



Independent Pricing and Regulatory Tribunal

Via email to:

[Sheridan Rapmund](#) [REDACTED]

[Carol Lin](#) [REDACTED]

10 July 2023

Dear IPART,

Review of the rate peg methodology

Thanks for approving my request for an extension of time to finalise my submission.

I've had to scale back what I'd hoped to provide, but what follows will give you a general idea of where I'm coming from.

What I'd hoped to do was to provide some practical examples and case studies of the problems with the current system, but it's probably best that I've left those out in this document anyway. I'd be happy to supply some examples upon request.

If what I've outlined is of interest to IPART, I'd be happy to discuss this in person.

Yours faithfully,

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Ben Lawson

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Common Thread Consulting submission on IPART's review of the rate peg

Firstly, I congratulate IPART on its desire to address the broader concerns beyond the rate peg. I am sure it is correct in saying (section 1.5) that “many of the issues raised won't be fixed by the rate peg or the special variation process”.

My submission relates to IPART's proposed solution, or its recommended way forward, in draft recommendation #2:

That the NSW Government consider commissioning an independent review of the financial model for councils in NSW including the broader issues raised in this report.

I suggest the way forward isn't to focus on the finances but rather on what those finances are there for: service delivery to local communities.

I would similarly ask IPART to reconsider its focus on finances in the matters for further consideration. Point 7 notes that:

There are opportunities to strengthen council incentives to improve their performance, including considering whether there is merit in a model that would exempt councils that demonstrate an agreed level of performance and consultation with ratepayers from the rate peg. emphasis on the financial incentives for councils to improve their performance.

In my opinion, point 7 as it is worded is unrealistic and unhelpful.

It is unrealistic because there is no political impetus to abolish the rate peg for any councils. The (previous) Government made its commitment clear in its Terms of Reference for the review (“to protect ratepayers from excessive rate increases”) and I see no indication that the current Government has a different view. Why would they? IPART's survey found 61% of community ratepayers indicated that they weren't comfortable with trusting councils to keep rate increases reasonable.

It is unhelpful because puts the focus on the wrong thing, e.g. section 9.1:

The recommended review could also consider incentives for councils that demonstrate good performance to be rewarded with greater autonomy. Autonomy could be providing councils more flexibility to determine appropriate increases in total rates revenue for themselves.

As above, I suggest the way forward isn't to focus on finances, but rather service delivery.

The focus on finances, not services, is apparent in the Government's Terms of Reference for IPART's review (Appendix F) which say it should have regard to

The Government's commitment to protect ratepayers from excessive rate increases and to independently set a rate peg that is reflective of inflation and cost and enabling financial sustainability for councils.

The Government's commitment as stated misses the bigger picture: councils are pursuing significant increases over and above the rate peg via the Special Rate Variation process. Ignoring the question of whether these are “excessive” or not, the Government is not protecting ratepayers from such increases, it is simply making it harder for councils to do so... that's extra bureaucracy, not better outcomes for local communities.

The rate peg isn't “enabling financial sustainability for councils” either. IPART notes in Appendix D that “We observed increases in the number of councils reporting operating deficits”. In other words, the current system isn't helping achieve those commitments.

I suggest that IPART is on the right track with point 6 of its matters for further consideration:

Councils could be better supported to serve their communities more effectively to build community trust in councils. This could include improvements in how councils undertake and implement their integrated planning and reporting.

In fact, I suggest the opportunity to serve their communities more effectively, and to build community trust in councils through IP&R (point 6) is, potentially, the biggest incentive for councils to perform better (point 7). So what's standing in the way of this?

The root cause of the 'crisis' in NSW local government isn't financial, it is cultural.

NSW Government treats local government like naughty teenagers who need everything spelled out in mandates and pulling into line when they disobey.

Meanwhile councils *act* like naughty teenagers who complain about the mandates... but then comply to the minimum extent necessary to avoid getting into too much trouble.

There's 4 mandates in this cultural context (together, this is the opportunity to improve):

- the IP&R Framework (OLG)
- the Risk Management Framework (OLG)
- the Regulatory and Assurance Framework for Local Water Utilities (DPE Water) and
- the Local Strategic Planning Statement (DPE Planning).

