

**GENERAL PURPOSE STANDING COMMITTEE NO.6**

**INQUIRY INTO LOCAL GOVERNMENT  
IN NEW SOUTH WALES**

**Answers to Questions on Notice – 17 August 2015  
Minister for Local Government**

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**Question 1**

Will you table for the Committee copies of representations you have made to the Commonwealth Government relating to the financial assistance grants?

**Answer**

A letter to the Deputy Prime Minister regarding the Financial Assistance Grants indexation freeze is attached. Also attached is a letter from the NSW Government raising concerns about the impact of a range of Commonwealth Budgetary decisions.

**Question 2**

Please table the letter from TCORP to the Office of Local Government about losing \$1 million a day?

**Answer**

The letter from TCORP to the Office of Local Government is attached.

**Question 3**

How do you explain the efficient assessment of 144 councils over 12 weeks in terms of the applications to IPART?

**Answer**

As noted in Submission 149, and further explained to the Parliamentary Inquiry into Local Government in NSW at the hearing of 24 August 2015, IPART have ensured that sufficient, experienced staff are available to complete the task within the required timeframe.



**The Hon Paul Toole MP**  
Minister for Local Government

Ref:  
MIN:  
Doc ID: A426383

The Hon Warren Truss MP  
Deputy Prime Minister and Minister for  
Infrastructure and Regional Development  
Parliament House  
CANBERRA ACT 2600

Dear Deputy Prime Minister,

I am writing about the Commonwealth Government's decision to pause indexation on the local government financial assistance grants until 2017/18 and to cease funding the National Partnership Agreement on Certain Concessions.

The Commonwealth Government's decision to pause the indexation of financial assistance grants will cost the Australian local government sector approximately \$925 million over three years, with the impact for NSW local government estimated to be over \$285 million. This decision will have a significant ongoing cumulative effect when indexation is restored in 2017/18 because the escalation factor will always be off a lower base.

For many councils, these funds are a vital part of their revenue stream. For some, the grants represent over thirty per cent of their income. These councils are generally located in rural and remote areas and they are least able to make up the lost revenue from other sources or to reduce their costs to accommodate the Commonwealth's decision. Rather, it is likely to directly impact on their capacity to provide services to their communities.

While I welcome the Commonwealth Government's decision to bring forward the payment of the first two instalments of the 2015/16 financial assistance grants and I note the short term positive cash-flow impact this will have for those grant-dependent councils, this initiative will ultimately do little to compensate councils for the revenue they are losing through the pausing of indexation.

I am also very concerned at the Commonwealth Government's decision to cease its share of funding under the National Partnership Agreement on Certain Concessions. That decision resulted in a \$7 million reduction in annual funding for the NSW pensioner concession scheme.

The NSW Government, in recognising the importance of the scheme in assisting pensioners to meet their cost of living pressures, has agreed to step in and fund the shortfall left by the Commonwealth. While this ensures that NSW pensioners can continue to receive the same level of benefit as they have done in the past, it effectively limits the financial capacity of the NSW Government to increase the concession to maintain its value.

On behalf of the NSW local government sector, I request that the Commonwealth Government reconsiders its decisions to pause indexation on the local government financial assistance grants and to cease funding the National Partnership Agreement on Certain Concessions, as these decisions impact upon some of the most vulnerable and disadvantaged communities in Australia.

Yours sincerely

A handwritten signature in black ink that reads "Paul Toole". The signature is written in a cursive style with a large, looping initial 'P'.

Paul Toole MP  
**Minister**

Cc: Treasurer of the Commonwealth of Australia, the Hon Joe Hockey MP



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2 September 2014

Mr Steve Orr  
Acting Chief Executive  
Office of Local Government  
Locked Bag 3015  
Nowra NSW 2541

Dear Steve

### **Local Council Financial Results**

We refer to the TCorp report issued in April 2013 'Financial Sustainability of the New South Wales Local Government Sector, Findings Recommendations and Analysis' that was prepared for the Office of Local Government.

TCorp's report identified that a majority of Councils were reporting operating deficits, with only 1/3 of Councils recording a surplus in 2012. Over the period 2009 to 2012, the cumulative operating deficits for all Councils totalled about \$1b.

TCorp found that Councils' deteriorating financial performance had been occurring for some time and this had led to a gradual weakening of the local government sector. Compounding this problem was the fact that most Councils were not providing sufficient funds to maintain their assets to a satisfactory standard. TCorp concluded that these factors, if not corrected, would lead to further deteriorating financial strength and ultimately a lower quality of assets and hence services, that could be delivered by the sector.

As part of TCorp's ongoing work in the sector, and subsequent to the completion of the TCorp report, an examination of the 2013 operating results for Councils has shown a continued deterioration. Total operating results for those Councils in deficit for 2013 was an aggregate deficit in excess of \$400m. 2/3 of Councils reported deficits. For all Councils the total operating result was a net deficit of around \$280m. We are also concerned that the Commonwealth's decision not to prepay Financial Assistance Grants occurring in the 2014 financial year, may give rise to a further significant deterioration when these results are finalised and published over the next couple of months.

We will continue to monitor the financial performance of the sector and collate the aggregate results for 2014 when they become available.

Should you require any further information, please don't hesitate to contact me.

Yours sincerely,

Kevin Pugh  
Senior Manager Corporate Finance

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cc. Andrew Constance MP, Treasurer

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COMMERCIAL-IN-CONFIDENCE

# **A joint letter to the Prime Minister from the NSW Government and other concerned stakeholders in NSW**

The Hon. Tony Abbott MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister,

We write regarding cuts within the recent federal budget to NSW senior concessions.

We are calling on the Commonwealth to reinstate the \$450 million funding reduction to NSW concessions over the next four years.

The NSW Government received no formal communication about these funding reductions in advance of the Federal Budget, which leaves a number of key senior concessions in immediate jeopardy.

The only casualties of these harsh cuts will be the people who need the savings most – seniors and pensioners.

With more than double our state's total budget just in the Commonwealth's social services portfolio alone, we struggle to understand the benefit of removing a proportionally small contribution which assists more than one million seniors in NSW.

The NSW Government remains focused on delivering concessions to our seniors, within our means, and will maintain our previous commitment with the Commonwealth which has been in place for more than 20 years.

Without a future funding commitment from the Commonwealth, the ability of the NSW Government to continue providing current concessions will be severely compromised.

The NSW Minister for Ageing convened a meeting with a number of key pensioner and senior stakeholders last week to discuss concerns. There was a unanimous decision to demand these cuts be reversed. These stakeholders are cosignatories to this letter.

We, the undersigned will continue to fight for our ageing population until a fair and reasonable outcome is reached with the Commonwealth.



We appreciate your urgent consideration of this important matter.


Yours sincerely,



**Andrew Constance MP**  
NSW Treasurer



**John Ajaka MLC**  
NSW Minister for Ageing

  
**Margaret Meagher**  
NSW Ministerial Advisory Committee on Ageing

  
**Ian Day**  
Chief Executive Officer  
The Council on the Ageing (COTA) NSW Inc.

  
**Cr Keith Rhoades AFSM**  
President  
Local Government NSW

**Alison Peters**  
Chief Executive Officer  
Council of Social Service of NSW (NCOSS)

  
**Grace Selway OAM**  
President  
Combined Pensioners & Superannuants  
Association of NSW

**Dr. Sonia Lavery**  
Chairperson  
Older Women's Network NSW Inc

**Robert Curley**  
President, NSW Division  
Association of Independent Retirees (A.I.R.)  
Limited.

04 JUN 2014