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Your submission for this review:

Dear Chair Thank you for the opportunity to comment on the draft terms of reference for the review into local government financial arrangements. I fully support the questions that are being asked in the current draft, but I believe the terms of reference need to be expanded to allow IPART to consider further key aspects of LG finance and make recommendations on how those areas could be improved. My comments are within the attached letter.

Our ref: GC/MJ: F- 129951
Your ref: n/a



1 February 2024

Carmel Donnelly PSM
Chair
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Via online portal
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Dear Chair

Terms of Reference Financial Model of Councils

Thank you for the opportunity to comment on the draft terms of reference for the review into local government financial arrangements. I genuinely hope that the review which is long overdue can form the basis for a fresh approach or at the very least meaningful improvement.

I fully support the questions that are being asked in the current draft, but I believe the terms of reference need to be expanded to allow IPART to consider further key aspects of LG finance and make recommendations on how those areas could be improved. My comments are based on my experience with managing rural councils.

1. The review should commence by determining the actual financial position of the Councils in NSW, aggregated by type (use the standard classification) and in terms of cash and liability and by trend. This information will show that one size does not fit all, and the subsequent recommendations should reflect that diversity.
2. The review needs to examine the fundamentals in terms of source of income – rates, tied and untied grants and other sources and in terms of expenditure the responsible management of assets and provision of the services sought by ratepayers.
3. The review needs to examine the variations in rates currently and the fact that no two Councils actual levy the same rate. Having been through the special variation process the variations between Councils for rates of essentially the same nature can be 10, 20% or even higher.

4. The review needs to consider the impact of changes in regulation from the State and changes in expectations from State authorities on Council activity. A good example of that is the impact of the appointment of the NSW Audit Office as Councils auditors. Not only have the audit fees increased substantially (in our case 21% just this year) but the cost of meeting the auditor's requirements in terms of for example, asset management have been excessive and ongoing. I am not suggesting that this is necessarily a bad thing just that it is a real thing that is worthy of consideration.
5. The draft TOR asks for assessment of the capacity of Councillors to understand financial reports and to engage appropriately with their constituents. A significant element of training is required. The review should examine the financial arrangements around Councillors and whether the current nominal allowance structure is sufficient to attract and retain the quality of candidate the future requires.
6. The review should allow IPART to examine the long-term effects of rate pegging and provide the Government with recommendations on its future, noting that during the recent review of rate peg methodology the question of the actual future of rate pegging was not allowed to be asked. Given the role of the NSW Audit Office I believe there can be a better way.

I can be contacted on E [REDACTED]
[REDACTED] should you be seeking further information or clarification and am happy to have my submission made public.

Yours faithfully

[REDACTED]

Mr George Cowan
General Manager

CC: the Hon. Ron Hoenig MP Minister for Local Government
Via Online Portal
[REDACTED]