



14 March 2024

Review of NSW Council Financial Model
PO Box K35
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SYDNEY NSW 1240

Dear Tribunal,

Review of NSW Council Financial Model - Draft ToR Consultation

Bellinggen Shire Council would like to thank the Tribunal for their work to date on attempting to improve the financial sustainability of the Local Government sector and appreciates the opportunity to present this submission on behalf of Council.

Council is supportive of the review into the financial model of councils. However, it calls upon the NSW Government to reconsider the scope of the preliminary Terms of Reference (ToR) to effectively tackle the fundamental financial sustainability challenges confronting NSW councils. The persistent financial sustainability issues encountered by NSW councils are intricate and unique to each, necessitating multifaceted solutions and a variety of intentional resolutions.

Bellinggen, like many councils statewide, faces ongoing financial strain, heavily dependent on external funding to support its limited rate base in order to provide vital services to its community. Due to over four decades of rate pegging in NSW, Bellinggen's revenue has failed to match the expenses of delivering services and upkeeping its \$0.7 billion in infrastructure. This is evidenced by the necessity for multiple special variation (SV) applications in recent years, all aimed at sustaining existing service standards rather than introducing new or enhanced services. A continued system of large SV's is not a sustainable model for the sector.

Bellinggen faces a uniquely tough financial landscape due to its small population, dispersed population centres, and demanding climate conditions. Achieving ongoing financial stability under these circumstances is exceptionally challenging.

Whilst Council supports many aspects of the draft ToR in addressing transparency in the financial and operational performance to both the Governing body and the public. Council believes the current draft ToR will have very little impact on understanding and solving the myriad of financial challenges facing councils.

The draft ToR are primarily focused on 'outputs', i.e. performance reporting, transparency, budgetary processes etc. Whilst all important aspects of a financially healthy council, the ToR fail to address most of the aspects that impact the financial sustainability of councils.

As a minimum, Council requests the NSW Government to address the following in its review of the financial model of the sector:

- Cost shifting – Cost shifting remains one of the most significant challenges facing the NSW local government sector. The 2021–22 Cost Shifting Survey has revealed that cost shifting totalled \$1.36

billion in 2021–22. Addressing the increasing cost shift to NSW LG is one of the keys to addressing financial sustainability issues in the sector.

- Grant funding – Better and more consistent funding of rural and regional councils, particularly in relation to roads, is critical to financial sustainability. Unfortunately, much of the available grant funding is focused on the creation of new assets or for one off programs. There needs to be a renewed focus on providing more transparent, sustainable funding for the maintenance and renewal of assets.
- Rate Pegging – As a result of over 4 decades of rate pegging in NSW, income has not kept pace with the costs of providing services to our communities. Consideration needs to be given to the abolition of rate pegging in its entirety and allow councils to control their primary income source.
- Financial Assistance Grants – LG share of Commonwealth Taxation Revenue (CTR) have decreased from 2% in the 1980's to now approximately 0.5% of CTR. This decrease is a significant factor in the financial sustainability equation. Further to this, the current funding formula needs to be revised to allocate funding to councils with the greatest relative disadvantage.

Resolving the financial sustainability dilemma within the Local Government sector is inherently intricate, necessitating a multifaceted solution. The Council urges the NSW Government to widen the scope of the existing ToR to comprehensively address the root causes behind the sector's financial sustainability issues.

I trust this information is of some assistance to IPART in finalising its ToR.

If you have any enquiries or require clarification, please do not hesitate to contact me directly.

Kind regards,