DPE Water and Planning have at least moved to an outcomes-based approach. But the advice they're providing on "how to do it" is unhelpful. It fails to recognise that "the system for local government in NSW"¹ is defined in the Local Government Act... which is centred on the principles for local government (LG), which is centred on IP&R.

The 'object' of those principles for LG in section 8 of the Act is:

To enable councils to carry out their functions in a way that facilitates local communities that are strong, healthy and prosperous.

Councils detail how they'll perform their functions – *including LWU and land use functions* – in their Delivery Program and they describe what "strong, healthy and prosperous" looks to their local community in the Community Strategic Plan they develop and endorse on their behalf... it's all about IP&R!

But councils are simply following the advice of DPE Water in developing a stand-alone Integrated Water Cycle Management (IWCM) Strategy and with DPE Planning in developing a stand-alone Local Strategic Planning Statement (LSPS), both of which should be in IP&R.

DPE's 'outcomes-based' advice is unhelpful... but OLG's mandates are the key problem.

Firstly, in relation to IP&R, OLG has failed to take on board the significance of the 2016 amendments to section 404 of the LG Act in its IP&R Guidelines.

As can be seen below the amendments (marked in red) shifted the focus from *strategies in the Community Strategic Plan* to *council's functions*:

A council must have a program (called its delivery program) detailing the principal activities to be undertaken by the council to **perform its functions (including implementing strategies set out in the community strategic plan)** within the resources available under the resourcing strategy.

¹ See LG Act section 7.

The mandatory requirement established by OLG in the IP&R Guidelines is in essential element 4.6. Under the heading “basic structure of the Delivery Program” it says:

The Delivery Program must:

- directly address the objectives and strategies of the Community Strategic Plan and identifies the principal activities that the council will undertake to meet the objectives and implement the strategies (councils must ensure that the principal activities cover the full range of council functions and operations)
- include a method of assessment to determine the effectiveness of each principal activity detailed in the Delivery Program in achieving the objectives.

The practical implications are best explained via this figure from the 2013 IP&R Guidelines:



While essential element 4.6 does say “councils must ensure that the principal activities cover the full range of council functions and operations” you can’t cut the same cake in two different ways (say, into wedges and squares)... either the objectives and strategies from the Community Strategic Plan are the focus, or council’s functions are.

The figure below from the Code of Accounting Practice and Financial Reporting highlights how confused the practical advice from OLG is on this issue:

NSW Council | Notes to the financial statements 30 June 2023

B. Financial Performance

B1. Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

Functions or activities	Income		Expenses		Operating results		Grants and Contributions		Carrying amount of assets	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Our Leadership	-	-	-	-	-	-	-	-	-	-
Our Infrastructure	-	-	-	-	-	-	-	-	-	-
Our Society	-	-	-	-	-	-	-	-	-	-
Our Environment	-	-	-	-	-	-	-	-	-	-
Our Economy	-	-	-	-	-	-	-	-	-	-
Total functions and activities	-	-	-	-	-	-	-	-	-	-

How many councillors (or community) would call ‘our society’ or ‘our environment’ council functions or activities? They’re themes from the Community Strategic Plan! The strategic decisions councillors need to make, the issues the community wants to have their say on, are functions like water supply, roads and land use planning.

No wonder IPART’s survey found 36% of community ratepayers in NSW felt that council communication around how rates revenue is used was not good enough.

IPART interpreted the problem thus: “the ratepayer survey results suggested that there is an insufficient level of communication from councils and that trust from ratepayers is lacking, particularly in large rural councils”.

I disagree: the level of communication isn't the problem... it's what is being communicated!

OLG's mandates in relation to Risk Management are just as unhelpful as IP&R.

Even though principle #1 (page 42) of its Risk Management and Internal Audit Guidelines is “integrated”, OLG have made no attempt to integrate the Risk Management Framework they've prescribed with the “Integrated” Planning and Reporting Framework.

In fact, OLG had to fundamentally distort what AS 31000 says to keep risk and IP&R compartmentalised. OLG says (page 44) the governing body is to define risks it is willing to take “in order to achieve its objectives”. Conceptually, that looks something like this:



This is not consistent with AS 31000. Risk is the “effect of uncertainty on objectives” not “something bad that might happen on the way to achieving our objectives”.

