

**Submission  
No 1**

**INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO  
FUND INFRASTRUCTURE AND SERVICES**

**Name:** Ms Lyn Magree

**Date Received:** 20 March 2024

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14 March 2024

Ms Carmel Donnelly  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Via email:


Dear Ms Donnelly,

**Re: Investigation of council financial model in NSW – Draft terms of reference**

Thank you for the opportunity to offer feedback on the draft terms of reference as provided by the Hon. Christopher John Minns MP, Premier.

I am a resident of Goulburn Mulwaree Council (GMC). As you would be aware GMC has applied to IPART for a Special Rate Variation (SRV) of 51.2% ([Refer attachment No. 1](#)).

On the proposed increase, GMC advised residents that insurance was the second highest expense and one of the main reasons for the proposed increase. You can see from the below extract under [Section 55 of the NSW Act](#) (the Act) Members of Statewide Mutual, which includes GMC, are exempt from participating in a tender process. Therefore, the forced acceptance of insurance renewal terms, without competition, is both arrogant and antagonistic.



**WHY DON'T MEMBERS NEED TO GO TO TENDER?**

With the traditional model of purchasing insurance through the market failing Council in adverse times, the participating Councils worked with JLT to set up a more sustainable model to provide a continuing remedy.

In establishing the Mutual, Members wished to establish an insurance Mutual so that they could purchase insurance collectively, self-insure some aspects of their risk, control risk management and run their claims. This model requires a more binding and lasting undertaking than a mere contract and hence the [Scheme](#) was established by Deed.

Members' annual contribution to the Scheme is not a traditional contract of indemnity like almost all insurance policies. It is a contribution of a Member to a discretionary trust held for its benefit, not a contract.

Thus, while [Section 55 of the Local Government Act](#) is quite specific in that it requires Councils to [tender](#) for certain contracts, [Members' contributions do not constitute a contract for the purposes of the Act](#).

Further, the agreement made by the Members individually to the Scheme constitutes an agreement between the Member Councils to establish the Scheme [which is an exemption to Section 55](#).

I refer specifically to the above Statewide Mutual General Manager Toolkit page 12 ([Refer attachment No. 2](#)). Statewide is the [Scheme manager to 113 NSW Member Councils](#)

Statewide's appointed insurance advisor is JLT, who is broker to the 113 councils, which equates to 88.2% of [NSW's 128 councils](#). And a near monopoly hold on [Australia's 537 councils](#).

## Monopoly: Anti-competitive behaviour

In allowing the exemption to continue, the NSW State Government is effectively forcing GMC ratepayers to accept an increase in insurance premiums that have not gone to tender. It is unacceptable, anti-competitive behaviour.

The Scheme and Deed referenced by Statewide is not available to residents but Members only, i.e. Councils. The lack of transparency is not in-line with a democratic process and whereby other government departments are forced to comply under the Act.

This exemption conditions the market, Australia wide, to accept a lack of competition and to favour the other schemes, in other states, managed by JLT. Schemes such as, Qld ([LGMS](#)), SA ([LGRS](#)), WA ([LGIS](#)) Vic ([JMAPP](#)) and Tas ([LGAT](#)).

## Request for the following inclusions in the terms of reference


I write to you as a concerned resident of Goulburn who is not prepared to accept the proposed SRV. In addition to my concerns, I am aware of the Goulburn Ratepayer Action Group who also oppose the increase. To date, the Group has collected over 6,000 signatures from petitions located in 120 shops and business throughout Goulburn. ([Refer attachment No. 3](#)).

I have reviewed the draft terms of reference provided by the Premier, and while the terms covers many essential aspects, I would like to stress the importance of including specific provisions regarding insurance requirements as a crucial component for discussion.

In view of the recent parliamentary inquiry into *Insurer Responses to The 2022 Floods*, and risks associated with climate change, it is imperative that the NSW State Government establish clear uniform guidelines for the insurance coverage of all 128 councils that are acceptable, transparent and competitive.

