- Strategic financial planning & management
- Contract negotiation & management
- Procurement
- Library services
- Road network planning & major projects
- Engineering design & infrastructure project management
- Non-operational functions of local water utilities (strategic planning & management)
- Land use planning, development control, health & environmental regulation
- Tourism & economic development
- Children & aged services
- Regional alliances of local government water utilities

4. *Internal service reviews* — a review of existing Council corporate functions. A review of all committee functions (including section 355 committees) will be conducted. Options for improved cost recovery in service provision will be explored as well as optional service delivery models. There will also be a focus on building community capacity and Council will continue to work with communities to further identify which services are the most important, and those that are less important, or could be delivered to a revised standard.

ACTION PLAN — Service Review Program

STRATEGY	KEY MILESTONE	OUTCOME
Establish the Efficiency Review Group	2015/2016 <i>NO</i>	Group operational
'Efficiency works' training conducted with key LPSC personnel	2015/2016 <i>NO</i>	Training completed
Review two (2) operational areas per financial year	2015/2016 and ongoing <i>NO</i>	Completed efficiency reviews that meet defined targets
Resource sharing with adjoining Councils for key technical areas	2015/2016 and ongoing <i>Partly</i>	Explore & implement resource sharing opportunities
Review of all Committee structures in consultation with key stakeholders	2015/2016 <i>NO</i>	Committees reviewed and changed implemented

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An Overview of the Proposed Workforce & Cultural Change Program

Liverpool Plains Shire Council has identified the need to improve the strategic directions of its Workforce Management Plan in order to build an organisational culture that will meet the challenges of being Fit for the Future.

There is a need to urgently modernise its organisational structure. In the first instance it will review the Community Strategic Plan (CSP) and corresponding Delivery Plan. The new structure will be consistent with the priorities set out in these plans.

Council recognises that it must make an urgent commitment to being an employer of choice and invest in efforts to improve its efforts surrounding Human Resource (HR) management. In this regard, opportunities for resource sharing with the adjoining Gunnedah Shire Council are currently being explored. New consultative systems and knowledge sharing initiatives are also being progressively developed with the view of forging stronger partnerships and collaborations within the organisation. Staff will need to be an integral part of these solutions and engaged throughout this process.

The quality of management at LPSC needs to be a core focus. LPSC recognises that it needs to ensure that managers have appropriate technical and professional skills AND possess desirable leadership qualities.

There is an identified need to capture and document corporate knowledge across the organisation. In accordance with the 2013 TCorp recommendations, in order to improve its long term sustainability, Council will need to ensure that it has quality management and staff and maintains a long term vision. This is reflected in Council's concurrent preparation of its FFTF submission and the ten (10) year financial plan.

ACTION PLAN — Workforce & Cultural Change

STRATEGY	KEY MILESTONE	OUTCOME
Review the Community Strategic Plan & Delivery Plan	2015/2016 / YES PART	CSP & Delivery Plan review completed
Develop & implement a change management program	2015/2016 / NO	Program developed & implemented
Complete the review of the LPSC Organisational Structure cognisant of resource sharing opportunities	2015/2016 / NO	Review complete & changes implemented
Review Council's salary system	2015/2016 / NO	Salary system is Award compliant, market competitive and meets needs
Review the LPSC Workforce Management Plan	2015/2016 / NO	Workforce Management Plan review complete
Link strategic outcomes to performance objectives of senior staff and managers	2016/2017 / NO	Management accountable for performance against strategic outcomes
Identify opportunities for addressing skill shortages through the offering of traineeships & cadetships	2016/2017 / PART	Opportunities identified and implemented
Identify skill gaps within the work force and develop an appropriate training plan.	2015/2016 / NO	Council wide training plan developed.

An Overview of the Proposed Capital Projects Management Program

The effective management of capital expenditure is crucial due to Council's historical underperformance during the previous TCorp review process. Considerable inroads have been made to breaking down internal communication barriers, particularly between Departments, in respect to asset management.

A review of asset management processes is currently underway. The integration of asset management systems with financial planning processes is significantly advanced. The commitment to this process is also demonstrated in the ongoing allocation of funding to manage this process in the Long Term Financial Plan. It is also intended to have this process independently audited.

Council will continue to ensure that practical and realistic asset management requirements will be reflected in budgets and financial forecasts. As part of this process, an integrated process will be delivered to ensure that all projects have sufficient reserves.

Budgetary pressures and increasing community expectations means that Council must ensure that capital projects are properly scoped and more effectively delivered. As part of Council's new fiscal responsibility agenda is the introduction of a new Capital Projects Guidance Procedure for all capital projects. Such a framework is envisaged to include the following major elements:

- *An initial strategic assessment*—is the project consistent with Council's Community Strategic Plan?
- *Development of a business case*—is there a compelling case for investment? Budgetary considerations? What are the recurrent costs?
- *Project development*—what are the project resourcing requirements? What approvals are required? Is there a suitable/desirable site?
- *Tender process*— selection, definition and evaluation of tender processes. Ensure tendering processes following adopted Policy (such as local procurement policies) and industry best practice guidelines (wherever available).
- *Contract Management*—Development and implementation of the contract management system for the construction phase.
- *Project Review*— Evaluation of the project outcomes and assessment of benefits.

ACTION PLAN — Capital Projects Management

STRATEGY	KEY MILESTONE	OUTCOME
Extend the principles of the Local Government Capital Expenditure guidelines to encompass projects less than \$10m whilst developing a tailored capital projects guidance procedure & framework	2015/2016 / NO	Procedure that is appropriately reflected in Policy
Integration of financial asset management systems with financial planning processes	2015/2016 / NO	Complete integration

An ongoing commitment to community engagement

During the FFTF consultation processes, the overwhelming community feedback was the need to maintain and enhance its communications and interactions with the community. There was also a clear desire for Council to be more **collaborative** and work in partnership with the community.