AS 31000 says governing body must define the risks it is willing to take “relative to its objectives”. The criteria for such decisions must be “customised to the specific purpose and scope of the activity under consideration”.

If the Risk Management Framework is to support meaningful strategic decisions by councillors in IP&R, then it must focus on the uncertainty in relation to specific “mission critical strategic objectives” (the future Council is aspiring to attain):



Sticking with AS 31000 rather than OLG's mandates makes a world of difference, practically.

But councils are following OLG's mandates.

The role of councillors is basically limited to adopting a “risk appetite statement” that looks something like the one below.

The focus is generic risk categories rather than specific mission critical strategic objectives.

Generic risk category	Risk appetite (tolerance)			
	Avoid	Resist	Accept	Receptive
Financial				
People (WHS & HR)				
Ethics				
Governance				
Environment				
Reputation				
Legislation				
Service delivery				
Technology & information				

It is then (according to OLG) the role of staff, through the GM, to:

- develop a “list of bad things that might happen” (the risk register)
- pigeonhole these into a risk category (e.g. this is “financial”, that is “environmental”)
- determine what action is to be taken to treat a risk based on council’s “appetite”, e.g., council would prefer to “avoid” that but will “accept” this (risk treatment plan).

There isn’t even a requirement for the GM to provide the risk register to the councillors or Audit, Risk and Improvement Committee. All OLG says (page 48) is:

The general manager should discuss the annual assessment of the council’s risk management function with the governing body and audit, risk and improvement committee at the council’s strategic assurance meeting held each council term.

So that’s the 4 mandates from NSW Government agencies – IP&R (OLG), risk (OLG), IWCM Strategies (DPE Water) and the LSPS (DPE Planning) – that are holding councils back from serving their communities more effectively and building community trust in their councils.

The result of the current situation is that councils are producing unintegrated, overly complex and bureaucratic documents that are of little use to anyone:

- the councillors can’t see the forest for the trees:
 - what do we do? (water supply, roads, land use planning)
 - what does it cost?
 - what are our “mission critical strategic objectives?”
 - what are the opportunities and threats in relation to those objectives?
- the community can’t see what they’re getting for their rates, and the implications if council doesn’t invest more to address the threats in relation to its mission critical strategic objectives
- the general manager doesn’t have a robust business plan to implement or a means of providing meaningful, timely and robust advice to councillors so they clearly understand the implications of their decisions
- the staff responsible for service delivery don’t have a clear purpose (WHY) with clear objectives (WHAT)... which is the best part of working in local government; councils are also lacking the framework to give staff the freedom and responsibility to work out HOW best to achieve those objectives, and for them to communicate up what RESOURCES they need, and the uncertainty in relation to those objectives.

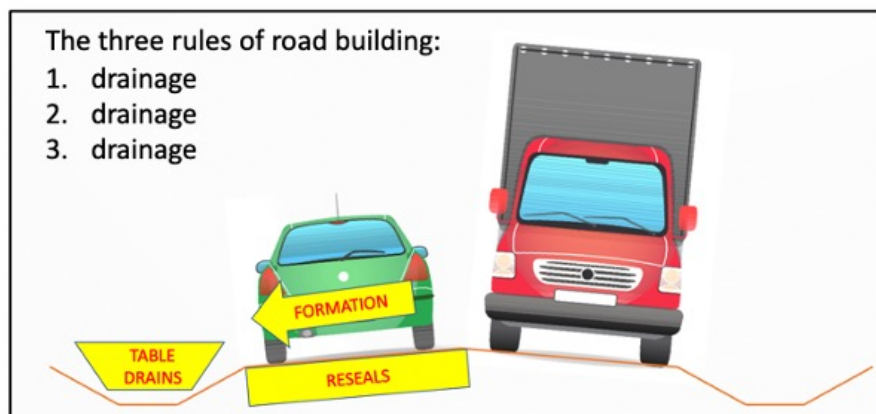
For councils to improve their IP&R, they must stop acting like naughty teenagers and simply complying with 'parental mandates' and start acting like adults.

Councils – and specifically *councillors* – must take responsibility for defining their own strategic direction in a simpler and more meaningful manner. It is the GM's role to prepare IP&R in consultation with the mayor and councillors (LG Act, section 335)... but (as I interpret the Act) the final decision rests with the governing body: it is the councillor's role to develop and endorse their IP&R (section 223).

