Second Compliance Check of Mackay Regional Council local government infrastructure plan

Prepared by: Integran Pty Ltd.

Version	Date	Reviewer name and signature	
Final	31st May 2018	S.Bentley	

Introduction

Integran Pty Ltd. has been engaged by Mackay Regional Council to undertake a second compliance check of its proposed Local Government Infrastructure Plan (LGIP).

Integran Pty Ltd. is required to:

(1) evaluate whether a proposed LGIP complies with the requirements outlined under the statutory guideline for making and amending planning instrument (MALPI) and Statutory guideline 03/14 – Local government infrastructure plans, including the LGIP template, the SOW model and the LGIP Checklist.

(2) provide a written statement and the completed checklist to the local government detailing the findings of the compliance check.

Scope exclusions

The following items are outside the scope of this review:

- A verification of the accuracy of individual inputs used in the preparation of an LGIP.
- A review of the local government's Long Term Financial Forecast (LTFF) or asset management plan (LTAMP) other than to determine the extent of their alignment with the LGIP.

Compliance check process

The process used to undertake the compliance check comprise the following steps:

Stage	Description
Engaged	• Integran Pty Ltd was appointed by Mackay Regional Council as the LGIP reviewer on 16th October 2017. • Documents and other information provided by Mackay Regional Council on 6th October 2017
First Review	• First review commenced on 16th October 2017 • Preliminary comments and recommended amendments provided on 2nd November and the 10th November 2017 • Revised documents and supporting information received on 1st & 5th December 2017
First Report	• First Compliance Check report issued on 8th December 2017.
Second Review	• Second review commenced on 30 May 2018 • Documentation to enable the review endorsed by Council on 23 May 2018 and provided to Integran on the 30 May 2018. • Phone and email discussions with Council were held over the review period to clarify information package and nature of changes made since the first review.
Second Report	• Final report (for second compliance check) issued on 31 May 2018.

The following local government personnel were involved in the compliance check:

Name	Title	Date of discussion (s)	Scope of discussion
Jay Rosenberg	Infrastructure Planner - Transport	Ongoing since October 2017	• Initial handover of LGIP Data • Clarification of requirements for LGIP review • Background information and inputs for each network • Meetings detailing required changes to LGIP document, PIA mapping, PFTI mapping and Schedule of Works model. • Alignment of document to LTFF and LTAMP.
Jaco Ackerman	Manger – Strategic Planning	02/10/2017 10/10/2017	• Meetings detailing required changes to LGIP document, PIA mapping, PFTI mapping and Schedule of Works model.
Kylie Lamb	Manager - Finance	05/12/2017	• Clarification regarding Council's financial management processes and financial assumptions used in development of the LGIP.
Jay Rosenberg	Infrastructure Planner - Transport	30/05/2018	• Outcomes of changes made following Public Consultation

			• Handover of completed LGIP Data following Council resolution to proceed to Second Compliance Check and State Review

Compliance check findings

Note: Having substantially commenced prior to the commencement of new legislation, the LGIP has been assessed under the provisions of the *Sustainable Planning Act 2009* and *Statutory Guideline 03/14*.

General

Integran's second compliance check of the draft Mackay Regional Council LGIP has found that the content and format of the LGIP complies with the LGIP template, LGIP checklist, and statutory guideline 03/14.

Financial Sustainability Assessment and Alignment between Long-Term Planning Documents

The financial sustainability assessment conducted within the SoW model at the 15-year planning horizon in 2031 results in a revenue: expenditure ratio of 1.20 (and even higher when analysed over the full 20-year horizon as nominated in the SoW). Although it is acknowledged there is range of modelling assumptions which can significantly alter this ratio over time, such as infrastructure timing or unrealised projected revenues due to existing credits or exempt development, it sits within the higher range when compared to other similarly-sized councils. Some of the possible scenarios that may contribute to a high ratio are:

1. Significant infrastructure has been built in the past and the spare capacity is being drawn down by the future development;
2. Standards of Service has been significantly reduced and resulting in less infrastructure burdens into the future; or
3. Future infrastructure planning is not sufficient to meet the future demands predicted over the planning horizon in the LGIP.

