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Submission: Many smaller regional councils may have difficulty reaching the 60% own source revenue benchmark due to the individual needs of their communities and the physical profile of their shire. While it is understood that the government believes Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability, the requirement to meet this benchmark by 2019/2020 may be too onerous for many smaller regional Councils that have large road networks to maintain and less income generating business opportunities than metropolitan Councils, yet do not meet the Rural Council criteria.

The government and IPART may respond that mergers are an option. However, Narrandera Shire Council and Leeton Shire Council's experience of analysing a potential merger between the two Councils did not support this. This analysis demonstrated that it made little change to the scale and capacity criteria of a more robust revenue base. It also still did not meet the greater than 60% own source revenue (based on current figures).

Councils, such as Narrandera Shire Council, that cannot demonstrate an overall improvement for their community through a merger, nor meet the Rural Council criteria, are in a difficult situation if they cannot meet all the benchmarks.

Financial Assistance Grants are an annual, stable provision of Council income that is not linked to a specific program. It is recognised that the amount of the financial assistance grant may change each year for each individual Council and that the Federal Government may decide to reduce the grants or not index the grants for a period of time. However, even if the grant pool was cut by half, the remaining 50% would still be more than sufficient to ensure the Narrandera Shire Council now met the Own Source Revenue benchmark of 60% or greater. It is not foreseeable that Financial Assistance Grants will be entirely abolished in the next five years as Local Government across Australia would collapse.

Narrandera Shire Council proposes that:

- the Own Source Revenue Performance Measure should be a "meet or improve within 5 years" for all Councils not just Rural Councils and merged Councils,
- and
- Financial Assistance Grants (or a portion thereof) also be allowable as Own Source Revenue.