I've no doubt the opportunity to serve their communities more effectively and build community trust in their council will be a far greater incentive for councillors than gaining autonomy for rate increases... who would want to be a councillor putting up rates "excessively" and not be able to explain why they're doing so?!

So, what does it look like to IP&R in a truly simple, integrated manner? I've been arguing for a decade now,² councils must tell a story in IP&R with services as the common thread.

This 'story' must be about real practical issues. An example is warranted here.



The **biggest threat** to local government in NSW and so the **biggest opportunity** for councils improve relates to the way they manage their road networks.

The key issue is gravel pavements are weaker when they're wet than when dry (think wet mud versus hard dry clay).

If council apply the '3 rules of road building', they'll keep the water out of the pavement and their roads will be less likely to fail under load, particularly from trucks. This involves

- cleaning out table drains on sealed and unsealed roads so the water can get away, so it doesn't lay alongside the road and soak into the pavement
- forming up unsealed roads so they shed the water off the pavement, into the table drains and then away
- resealing sealed roads to provide a waterproof layer that sheds water off the road and into the table drains rather than infiltrating the pavement... resealing is vital every 15-20 years because the bitumen loses volatiles over time, becomes brittle and cracks... it then lets water in, leading to pavement failure.

Reseals are a case of a stitch in time saves nine: spend \$50k/km on a reseal now or \$300k/km rehabilitating the pavement when it fails later. This video explains the issue in more detail from 11 minutes on: <https://youtu.be/ryuUS7i1YXE>

The scale of the threat, and the opportunity, here is massive.

² My first conference paper on this issue was *Talking Apples and Apples about Infrastructure* presented to the 2014 IPWEA NSW Conference at Coffs Harbour.

NSW Government handed out \$488M under the *Regional and Local Roads Repair Program* earlier this year to every council in NSW... the full cost of damage to roads across NSW was far greater. Natural disasters are becoming more prevalent. It's not just in times of floods: normal wet weather makes roads fail, too. It's in no one's interests to ignore this.

I'm not saying all the damage in the recent floods could have been avoided if councils had been paying closer attention to the '3 rules', but I am saying the bill would have been less.

I suggest there's a day of reckoning coming for councils if they don't start paying attention to this issue anyway. NSW and Australian Governments will be footing more bills for disasters in future years. It's only a matter of time until they start applying the following clause from the *NSW Disaster Assistance Guidelines* (page 67) about ineligible works:

damage where there is evidence the cause is a lack of proper maintenance or where previous restoration work was not completed satisfactorily.

The current situation on local and regional roads across NSW has taken decades to develop, and it is going to take decades to fix. It would be unreasonable for claims to start being refused wholesale on this basis (Lismore, for example, had a major and acknowledged problem with under-investment in their roads, it would be unfair to knock other councils back immediately³)... but I think it would be reasonable for NSW and Australian Governments to expect councils to have acknowledged the problem and to have a strategy in place, and funding to address it... and if you don't measure it, you can't manage it.

So how might this 'story' that a council is telling in its IP&R (with its roads service as the common thread) go? The story-telling framework is as follows:



It starts with the **present** situation (e.g. we've got 57km of roads overdue for reseal) then council identifies the **future** aspires to (we want < 5km), the **roadmap + resources** to get there (we'll reseal 75km⁴ of roads over 4 years @ \$3.75M) and the **uncertainty** in relation to that objective (not only asset condition, but what's the optimum time to do the reseal?).

Telling a story about roads that is this practical and meaningful is a world away from the current situation in NSW local government.

IPART wrote (section D1.2) that "More than half of NSW councils do not meet the infrastructure backlog ratio"... but is IPART aware that there's no distinction in 'backlog' between high risk issues like reseals and 'nice to have' issues like roads that are bumpy? Or that there's no distinction in the 'required maintenance' figures between high risk issues like clearing table drains and 'nice to have' issues like how often council mows a park?

Is IPART aware that the special schedule where these 'infrastructure asset performance measures' are reported remains the only element of a council's annual financial statements that isn't subject to audit... so there is no assurance in the accuracy of the figures?⁵

³ I'm not suggesting all (or even most) damage in Lismore could have been avoided, but it would have been less. That said, Council had a strategy in place within their means: I recall them producing a great flyer for residents a few years ago explaining why they were 'triaging' reseals rather than just focusing on fixing pavements that had already failed. See video link for more on triaging roads.

