

4 July 2024

Chair of the NSW Legislative Council Standing Committee on  
State Development  
Parliament House  
6 Macquarie Street  
SYDNEY NSW 2000

Submission via email [State.Development@parliament.nsw.gov.au](mailto:State.Development@parliament.nsw.gov.au)

Dear Chair,

**Inquiry into the ability of local governments to fund infrastructure and services –  
answers to supplementary questions**

Thank you for the opportunity to provide further information to assist with the Legislative Council Standing Committee on State Development's inquiry on the ability of local governments to fund infrastructure and services.

Please find below responses to your supplementary questions.

**1. Why do you think the current rate peg benefits local councils?**

The rate peg is mainly based on the Base Cost Change (BCC) developed by IPART for local government in New South Wales. The BCC measures annual price changes in councils' operating and capital expenses that are funded through general (rates) income.

As such, it provides a benefit by adding a level of discipline for councils in their budgetary processes by providing a baseline that serves as a reasonable and defined starting point for comparison purposes for the level of cost increases. This broad-based independent assessment also provides assurance to the community of the need for an increase in rates each year.

While the rate peg helps limit the impact of increases in the short-term on ratepayers, it does not allow councils to adjust their rates to reflect actual changes in their costs. Nor does it take account of differences between councils without the need for a special rate variation application which is resource intensive, costly and can be politically contentious. It does not take account of changes in service levels, the impacts of extreme weather events, the impacts of climate change, cost shifting by other levels of government and operational costs associated with growing populations. In addition, it does not take into account that councils have different capacities to generate income and their financial performance and service needs are variously affected by geography, demographics and community preferences.

Allowing councils to add a small percentage to the rate peg determined by IPART in years where it was appropriate, following consultation with their communities through the IP&R process, for those costs that aren't covered by the rate peg would avoid the need for large special rate variations requiring a resources intensive and costly process which is unfair on ratepayers and does not adequately reflect intergenerational equity.

## **2. What expenditure review processes are undertaken by your Council to ensure that the money taken in rates are being adequately spent?**

The annual recurrent benefits generated by the formation of Northern Beaches Council are estimated at \$29.5 million. The [Efficiency Savings Fact Sheet](#) on our website outlines how these savings are being reinvested back into the community through improved service levels, priority infrastructure and lower Domestic Waste Management Charges for ratepayers.

Building on this, efficiency savings targets were established in the Long-Term Financial Plan (LTFP). This discipline drove a program of continuous improvement and sharpened focus on driving the delivery of efficiencies for the new Council.

We continue to work hard to find ways to offset cost pressures while maintaining our services and assets. In recent years we have reviewed fees, found efficiency gains and cost savings, including over \$2.4 million in efficiency savings over 3 years. Several processes are in place to ensure value for money and an acceptable cost-benefit for the community as outlined below.

### **Service Review Framework and Program**

Council has in place a Service Review Framework and Program that comprehensively reviews its services and associated functions and forms part of the ongoing continuous improvement program. The aim of the Service Review Program is to encourage continuous improvement across council's operations and to identify more economical ways (including the review of expenditure) of providing services to meet community expectations now and into the future.

As a part of the Service Review Program, objectives have been identified that specifically looks at service expenditure and the associated utilisation of rates.

The objectives are as follows:

- Assess the service's performance including efficiency (how well it uses its inputs) and effectiveness (how well it achieves its outcomes) to deliver current service levels.
- Develop an awareness and understanding of community and customer needs and the relative importance of the service.
- Ensure understanding of the financial impact of the service on rate subsidisation.
- Review the balance between the rate of subsidisation of the service against relative importance.
- Strive to improve our services by comparing with other high performing organisations and/or undertaking industry research (where feasible).

## **Continuous Improvement Program**

Council sustainability is facilitated at a grass roots level. Council has in place a Continuous Improvement Program that culturally imbeds the review of expenditure, income, systems and practices into the everything we do now and into the future. Over the past number of years over 650 improvements have been initiated.

Improvements are continually identified and to date have incorporated:

- Waste reduction (i.e. remove duplication, streamline the system/process)
- Quality improvements (i.e. consistency, providing clarity and reducing complexity)
- Improvements to customer service - external or internal
- Risk reduction
- Time savings (hours)
- Expenditure minimisation

These improvements are reported to Council's Audit Risk and Improvement Committee that historically has included both Councillors and Independent members.

## **Procurement**

The Council's Procurement Management framework is designed to achieve value for money from procurement while being fair, ethical, transparent and sustainable. Best value for money is determined on a whole of life basis, and takes into consideration criteria such as:

- Price or Cost (which includes whole of life costs)
- Quality, technical merit and innovation
- Contractual and technical compliance to Council's requirement
- The capacity of the supplier (financial, managerial and technical)
- The supplier's past performance record
- Safety, ethical and environmental benefits
- Fit for purpose, social impacts (including not engaging in unfair, exploitive or abusive labour practices) and risks

The framework includes:

- Procurement policy and manual supported by robust training and templates
- Panel agreements to achieve value and efficiency across the organisation
- Robust evaluation process which documents an assessment of value for money including consideration of both financial and non-financial items.
- Key performance indicators included within contracts and a system in place to manage reviews.

## **Budget processes and oversight**

A thorough review of expenditure is undertaken through the annual budget process. This includes detailed notes and monthly forecasts along with trend analysis and variance reporting against a target budget. Project briefs are required for capital expenditure and new projects, which are assessed by the internal Strategic Asset Management Panel and Budget and Projects Panel.

Budgets are monitored through quarterly budget reviews and monthly reporting packs to management and internal governance panels.

### **3. How do Councillors oversight your Council's expenditure to ensure your Council's sustainability?**

Councillors are supported in their decision making and oversight of financial sustainability through several measures:

- Councillor induction program and ongoing development
- councillor requests system to seek information from staff
- Every council report includes a financial considerations section
- Major procurement is referred to Council for their consideration and approval, including the evaluation reports.
- Quarterly budget reviews identifying proposed budget re-forecasts and explaining any variances to the expected result along with cash reserve projections
- Comprehensive budget and long term financial and asset planning process:
  - the 2024/25 budget process included 3 councillor briefings, budget information packs along with a weekend workshop on financial sustainability and infrastructure and service challenges.
  - financial planning policy statements are embedded within the LTFP which is also integrated with the Asset Management Plan.
- Establishment and oversight of the Audit, Risk and Improvement Committee (ARIC) which receive reports on financial performance, financial reports, Audit Office reports, reports on service reviews and improvements.
- Financial management is a key performance indicator within the CEO's performance review, and this is cascaded to managers to ensure management and control of Council's physical and financial resources to ensure sustainability.

Should you require any further information or assistance in this matter, please contact Caroline Foley

Yours faithfully

  
Caroline Foley  
Chief Financial Officer

Endorsed under delegation:

  
Kelly Loveridge  
Chief Operating Officer