Therefore, I ask that the following be considered for inclusion:

1. The terms of reference to include mandated tendering for the provision of insurance for all NSW councils. Mutuals and their Members will no longer be granted exemption under the Act.
2. The contract period (RFP) for insurance services be for a mandated 5-year period to ensure competition and to end the current monopoly held by JLT, which is a subsidiary of Marsh, the world's largest insurance broker.
3. An independent body, such as IPART, be responsible for the terms of the RFP and appointment of the successful insurance service provider.



### Special Rate Variation Proposal

Scenarios	2024-25	2025-26	Cumulative
Base Case - Rate Peg*	3.5%	2.5%	6.1% (over two years)
Option 1 - One - year SRV (including rate peg)	43.5%	2.5%	47.1% (over two years)
Option 2 - Two - year SRV (including rate peg)	25.5%	20.5%	51.2% (over two years)

Rates comparison v 5 Major Expenditure Categories 2018/19 - 2023/24				
	Increase (\$'000)	Increase (%)	Average Increase (\$'000)	Average Increase (%)
ESL	404	92.66%	67	15.44%
Insurances	1,002	89.46%	167	14.91%
IT Expenses	985	569.36%	164	94.89%
Light & Power	1,641	156.29%	274	26.05%
Depreciation	13,884	114.59%	2,314	19.10%
Increase in expenses	17,916	120.28%	2,986	20.05%
Rates	4,710	24.76%	785	4.13%

4. To maintain independence, the Scheme manager, Statewide Mutual, be precluded from overseeing the tender process and appointment of the insurance service provider. Currently, Statewide is a tenant of Marsh and located in their premises, along with JLT, at Tower One International Towers, Barangaroo, Sydney. I believe this to be an undeclared conflict of interest.

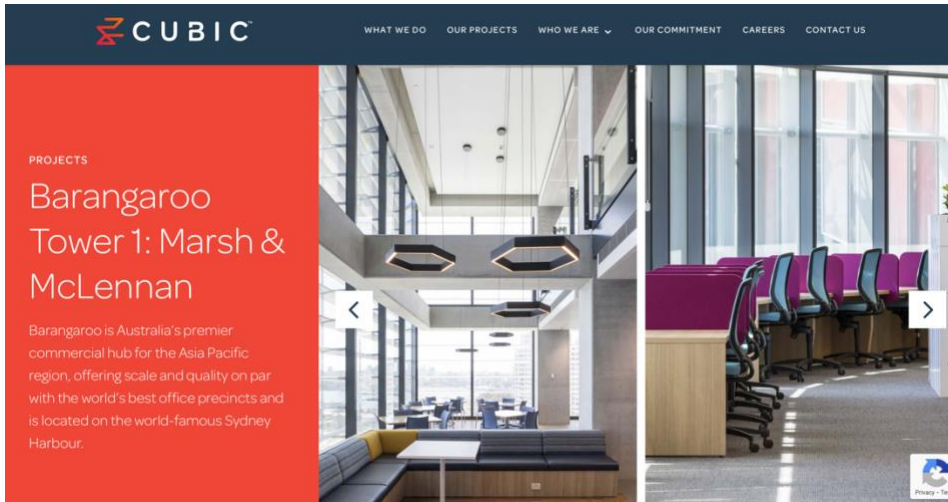
Including the above four provisions in the terms of reference, which are specific to insurance requirements, will ensure financial stability for regional councils and protect NSW's nine million residents from forced insurance hikes.

The inclusion will also provide assurance to residents that appropriate measures have been put in place by the Minns' Government that discourages anti-competitive behaviour.

I look forward to discussing these suggestions further and collaborating on incorporating the necessary insurance provisions into the finalised terms of reference.

Sincerely,

Statewide Mutual are tenants of Marsh, parent of JLT, and Statewide's advisors.



Marsh Pty Ltd

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Sydney, NSW Australia 2000

[www.marsh.com.au](http://www.marsh.com.au)