⁴ i.e., 57km, plus the extra reseals that will fall due over that time.

⁵ The need for auditing has been discussed in at least 3 inquiries over 17 years, OLG announced (Circular 15-29) that it would begin from 2016, but it has never happened. I suppose this is because the Auditor-General's

It's worth noting the standoff over the red fleet in this context. It's one of the few exceptions to the 'critical parent / naughty teenager' culture in NSW local government... it also demonstrates how broken the system of local government in NSW really is.

The Auditor-General has qualified the financial statements of 43 councils for not recognising red fleet assets, saying this "increases the risk these assets are not properly maintained and managed"... even though she found a few months earlier in her report *Planning and Managing Bushfire Equipment* that RFS didn't have a handle on their own assets... and even though she noted (in her RFS report) the 'backlog' of red fleet assets was only \$106.5M in 2019, whereas the backlog for assets councils *do* own reported that same year was \$3.7B!

Why doesn't the Auditor General express similar concerns about the risk those assets are not properly maintained and managed? Because she's not auditing those figures!

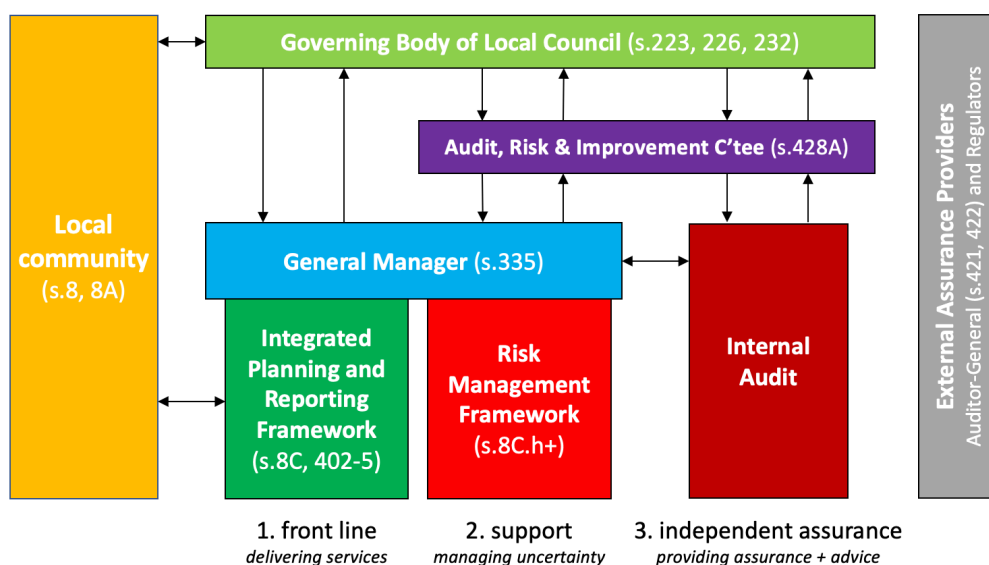
What's the solution? Councils must integrate their IP&R and risk management frameworks (both of which require councils to act like adults and stop following OLG's mandates).

This is where I suggest IPART needs to reconsider the way it understands the world of local government in NSW. The fact that IPART refers to Figure 2.2 as a "financial and governance framework" loses sight of the fact that governance *includes* financial decisions.

IPART has put "ratepayers" (not local communities) at the centre and put IP&R inconspicuously off to the side in the second "layer". This fails to acknowledge all things in that second layer happen via IP&R: it's where the elected council makes decisions about financial sustainability, service provision & quality, operating & capital expenditure, how it structures its rates and spends those revenues and where it adopts its levies and developer contributions.

Risk Management is also conspicuous by its absence in IPART's model... that's an essential part of good governance!

Here is the alternative I've developed:⁶



view is that the figures can't be audited. If a council's risk management framework can be audited (against AS 31000) then a risk-based approach to backlog and maintenance reporting can be audited.

⁶ This is based on the Institute of Internal Auditors '3 lines model'. Numbers are the relevant sections of the Act identifying the role of the various stakeholders.

