

29 February 2024

Ms Carmel Donnelly PSM
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP
NSW 1240

Dear Ms Donnelly

DRAFT TERMS OF REFERENCE - NSW COUNCIL FINANCIAL MODEL REVIEW

I write to provide feedback on the draft terms of reference for the NSW Council Financial Model Review (the Review) as part of the consultation process under the *Independent Pricing and Regulatory Tribunal Act 1992*. Port Macquarie-Hastings Council welcomes the Review as an opportunity to examine and make recommendations on the financial model for councils in New South Wales.

The draft terms of reference have a strong focus on outputs of the council financial model such as the quality and timeliness of financial reporting, value-for-money for ratepayers and residents, and accountability to the community. These are important matters for consideration. However, the fundamental issue involving the financial model is whether the current funding model for councils enables them to sustainably support the needs of communities.

While this issue is recognised in point three of the draft terms of reference, there are several critical aspects to this issue which are not currently acknowledged. The terms of reference can, and should, be strengthened by expanding point three to address the following important questions:

- What impact is cost shifting from other levels of government having on councils, and what action is required from the New South Wales Government and Australian Government to end this practice and address the impact of past decisions?
- How have Financial Assistance Grants tracked against inflation and growing demands on councils? What actions are required from the New South Wales Government and Australian Government to address this?
- How can grants from other levels of government be improved so that capital grants are accompanied by grants of operating funding to support maintenance and renewal of capital items that otherwise become a financial burden on local communities?
- Does the current rate peg methodology adequately recognise the significant cost of depreciation for councils, and enable councils to address the backlog of infrastructure maintenance and renewal projects?

It is vital that the terms of reference are comprehensive and allow the Independent Pricing and Regulatory Tribunal (IPART) to investigate and provide recommendations on these critical matters. This will ensure that the Review achieves its objective of delivering a sustainable financial model for local government in New South Wales.

Port Macquarie-Hastings Council looks forward to the finalisation of the terms of reference and working with IPART to provide input to this important Review.

Yours sincerely



Chief Executive Officer