

IPART Terms of Reference

Task One.

The mechanisms are already in place to provide *the visibility to Councillors and the community* over the financial and operational performance of our Council.

It is up to the individual Councils to ensure that this data is presented to the Councillors for consideration. There may be a mechanism to ensure that this data is being presented to the Councillors, in a manner that is clearly understood. If there is an opportunity to update the performance indicators to make them more useful for 'real time' monitoring, then this would be welcome.

There is always the opportunity for some Councils, for whatever reason, to not fully disclose the true budgetary position of the Council, or for Councillors to lack the skills to identify potential problems.

A problem with moving to a dedicated budget or expenditure review committee, is that many Councillors may not have the required skills to adequately meet the requirements of the Committee – it might become a tick a box exercise.

Task Two.

There are two parts to the dot points listed under Task 2.

- Does the current budget and financial process deliver value for money for ratepayers and residents.
 - The integrated planning and reporting process currently required by Council, would be understood by a minority of rate payers. Most ratepayers would appear to be completely disengaged from the process.
- Are the elected Councillors engaging the community in meeting these outcomes?
 - There is limited opportunity for elected Councillors to visibly boost the accountability for Council budgets and expenditure to the community. The Mayor and GM own this role in Dungog.
- Delivery Standards matching revenue.
 - Dungog, a small rural council with a limited budget, does set service delivery standards that match revenue. We are limited by our revenue.

Task Three.

- Will the current funding model support the needs of the Community?

Dungog Council relies on 70% of its income from grants. This makes it very difficult for small Rural Councils like Dungog -the uncertainty and timing of grant funding limits ongoing spending commitments.

- Other revenue sources.

Other revenue sources are extremely difficult, and risky for Dungog to pursue. Seeking external revenue sources, involves a financial investment by the Shire, which makes Dungog an investor into a business, or venture, that may not necessarily return a profit on the investment. This then puts the limited funds available to Dungog at a risk - the Councillors would be reluctant to guarantee a return on the investment. A brave call indeed.

Clearly own source revenue – which we do not have, (and don't have the cash flow to invest), and a closer security on expenditure, will not cause downward pressure on rates.

What we need is a review into a more sustainable Grant funding process to enable small rural councils, like Dungog, to be viable.

Task Four.

The financial capacity and capability of Council to meet current and future needs of the communities.

- The delivery of services is dependant on the funds available – in small rural Councils the basics can barely be delivered due to cost shifting and a small rate base, and the lack of adequate and consistent grants.
- The Audit Mandate has just added another cost layer onto our Council – another set of eyes would be appreciated as long as it was cost neutral.
- Some sources are outsourced due to lack of staff to complete the tasks.
- We would welcome suggestions of best practice capability building and innovation.

Task Five.

Planning and reporting systems to improve long term budget performance etc.

- As 70% of our funding comes from Grants, planning for future growth and renewal of assets is an aspirational goal – limited by grant funding.
- Community engagement does not allow for effective long -range planning when limited funds are available – we are still working on a backlog of infrastructure projects.

- The current framework of reporting and compliance does nothing to enable small rural councils to sustain the needs of the community.

Task Six:

Any other matters IPART considers relevant?

- This depends on what IPART considers relevant.
- The five tasks listed for this review do not seriously examine why the small Rural Councils are struggling to provide adequate services to the ratepayers – they reflect on the GM’s on each Shire to report responsibly and professionally to their Councillors and ratepayers.
- There has been 6 or so previous enquiries into the financial arrangements of local authorities, with no serious outcomes – this is shaping up to be another enquire to be put in the drawer.
- The IPART enquiry needs to consider the recently released Grattan Report – Pot Holes and Pitfalls: How to fix local roads.
- Dungog Council passed a motion seeking support for the outcomes of this report at the meeting of 21st February 2024.
- At a State level, the distribution of funds from the Grants Commission needs to be examined and the seminal paper from Drew and Dollery in 2015, that concluded that the distribution of funds from the Grants Commission is “chaotic and indefensible.”
- This would never be supported by the larger Councils because they would lose a portion of the FAG money that should come to the smaller Rural Shires.
- I would be happy to send you a copy of the Council resolution if so desired

Cheers

Digby Rayward

Councillor – Dungog Council