This model will enable all stakeholders to better understand their role, and get everyone focused on the services council delivers to the local community.

First, it is the role of the councillors to set the **strategic direction** in IP&R – how council will carry out its functions (in the **Delivery Program**) in a way that facilitates a strong, healthy and prosperous local community (as described in the **Community Strategic Plan**).

Secondly, the operations of the council are the responsibility of the General Manager. The governing body sets the strategy, and then the GM oversees operations to implement it. This occurs via the annual **Operational Plan**, which identifies the **activities** to be carried out (in line with the Delivery Program) and the **resources** allocated to do so.

Thirdly, the **Risk Management Framework** supports the implementation of IP&R by helping council to make informed decisions to manage the uncertainty in relation to its objectives. The Internal Audit function provides independent assurance regarding all of this, in accordance with the **Internal Audit Work Plan**.

Fourth, the **Audit, Risk and Improvement Committee** keeps the various aspects of council's operations under review, as per their role defined in the LG Act (section 428A).

Last but not least, the **External Assurance Providers** including the Auditor-General, OLG, DPE Water, DPE Planning and IPART provide additional assurance to all stakeholders (not least the local community) in relation to council's performance. This has the potential to transform the way these agencies understand and undertake their roles.

Unless and until OLG thinks differently about the objectives in the Delivery Program and the risks in the Risk Management Framework,⁷ it will never address the first of the Auditor-General's recommendations in her report on *Regulation and Monitoring of Local Government* that it should:

publish a tool to support councils to self-assess risks and report on their performance and compliance

DPE Water will never be able to implement the AG's recommendations in her *Support for Regional Town Water Infrastructure* in a way that will achieve the required outcomes (the department was to implement an outcomes based approach to IWCM planning) unless councils align their 'mission critical strategic objectives' in the Delivery Program with DPE's *strategic planning outcomes* in its Regulatory and Assurance Framework for LWUs.

Since DPE Water has no regulatory authority to enforce compliance with its expectations for strategic planning,⁸ it must leverage the governance framework that already exists in councils and understand its role as an 'external assurance provider' behind this.

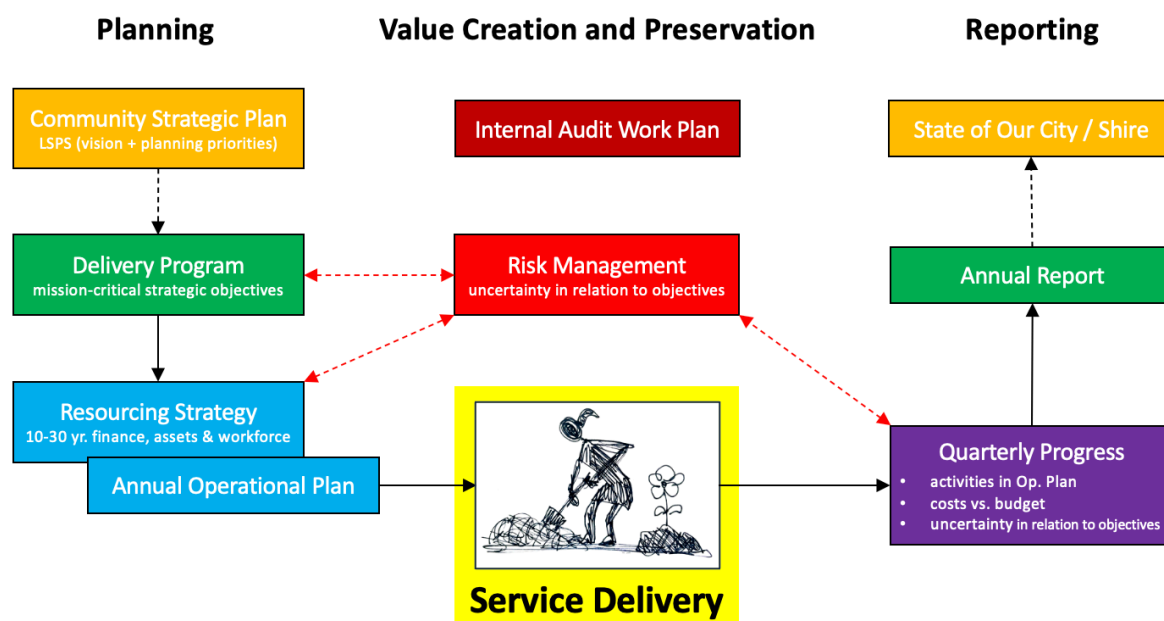
Since councils already have autonomy over increases in water and sewerage charges, it makes sense to encourage them to improve their performance here, too (which is no doubt an issue of prime concern to IPART).

