

15 March 2024

Carmel Donnelly PSM  
Independent Pricing and Regulatory Tribunal  
Level 16, 2-24 Rawson Place  
Sydney NSW 2000

Dear Ms Donnelly,

### **Review of the council financial model in NSW**

Council welcomes the opportunity to provide feedback on the draft terms for reference for the review of council financial model in NSW. Below are a range of suggestions I raise on behalf of Bega Valley Shire and provide the following input to the draft terms of reference:

#### **Are the draft Terms of Reference clear and meaningful?**

We support the commissioning of this review by the Minister and trust it will be a balanced consideration of the restrictive nature for councils to generate revenue (grants and rate increases) and the impacts of reducing expenditure that will only result in reduced services to our communities.

The terms of reference show an intent to address the systemic contributing factors that make financial sustainability a risk for many councils.

#### **Should any other tasks or matters be included as part of the Terms of Reference for the review?**

We recommend that the review consider the following questions to support the tasks of the review:

- 1. The visibility of councillors and the community over the financial and operational performance of their councils*
  - Is the Accounting Code missing key information? Does it change too often and is it released with adequate time for Councils to consider and implement the changes required?
  - Are Councillors adequately remunerated and supported professionally to deliver their roles given their level of responsibility?
  - How can an effective and consistent performance measurement framework approach be introduced to benefit the sector?
  - How can the role of the Auditor General be supported to reduce the costs and delays experienced by Council in the annual audit process?

2. *Whether the current budget and financial processes used by councils are delivering value-for-money for ratepayers and residents*
  - How do external cost drivers, including the shifting of responsibility and service delivery from both the State and Federal Government, impact Councils financial sustainability?
  - Is the rate-pegging approach meeting the purpose to act as an appropriate mechanism for limiting revenue of Councils?
  - Have changes in legislation relevant to the Local Government sector kept pace with industry and community needs? For example, pensioner concession rates have not increased since legislation was enacted and is disadvantaging revenue of councils.
  - What are the financial impacts of legislative change on Councils over the last 20 years, particularly in planning system, environmental, water, emergency services, waste.
  - How have sector wide approaches impacted the resources and required activities Councils? For example, requirements for Audit, Risk and Improvement Committees, introducing formalised service reviews and the planning portal.
  
3. *Whether the current funding model will sustainably support the needs of communities*
  - Are the current Federal and State Government funding models for Local Government appropriate and adequate?
  - How can the role of the Local Government grants commission influence adequate and equitable allocations of the Financial Assistance Grant?
  - How can the costs to the State Government of administering numerous grant programs and the subsequent administration costs incurred by Councils in applying for and reporting on grants be minimised?
  - Given the low levels of own-source-revenue of Councils, how can other levels of government provide adequate visibility of grant funding programs available to Councils to support annual budget development and long-term financial plans (LTFP)?
  - What impact on own source revenue does legislative fee capping have on councils? For example, *Environment Planning and Assessment Regulations, Government Information Public Access Act, Companion Animals Act*
  - How can financial performance indicators be improved to more accurately reflect the restrictions councils have in generating revenue?
  
4. *Whether councils (both councillors and staff) have the financial capacity and capability to meet current and future needs of communities*
  - What is the root cause for so many Councils have general fund deficits and what are the trends?
  - How efficient are the State and Federal government in interacting with Councils?
  - How does competitive neutrality legislation impact NSW Councils ability to generate additional revenue streams?
  - How do the resourcing and skills shortages in the sector impact service delivery?
  - How revenue raising capacity differs across NSW Councils based on size and geographic location

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

- How are service delivery standards and service level expectations of communities derived and is there a way to standardise the approach to monitor performance?
- How can the guidance provided for Special Rate Variations be improved? The considerable work required by Councils in the process, and the impact of assumptions in a Councils Long Term Financial Plan not matching the actual advised rate peg with no mechanism for correction is noted as a contributing factor to financial sustainability of the sector.
- How can financial sustainability measures be improved to acknowledge the complexity of balancing operational and strategic decision making responsibilities outlined in the Local Government Act?

**Should any tasks or matters be excluded from the Terms of Reference for the review?**

- *“Are councillors receiving timely and appropriate information to enable decisions on allocation of public funds in an efficient and cost-effective way”.*  
This item could be removed as the legislative requirements for financial reporting are clear.
- *“Are there benefits to moving to dedicated budget or expenditure review committee models to ensure budget decisions are understood by councillors and the communities”.*  
This item does not address the issue that council as-a-whole are required to adopt financial policies, strategies and budget reviews. Introducing another committee as a requirement for councils would only be successful if it was a skills-based appointment. Audit, Risk and Improvement Committees are a structure that already exists that could be used.
- *“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”.*  
This item should be removed as grants are required for the many cost-shifting activities of NSW Government. Rates are subject to rate-pegging that does not align with inflation in either consumer pricing, or even worse, construction pricing. The ‘basket of goods’ used to manage rate-capping revenue does not accurately reflect the costs for rural and regional councils to operate.
- *“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”.*  
This item should be removed as it conflicts with the intent of the legislation for councils to invest in assets with funding structures that promote intergenerational equity.

I look forward to further engagement with IPART as the review commences and trust that the feedback provided at this stage is considered and incorporated at this crucial point in the process. There have been numerous reviews of the Local Government sector and I am hopeful this one will take the time needed to engage with the industry and put forward the bold and much needed changes that our sector requires so we can continue to serve our community needs now and into the future.



Iliada Bolton  
**Director Business and Governance**