

AlburyCity Submission

Independent Pricing and Regulatory Tribunal

Review of the Financial Model for Councils in NSW

Draft Terms of Reference

The Minister for Local Government has asked the Independent Pricing and Regulatory Tribunal (IPART) to examine the financial model for councils. The draft Terms of Reference asks IPART to review councillor and community visibility over the financial and operational performance of their councils, whether current budget and financial processes deliver value for money and whether the current funding model will sustainably support the needs of communities.

AlburyCity's submission notes IPART's draft Terms of Reference (refer Appendix A) and provides additional suggestions for consideration and inclusion in the final Terms of Reference which AlburyCity considers relevant to the financial model for NSW councils.

Additional areas of focus suggested by AlburyCity

To support financial sustainability, ratepayer equity, affordability, and community trust in the local government sector, AlburyCity would like IPART to consider as part review of the financial model for NSW councils:

- What are the financial sustainability challenges that councils and their communities face and how these challenges contrast for Metropolitan, Regional Cities and Rural councils.
- What is the role of the Office of Local Government in assessing, supporting and championing financial sustainability?
- What is the role and responsibility of the State and Federal Governments in regard to the financial sustainability of council services and infrastructure?
- To further assess additional improvement suggestions identified by IPART as part of the rate peg methodology review.

Local Government sector challenges to councils' financial sustainability, ratepayer equity, affordability, and community trust in the sector.

AlburyCity would like IPART to consider as part of their review the following challenges faced by the sector when assessing the financial model for NSW councils, which include:

- That rate pegging does not fund service level increases.
- The breadth of services and infrastructure provided by rural and regional councils.
- Councils' capacity to deliver the Community Strategic Plan and the delivery of adopted and new strategies.
- Matching the community's capacity and willingness to pay with their aspirations and priorities for services.
- The demand upon council services and infrastructure due to growth and development.
- The quantum and timing of inflationary impacts faced by councils not being fully captured in the rate peg regime.
- Private and government sector competition for professions and trades placing significant pressure on employment costs faced by councils.
- The impacts of cost shifting from other levels of government i.e. Emergency Service Levy.
- The risk that Statutory Fees are not covering the cost of statutory services.
- Increased operational costs and depreciation expenses relating to capital grant funded infrastructure.
- The cost impacts to councils and its services due to the need to maintain and renew a growing and ageing asset base.
- Managing the risks and costs associated with a diverse range of services.
- Responding to intensity and frequency of extreme weather events.

IPART to further assess additional improvement suggestions identified by IPART as part of the rate peg methodology review.

AlburyCity would like IPART to also further assess as part of this review improvement suggestions identified by IPART as part of the previous rate peg methodology review, which included:

- Better targeting eligibility criteria for rates exemptions.
- Allowing councils to use the Capital Improved Value method to set rates.
- Ensuring that statutory charges reflect costs of providing statutory services.
- Developing a mechanism to enable councils found to have insufficient base rates income to achieve financial sustainability.
- Supporting councils 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
- Alternative funding mechanisms, such as targeted grants, should be considered to support councils to provide essential social services to disadvantaged or vulnerable communities, with special attention to the unique challenges faced by rural and regional areas.
- A comprehensive state-wide evaluation of existing pensioner concessions should be conducted, along with the exploration of additional initiatives to enhance support for vulnerable ratepayers.
- Methods to increase the confidence ratepayers have in the rating system should be explored, which could involve introducing additional constraints (i.e. conditions) on the rate peg.
- There are opportunities to strengthen incentives for councils to improve their performance. For example the merit of a rate peg exemption model for councils that demonstrate an agreed level of performance and consultation with ratepayers should be considered.

Appendix A - IPART Draft Terms of Reference

The visibility of councillors and the community over the financial and operational performance of their councils

- Are the mechanisms for reporting on council performance clear and understood. Does the accounting code for local government provide meaningful financial information to enabled councillors to understand and influence the financial and budget performance of their council. Is there a need to update the performance indicators to make them more useful for 'real time' monitoring
- Are councillors receiving timely and appropriate information to enable decisions on allocation of public funds in an efficient and cost effective way
- Are there benefits to moving to dedicated budget or expenditure review committee models to ensure budget decisions are understood by councillors and the communities they serve?

Whether the current budget and financial processes of councils are delivering value for money for ratepayers and residents

- Is the Integrated Planning and Reporting process, currently used by councils to make budget decisions, effective in allowing councillors to engage with the community on the challenges in setting a budget and meeting service level expectations
- How well Councils are setting service delivery standards that match revenue, managing their expenses within allocated budgets, and what opportunities exist for improvement in efficiency, service quality and sustainability
- How to visibly boost elected councillor accountability for council budgets and expenditure to the community

Whether the current funding model will sustainably support the needs of communities

- How do councils balance cash flow to manage the different (and sometimes uncertain), timeframes for revenue and grants money (including Financial Assistance Grants), coming into council
- How effective are councils in identifying and using other revenue sources beyond grants and rates to support the needs of communities and sustainably provide services required to be delivered by councils
- Identify measures to put downward pressure on rates through other 'own source' revenue or closer scrutiny of expenditure.
- Consider the needs of diverse communities and councils and protect the interests of current and future ratepayers from unnecessary impact on their cost of living

Whether councillors and council staff have the financial capacity and capability to meet current and future needs of communities

- Are councils equipped with the right internal capabilities to deliver on the services which their community requires?
- Has the Audit Mandate been successful in providing a consistent view on the accounting and risk management practices of councils
- Are there opportunities to look at long term expenditure and service delivery improvements by insourcing services? Where outsourcing models have been used, do they provide an efficient and effective means of meeting community needs
- What examples of best practice capability building and innovation could be implemented more widely

How better planning and reporting systems can improve long-term budget performance, transparency and accountability to the community

- How effective councils are in managing their assets and planning for future growth and renewal of assets.
- Whether current community engagement allows for effective long-range planning and sustainable funding
- Whether the current framework for reporting and compliance is appropriate and effective.

Any other matters IPART considers relevant