The LSPS DPE Planning requires councils to develop will never make it off the shelf unless and until DPE recognises that the LSPS *vision* and *planning priorities* are the 'objectives' in the Community Strategic Plan in relation to land use, and that the *actions* and *monitoring of implementation* not only can, but must, happen via IP&R (where resources are allocated).

⁷ It also has the potential to provide useful information on the "Your Council" website. What is there now (e.g. in relation to assets) is trivial and meaningless.

⁸ See R&A Framework for LWUs section 3.1.

There's a lot more that could be said, of course, but in summary the Common Thread Framework™ looks like this:



Features that distinguish the Common Thread Framework™ from the current approach are:

- the focus on service delivery not documentation, and in particular **mission critical strategic objectives** for those services, defined in the Delivery Program
- the distinction between the **stakeholder**, **strategy** and **operations** tiers of IP&R, while keeping them aligned (many councils combine the DP and OP, for example)
- the **risk management framework** supports implementation of IP&R not only at the planning stage but as implementation progresses (thus the councillors are kept up to date on the status of uncertainty in relation to mission critical objectives).

A couple of examples of **mission critical strategic objectives** are:

- the water we supply is safe to drink
- we minimise the incidence of premature failure of our road pavements.

These objectives must be SMART (specific, measurable, achievable, realistic, time-bound).

Council must describe both the **present** situation and the **future** it aspires to in these terms (e.g. % compliance with Australian Drinking Water Guidelines, length of road overdue for reseal) or if it is unsure about the current situation, it recognises the **uncertainty**.

The responsible manager gives the councillors meaningful advice about the **uncertainty** in relation to each **objective** based on the compound risk (all potential events):⁹

The focus of the advice is on corrective **action** to mitigate the **risk** and **resources** to do so.

There is no separate 'risk treatment plan': the **Operational Plan** and **Resourcing Strategy** are the **roadmap** to attain the **future** council aspires to in the **Delivery Program**. This is developed considering the **uncertainty** and potential **actions** to mitigate those **risks**.

⁹ This was developed by Tim Leech of Risk Oversight Solutions and is used with his permission.

1	Fully acceptable level of certainty of achievement. Any significant concerns have been identified and workshopped with the governing body.
2	Some management effort is required to increase the level of certainty of achievement to an acceptable level.
3	Considerable management action is required to increase certainty of achievement to an acceptable level.
4	Significant analysis and corrective action by senior management and the governing body is urgently required to increase certainty of achievement to an acceptable level.
5	Massive corrective action by senior management and the governing body is required now to increase certainty of achievement to an acceptable level.

Risks are monitored via the [Quarterly Progress Report](#) against operational objectives (e.g. critical control point exceedances for water supply,¹⁰ length of road reseals) but the focus isn't whether staff have completed actions (have we completed our to do list) but rather the status of uncertainty in relation to objectives. This is a very different approach.

If councillors don't allocate [resources](#) to those corrective [actions](#) identified as being necessary to reduce the level of [uncertainty](#), they are thereby accepting that risk.

It could be that councillors can only afford to undertake the actions over a longer period (e.g. a longer term improvement program for the road network), or that it is seeking funding from NSW Government (e.g., under the Safe and Secure Water Program).

But all stakeholders can get on the same page about the [uncertainty](#) in relation to [mission critical strategic objectives](#). This may include uncertainty associated with a lack of information (a key issue in relation to IWCM Strategies, e.g., the uncertainty in relation to water security is not just "do we have enough?" but "how much do we have?"). This can then be the driver for (say) undertaking strategic planning 'to a reasonable standard'.¹¹

Councillors can gain [assurance](#) in relation to [mission critical strategic objectives](#) from both the [internal audit function](#) and [external assurance providers](#) where such bodies exist (e.g. there is for local water utilities, but not for roads).

