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Your submission for this review:

Council resolved on 26 February 2024, to seek that the NSW Government include cost shifting and regulated fees as an area within the IPARTs review of the council financial model in NSW. The resolution was in response to the growth of cost shifting to councils, regulated charges, coupled with rate pegging, is increasingly eroding financial sustainability in the local government sector and risking the capacity of councils to deliver tailored, grassroots services to their communities and properly deliver and maintain vital local infrastructure. Further information on the above and feedback on the ToR is contained in the attachment.

IPART should review and recommend improvements on the following matters:

1. 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 enable 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.

Feedback: Agree. Though don't think 'real time' information is the issue. Illustration of information i.e. the true operating result of the Council is important. Performance indicators that highlight the result without the benefit of infrastructure assets, restricted cash, domestic waste services, etc.

- Are councillors receiving timely and appropriate information to enable decisions on allocation of public funds in an efficient and cost effective way.

Feedback: Agree with this point, though should be expanded to include community.

- 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?

Feedback: Disagree. I don't think this is relevant as the whole of Council is responsible for allocating resources, this creates division. It is more important that the format of financial information is digestible by all councillors of all financial literacy levels and that relevant training is provided. Noting that Council's are permitted to form a finance and governance committee under the current code of meeting practice.

2. Whether the current budget and financial processes used by 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

Feedback: Agree, though suggest expanding the questions to assess how well the budget and IP&R process work together, from a planning and prioritising point of view, i.e. expanding from just engagement.

- 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.

Feedback: I recommend that the point is reworded to review service expenditure prioritisation and the transparency of net costs of services and level of subsidy. Further there is a lack of transparency of mandatory and services driven by community demand (discretionary). It would be beneficial to look at this item across those two categories. Noting that SRV's also require demonstrations of efficiencies, sustainability and productivity.

- How to visibly boost elected councillor accountability for council budgets and expenditure to the community

Feedback: Agree in principle though would recommend this item is expanded to review the financial governance framework of councils, so that it covers a broader area.

3. 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

Feedback: Agree though would recommend expanding the reporting and transparency of operating cash flow. The common perception is that Council is flush with cash though this is predominantly restricted. Recommend expanding any restricted revenue, i.e. interest on restricted reserves, regulatory charges, operating grants that are for capital purposes.

- 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.

Feedback: Agree and would recommend to include how these items are communicated and accountability for specific services to be cost neutral or more dependent on fees and charges.

- Identify measures to put downward pressure on rates through other own source-revenue or closer scrutiny of expenditure.

Feedback: Agree though rather than scrutiny, I think transparency of non-rate based services is more constructive.

- 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



Feedback: Agree though recommend illustrating whether there is a different cost and revenue source for regional and metro councils.

4. Whether councils (both councillors and 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?

Feedback: Agree.

- Has the Audit Mandate been successful in providing a consistent view on the accounting and risk management practices of councils?

Feedback: Agree though recommend expansion of the success factors to cover the objectives of the Local Government Reform that included the appointment of the Auditor General to be the financial and performance auditor of NSW local government. The objectives of the reform included:

- strengthening governance and financial oversight in local government
- providing greater consistency in external audit
- ensuring reliable financial information is available to assess council performance
- improving financial management, fiscal responsibility and public accountability in how councils use citizens' funds.

- 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?

Feedback: Agree with this being a point, though the question isn't clear and both insourcing and outsourcing should be assessed on the same points. i.e. opportunities to look at long term expenditure and service delivery improvements by insourcing, shared service models or outsourcing services?

- What examples of best practice capability building and innovation could be implemented more widely?

Feedback: Agree though recommend linking to financial sustainability, as this is quite a broad statement, unless that is the intent.

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

Feedback: Agree though recommend it is a question of any current gaps in the current planning and reporting process, including accountability of councils when they don't



adhere, capital expenditure guidelines, project governance, operating ratio in current and projected deficits.

- How effective councils are in managing their assets and planning for future growth and renewal of assets.

Feedback: Agree, though recommend expanding to ensuring managing to include; resourcing asset management, disposals, governance framework of asset management (policies, systems, etc.)

- Whether current community engagement allows for effective long-range planning and sustainable funding.

Feedback: Agree, recommend including accountability to the community for long range planning and action. A long term plan is irrelevant if know action is taken in the present to make corrections.

- Whether the current framework of reporting and compliance is appropriate and effective.

Feedback: Agree though recommend including governance and risk management framework in this item.

6. Any other matters IPART considers relevant.

- Additional items:
 - **Case studies of poor financial management – capital, annual operational and long term financial plan.**
 - **Financial Governance Guidelines**

The sector have capital expenditure and quarterly budget review guidelines, IP&R, though there is no overarching document that looks at the entire process and financial governance principles. This point could highlight the whole cycle:

- Service cost management
- Financial management transparency
- Budget presentation and reporting
- Budget Results and adoption
- Long term financial planning and corresponding actions
- Performance indicators – reporting and corresponding actions
- Statutory charge management
- Acceptable or not acceptable reasons for a Council adopting a budget deficit



- Rules for financial planning of services that are not mandatory. List these items

- **Separate financial statements – mandatory vs discretionary (community demand) services**

Assess whether having separated financial statements by services would improve financial management.

- **Cost shifting onto Local Government**

Council resolved on 26 February 2024 to, seeking that the NSW Government:

- Include cost shifting and regulated fees as an area within the IPART's review of the council financial model in NSW.

The resolution was in response to the growth of cost shifting to councils, regulated charges, coupled with rate pegging, is increasingly eroding financial sustainability in the local government sector and risking the capacity of councils to deliver tailored, grassroots services to their communities and properly deliver and maintain vital local infrastructure.

The latest research commissioned by Local Government NSW (LGNSW) shows that the increase in cost shifting has been accelerating by various NSW Government policies.

As shown in the latest cost shifting report produced by independent consultants Morrison Low on behalf of LGNSW for the 2021/22 financial year (www.lgnsw.org.au/costshifting), an amount of \$1.36 billion of expense has been passed on to councils to fund. This is an increase of \$540 million since the last report from the 2017/18 financial year and represents lost services, lost opportunity and lost amenity for all our residents and businesses.

The cost-shifting examples in NSW, along with their associated financial impacts, include:

- Emergency Service contributions
- Rate Exemptions
- Waste Levies
- Library Funding Shortfalls
- Companion Animals
- Contaminated Land Management
- Protection of Environment Operations
- Noxious Weeds



- Development Applications
- Mandatory Pensioner Rebate

The above items, for Georges River Council, relate to over \$350 per ratepayer annually and trends have highlighted an ongoing increase annually.

Georges River Council does not dispute the value of these services in the community and supports the delivery, though requests a transparent and equitable system of cost recovery, to reduce the reliance on ratepayers.

Other examples placing a strain on financial sustainability, include the gap between regulated service costs and the corresponding regulated fee and/or charge. These often don't fully cover the costs of various regulatory functions imposed on councils, leading to additional financial burdens passed onto ratepayers who do not utilise the service and must then subsidise.

In the Independent Pricing and Regulatory Tribunal's (IPART) final report on the '*Review of the rate peg methodology, August 2023*', it found that Ratepayers expressed concerns about affordability and considered that councils could improve how they communicate with their communities. Improving the transparency and management of cost shifting plays a critical element in addressing this finding.

With councils having to fund this ongoing subsidy for the State Government each and every year it means our communities get less or go without. They go without better roads, they go without better parks, they go without important community services that only councils provide, and they and their ratepayers are effectively paying hidden taxes to other levels of government.

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