An analysis of a 'user pays' (i.e. existing and future) versus an 'Impact-basis' (i.e. future only) charge assessment has shown that the total 'impact' charge rate is less than half of the user pays charge. This outcome is expected given the high financial ratio and is consistent with any or all contributing scenarios stated above.

Integran does not believe this to be an issue with LGIP compliance given Council has identified through their analysis that the LGIP is fully funded, however we highly recommend that Council further investigate the degree of alignment between the infrastructure planning and demand horizons for future LGIPs to ensure a rigid and comprehensive infrastructure planning document. It may be beneficial to extend the current infrastructure planning horizons (i.e. to Ultimate development) to better understand any major step-changes in infrastructure requirements that are not currently being picked up through existing planning. Although not a mandated requirement of the legislation, such an approach can improve efficiencies in infrastructure delivery, staging and sequencing through more informed decision making.

Discussions with Council's Finance and Planning Officers have identified that notwithstanding the projected surplus, there may be periods during the life of the LGIP where spending on infrastructure exceeds the funds collected from charges revenues. Council has identified the following potential funding sources available to supplement infrastructure charges in the funding of the LGIP:

- Grants and subsidies from state and commonwealth governments, or other sources as available;
- Specific usage charges where the application of these relate to capital improvements to existing infrastructure (e.g. sewerage treatment upgrades); and
- Other General Revenue or borrowing sources as required.

Mackay Regional Council have developed their LGIP generally in alignment with their Long-Term Asset Management Plan and Long Term Financial Forecast. While minor differences in project inclusions, costs and timings were identified during the review, these are generally due to changes resulting from the LGIP planning process. Council has advised that they will continue to seek greater alignment by revising their LTAMP and LTFF documents in the next financial year to reflect revised planning as per the draft LGIP.

Overall, Integran recommends that the LGIP proceed in its current form, noting that Council officers have been made aware of the financial sustainability implications of the LGIP and will be seeking to address these matters going forward, particularly as the LTAMP and LTFF are reviewed in future. From our review, there was a clear commitment from Council to better capture and consult on the plans and for there to be improved information provided from the network owners to the financial team.

LGIP Amendments for Public Consultation and Second Compliance Check

As part of the second compliance check, Integran has undertaken a review of the amendments made to the draft LGIP in response to the first state interest check and public submissions. Council has provided detailed documentation of the changes made to the LGIP since the First Compliance Check, including how they demonstrate compliance with ministerial conditions and have addressed any issues raised during the public consultation period.

Integran is satisfied that the changes made by Council prior to public consultation are compliant with the ministerial conditions, and that appropriate changes made as a result of public submissions are minor in nature, and do not result in a significantly different version of the draft LGIP from that which was released for public consultation.

Compliance with MALPI

It has also been found that the process of preparing the draft LGIP complies with the requirements outlined under the statutory guideline for making and amending planning instruments (MALPI). While preparing the draft LGIP, Council consulted with the Department of Transport and Main Roads (DTMR) regarding transport matters.

DTMR advised that there did not appear to be any major areas of concern, however they reserve their right to request further clarifications or recommend the application of conditions during the State Interset Check Process.

Conclusions

Overall the draft Mackay Regional Council LGIP complies with:

- the LGIP template and Statutory Guideline 03/14 – in relation to the structure and content of the LGIP document including the planning and demand assumptions, priority infrastructure area, desired standards of service, plans for trunk infrastructure and schedules of work;
- Statutory Guideline 01/16 – in relation to the process for preparing the LGIP including consultation with DTMR.

The assessment has also found that:

- While Council's LGIP is not currently in complete alignment with the LTFF, it's clear that MRC have sought to align the documents as much as possible and are taking steps to further align the documents in future.
- Based on the existing planning assumptions, the draft LGIP can be self-funded by infrastructure contributions over the term of the planning horizon, with a financial sustainability ratio of 1.20. In the event of a change in planning assumptions, such as a change to the existing growth profile, this will need to be reassessed.
- Council's financial sustainability supports their current methodology of generally operating with surplus infrastructure contributions and utilising general revenues or borrowings where necessary to fund short-term cashflow shortages.
- Council should review the alignment of the Infrastructure and Planning Horizons to ensure alignment.

Recommendations

Integran Pty Ltd recommends to the Mackay Regional Council that the LGIP should proceed unchanged.

Recommended conditions to be imposed

Not applicable.