If councils adopt a consistent approach to describing how they "carry out their [functions](#)" in the [Delivery Program](#), it will open up opportunities to share good practice, identify common challenges and benchmark performance.

If councils adopt a consistent approach to describing what "strong, healthy and prosperous" looks like in the [Community Strategic Plan](#) (community [outcomes](#)) it will open up opportunities to identify common challenges and facilitate greater ownership and evidence-based decisions by NSW Government agencies.

This is a big opportunity to improve outcomes in local communities because NSW Government agencies play the lead role in many areas (health, education, emergency services, housing, regional water and transport, etc.). Some want to contribute to IP&R but find it difficult given the current 'liquorice allsorts' model... others find it easy to ignore.

The Common Thread Framework is about developing a 'grid' for councillors in particular to see the world of their local community and council's organisation within it through:

¹⁰ See *NSW Guidelines for Drinking Water Management Systems* by NSW Health.

¹¹ See DPE's Regulatory and Assurance Framework for LWUs section 3.3.

		Community outcomes in the Community Strategic Plan						
		SOCIAL		ENVIRONMENTAL		ECONOMIC		SERVANT LEADERSHIP
		An active, safe and healthy community	A vibrant, inclusive community	A natural environment sustained for the future	Liveable neighbourhoods with a defined identity	A thriving, sustainable local economy	A community achieving its potential	Leadership that gives us hope for our future
Council functions in the Delivery Program	Civic and corporate							
	Planning, development and compliance							
	Transport							
	Water supply							
	Sewerage							
	Waste management							
	Urban stormwater and floodplain management							
	Open space and recreation							
	Community facilities and programs							
	Economy and tourism							
	Emergency services							
	Commercial activities							

To those who may be concerned about this ‘cookie cutter approach’, it’s important to recognise that it’s only the questions that are consistent... the answers in each local community will be different... and it’s those differences that will spark the conversations that will lead to better outcomes for local communities.

A final suggestion before I reveal what I think is required, conceptually, overall. I suggest IPART should shift its focus from its narrowly ‘financial’ view of the world not just to the thing the finances are for (service delivery) but the concept of ‘**best value**’.

I think this language will resonate with both the community and councillors, and it also echoes section 8A.1.b of the LG Act:

Councils are to carry out their functions in a way that provides the best possible value for residents and ratepayers.

I like to point out there’s only 4 levers councillors can adjust to provide best possible value:



When councillors go to reach for the **Special Rate Variation** lever, the community usually protests: “what about the **efficiencies** lever?”.

The thing is, it’s hard to work out if you’re ‘doing things right’ if you’re not even sure if you’re ‘doing the right things’... or what things you’re doing, what they cost or what the risks are. In other words, you really need to start with the **service+\$+risk** lever.

That’s what the Common Thread Framework™ is all about. Helping councils get to the point where councillors can adjust the **service+\$+risk** lever in a meaningful way.

So... this is what I'm recommending, conceptually, as the alternative to the new 'financial model' IPART is proposing in draft recommendation #2.

Councils don't just need a new 'financial model', they need a new operating system... NSW local government needs a Service Delivery Reboot™.

	<p>Computer systems are made up of the <i>hardware</i>, operating system and <i>software</i> (which is the part of value to <i>users</i>).</p>
	<p>A laptop is an example of <i>hardware</i>, Microsoft Windows is an <i>OS</i>; and PowerPoint is <i>software</i>.</p>
	<p>A system won't meet <i>user</i> needs if the <i>software</i> doesn't suit the <i>OS</i> or you try to run multiple <i>OSs</i> at the same time.</p>
	<p>If <i>software</i> stops running properly, the best solution is often to "reboot" the <i>OS</i> (or, you may have to switch your <i>hardware</i> off/on).</p>
	<p>When you've got the right <i>OS</i> running the right <i>software</i> then it will meet <i>user</i> needs and expectations</p>
	<p>For councils, <i>users</i> are the community; <i>software</i> is services; the <i>OS</i> is how you operate; <i>hardware</i> is the legislation</p>
	<p>Councils are trying to run <i>services</i> on multiple <i>OS</i>; outcomes for the community are suffering; the <i>OS</i> needs a reboot!</p>
	<p>Common Thread Framework™ is an integrated <i>OS</i> to run <i>services</i> that meets community needs & expect'ns.</p>