Council is keen to build on the considerable recent community consultation efforts by:

- Meeting with the community more frequently in an 'informal' fashion throughout the Shire—Councillors and Directors have committed to meeting with communities on an ongoing basis in various villages and townships
- Maintaining the FFTF website in perpetuity: <http://yoursayliverpoolplainsshirecouncil.com.au/>
- Developing internal staff communications skills through additional staff training
- Regularly and meaningfully engaging with the community and ensuring that the outcomes of those consultations are reported back to the communities
- Maintaining and enhancing key stakeholder relationships

ACTION PLAN — Community engagement

STRATEGY	KEY MILESTONE	OUTCOME
Training of key personnel in customer service & communications management	2015/2016 / NO	All key personnel trained
Development of formalised & integrated consultation structures	2015/2016 / NO	Policies developed & implemented
Progressive development of improved community reporting structures	2015/2016 / NO	Support systems developed & implemented

How will we measure success?

Liverpool Plains Shire Council is intending to adopt a proactive role in the oversight and monitoring of its performance and compliance with all of its proposed reforms and initiatives adopted and contained within its 10 year FFTF proposal.

Council is intending to report progress on becoming FFTF on a regular basis. This information will be contained in the Annual Report. It is also Council's understanding that the Auditor General will be tasked with the responsibility of periodically assessing individual council performance as part of its new auditing role for the Audit Office of NSW.

Council is also fully committed to a further independent review of performance by adopting a review milestone whereby TCorp (or other similar organisation) would undertake a review of Council's progress in the 5th year of Council's performance in achieving the stated FFTF outcomes.

The following additional measures will be used to measure our success:

1. Core services will be adequately funded and encompass a range that is responsible in a rural location and can be funded from recurrent, untied reserves.
2. Core services will be clearly defined and understood, as are those services that are considered discretionary or are provided on behalf of third parties.
3. LPSC will have sufficient cash reserves to cover its needs for adequate working capital and restricted assets. Its cash flow will be reliable and adequate for its operational needs.
4. A core of permanent staff will be supplemented by outsourced and shared services and resources. LPSC will be regarded as an excellent example of a mixed services model delivering services through in-house resources and outsourced solutions.
5. LPSC will be compliant with all of its regulatory and statutory obligations and good governance will be considered the default position by councilors, management and staff.
6. The council, as an organisation will exhibit contemporary good practice in contract and project management, both as a purchaser of services and in the delivery of services for others.
7. The Council's financial management and financial systems will deliver accurate and reliable information on a timely basis for decision-making purposes and that information will be used effectively.
8. Decision will be made with due regard to financial sustainability and long term implications, among other factors.
9. LPSC will engage with its community, and conversely, Council will endeavor to educate and inform the community on Council's role, its opportunities and constraints.

ACTION PLAN — Measuring success

STRATEGY	KEY MILESTONE	OUTCOME
Commission TCorp to review Council's progress in achieving the FFTF Improvement Plan & establish new sustainability benchmarks	2021/2022	Independent analysis of progress and status of sustainability
Preparation of a FFTF Review Report (incorporating items 1—9)	2021/2022	Completed report with recommendations implemented

Base Scenario – Consolidated – Income Statement

Income Statement Projections										
Year Ending	Proposed Budget									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Income from Continuing Operations										
Rates and Annual Charges	12,911	13,262	13,628	13,921	14,220	14,526	14,838	15,158	15,485	15,819
User Charges and Fees	2,508	2,616	2,732	2,789	2,847	2,906	2,967	3,029	3,092	3,156
Interest & Investment Revenue	354	357	360	363	366	369	372	375	378	382
Other Revenues	666	676	687	697	708	719	730	741	752	764
Grants & Contributions for Operating Purposes	7,164	7,272	7,381	7,491	7,604	7,718	7,834	7,951	8,070	8,191
Grants & Contributions for Capital Purposes - Cash	18,665	24,938	11,609	2,382	3,233	2,631	2,755	2,376	2,412	2,448
Contributions for Capital Purposes - Non Cash (\$94, \$80A)	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	42,269	49,121	36,397	27,643	28,977	28,868	29,495	29,629	30,189	30,760
Expenses from Continuing Operations										
Employee Costs	10,454	10,663	10,876	11,094	11,316	11,542	11,773	12,008	12,249	12,494
Borrowing Costs	175	292	376	332	286	255	243	231	218	205
Materials and Contracts	4,302	4,388	4,476	4,566	4,657	4,750	4,845	4,942	5,041	5,142
Depreciation	13,530	14,301	14,797	14,973	15,138	15,294	15,454	15,610	15,766	15,932
Other Expenses	3,663	3,738	3,815	3,892	3,972	4,053	4,136	4,221	4,307	4,395
Total Expenses from Continuing Operations	32,124	33,383	34,341	34,857	35,369	35,895	36,451	37,012	37,581	38,166
Operating Result from Continuing Operations Surplus/(Deficit)	10,145	15,738	2,056	(7,214)	(6,392)	(7,027)	(6,956)	(7,382)	(7,392)	(7,407)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes Surplus/(Deficit)	(8,520)	(9,200)	(9,553)	(9,596)	(9,625)	(9,658)	(9,711)	(9,758)	(9,803)	(9,855)



Petition to be sent to IPART>

Proposed Special Rate Variation by LPSC January 2021.

We the undersigned object to the proposed LPSC SRV of 26 % starting June 2021 .
Rate payers have already absorbed a 28% increase since 2014 and have no appetite for another 26%..
The undersigned demand that Council address the LTFP and review efficiency's and service levels
before placing extra demands on the rate payers.

