

Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
SYDNEY NSW 1240

Our Ref:  
Date:

ECM 25087055  
15 March 2024

Dear Tribunal Members

## FEEDBACK ON DRAFT TERMS OF REFERENCE ON FINANCIAL MODEL FOR NEW SOUTH WALES COUNCILS

Wollongong City Council would like to thank IPART and the State Government for the opportunity to provide input into Local Government matters reviewed by IPART in recent years. Council has appreciated the efforts of IPART in consulting and working with the industry and its customers to provide balanced recommendations from these reviews.

It is our understanding that the latest review on the Financial Model of local government stemmed from the IPART review of the Rating Methodology, where substantial input was received from all stakeholders and many issues were raised, some of which fell outside the scope of measures that could be managed through improvement to Rate Cap Methodology.

Chapter 9 of the Final Report on *Review of the Rate Peg Methodology* provided a balanced and well supported contextual starting point for a future review of councils' financial model, however is concerned that the current terms of reference have failed to include much of the work that was identified through prior IPART findings. Council's input aims to provide feedback on the scope of matters currently outlined within the Terms of Reference (ToR) and looks to ensure the scope captures the prior work that has been done through the IPART's *Review of the Rate Peg Methodology*.

Council's response is provided in line with the survey questions you have asked.

### Q1 Are the draft Terms of Reference clear and meaningful?

Council considers that most of the current terms can be worked through, although will require further clarification and scoping during the consultation phase. Council is concerned however that the current Terms of Reference do not address all of the key matters that were identified for further review in the IPART Final Report on *Review of the Rate Peg Methodology* as they relate to the financial sustainability of local government.

### Q2. Should any other tasks or matters be included as part of the Terms of Reference for the review?

ToR Task 2 – Whether the current budget and financial processes used by councils are delivering value-for-money for ratepayers and residents?

Council proposes an additional point:

- Has the introduction of the Audit Mandate resulted in improved value-for-money for councils in their annual financial reporting processes?

ToR Task 3 – Whether the current funding model will sustainably support the needs of communities?

Council proposes additional points:

- Do changes government legislation and pricing that impact Local Government comply with the 2006 intergovernmental agreement relating to cost shifting?
- Review impacts of change of legislation creating imbalances in cash flows of councils. Are legislative impact statements effective in appropriately considering impacts on local government and are councils effectively consulted during such change?

- Are statutory fees and charges set appropriately to recover the cost of delivering public regulation and policy?
- Assess if the process for council requests for special variations in rating income is effective and efficient and provides the community with value-for-money. At present, this process is costly and time consuming for councils. (refer *Review of the Rate Peg Methodology* Report Chapter 5 & Chapter 9.2).
- Review the impact of the reduction in real terms of the Financial Assistance Grant to local government and the changing methodology for distribution of these funds.

ToR Task 4.3 – 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?

Council would like to have a more balanced approach to this task and provide suggested wording as follows:

- Are there opportunities to consider the delivery models used in Local Government to drive efficiency of service delivery in Local Government and the best value, including insourcing and outsourcing options across varying services. (refer *Review of the Rate Peg Methodology* Report Chapter 9.2 & 9.3)
- Consider the impact of legislative reform that limits the competitiveness of either insourcing or outsourcing services (eg, 2023 Regulation amendments for waste management services).

Council proposes the following additional items for consideration within the ToR:

- Is the cost of rates increasing as a component of the average household income compared to other government and utility costs over time? How could ratepayers' capacity to pay be best analysed and reflected through rating structure? (Refer *Review of the Rate Peg Methodology* Report Appendix C.1 *What we heard from ratepayers*).
- Are the current rates exemptions providing equitable distribution of rates and are they inflating the cost to non-exempt ratepayers? (Refer *Review of the Rate Peg Methodology* Report sections 9.2 & 9.3.1).
- Are the current Performance Indicators providing useful information for monitoring and measuring performance and are they providing clarity to councils and the Community? (Refer *Review of the Rate Peg Methodology* Report section 9.2).
- Are the current distribution and clarity of functions between levels of Government optimising delivery and cost for the community?
- Is the application of Unimproved Land Values for Rating purposes creating an appropriate distribution of cost to all ratepayers? Would households pay a lower proportion of the contribution if Improved Capital Values were used for Rating purposes? (Refer *Review of the Rate Peg Methodology* Report section 9.3.2).
- Is there a mechanism to assist councils assessed as having an insufficient rate base to become financially sustainable? (Refer *Review of the Rate Peg Methodology* Report section 9.3).
- Should alternative funding mechanisms, such as targeted grants, 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? (Refer *Review of the Rate Peg Methodology* Report section 9.3).
- Should social welfare through pension rebates be a responsibility of Local Government? 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. Clear communication and proactive promotion of available assistance options offered by councils are essential. (Refer *Review of the Rate Peg Methodology* Report section 9.3).
- According to previous IPART reviews, it appeared there are opportunities to strengthen incentives for councils to improve their performance. Should the merit of a rate peg exemption model for councils that demonstrate an agreed level of performance and consultation with ratepayers be considered? (refer *Review of the Rate Peg Methodology* Report section 9.3).
- Are caps and other controls on Developer Contributions negatively impacting existing ratepayers that are not directly benefited by growth areas?

- What incentives could be available for councils to improve performance and balance service provision against the capacity and willingness for ratepayer to pay. (Refer *Review of the Rate Peg Methodology* Report section 9.3).

Wollongong City Council would welcome the addition of these amendments to the Terms of Reference and looks forward to the opportunity to work with IPART on reviewing these important issues for Wollongong City Council and its residents and for local government across the State. We acknowledge the effort and resources that will be required to carry out this review effectively and the potential for positive outcomes for our community.

Should you require and clarification or further information, please contact me directly.

**This letter is authorised by**

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**Chief Financial Officer**  
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