

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

Organisation: Narrandera Shire Council

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24 April 2024

Parliamentary Inquiry into the Ability of Local Government to Fund Infrastructure and Services

Dear Sir/Madam

This is the Narrandera Shire Submission into the Inquiry.

Thank you for the opportunity to make a submission to this inquiry.

I genuinely hope that the review, which is long overdue, can form the basis for a fresh approach, or at the very least, meaningful improvement in the financial arrangements for local governments.

I believe the following are key aspects that should be considered by the Inquiry. My comments are based on my experience with managing rural councils.

1. The Inquiry should commence by determining the actual financial position of the Councils in NSW, aggregated by type (use the standard classification) and in terms of cash and liability and by trend. This information will show that one size does not fit all, and the subsequent recommendations arising from the inquiry should reflect that diversity. It will also immediately show the massive shortfall in funding for infrastructure that currently exists. Both the OLG and the NSW Audit Office have all this information
2. The level of income Councils require – Every community is different, and the Inquiry needs to examine the fundamentals in terms of source of income – rates, tied and untied grants and other sources. Very few regional and rural councils have access to genuine commercial sources of income such as paid parking, to supplement traditional sources. Because of the open-ended nature of the IP&R process the “needs” of the community will always be growing. The development of Community Strategic Plans is not balanced by the need to consider available resources, so the expectations can be unlimited. Councillors are responsible for the reasonable management of assets and provision of the services sought by ratepayers.
3. It will be a simple matter to recognise that rate pegging has not kept pace with costs increases as IPART publishes detailed reports showing the level of discounting. Importantly the Inquiry needs to examine the variations in rates currently and the fact that no two Councils actually levy the same rate. Having been through the special variation process the variations for rates between Councils of essentially the same nature can be 10, 20% or even higher.

4. The Inquiry needs to consider the impact of changes in regulation from the State and changes in expectations from State authorities on Council activity. A good example of that is the impact of the appointment of the NSW Audit Office as Councils auditors. Not only have the audit fees increased substantially (in our case 21% just this year) but the cost of meeting the auditor's requirements in terms of for example, asset management have been excessive and ongoing. I am not suggesting that this is necessarily a bad thing just that it is a real thing that is worthy of consideration. It has a particular relevance to the funding of infrastructure because of the insistence by the Auditor of appropriate valuations and condition ratings for infrastructure that now is so influential. Council considered a report prepared by LGNSW earlier this year that documented the financial impact of cost shifting on councils. It is very significant. It may well be the right thing to do but it needs to be funded. After nearly 50 years of rate pegging Councils simply do not have the resources to absorb these costs. Each State Government agency that is responsible for expanding council operations or costs should be required to report those impacts to IPART.
5. The capacity of Councillors to perform their duties such as understanding financial reports and to engage appropriately with their constituents is very important. A significant element of training is required. The review should examine the financial arrangements around Councillors and whether the current nominal allowance structure is sufficient to attract and retain the quality of candidate the future requires.
6. The review should examine the long-term effects of rate pegging and provide the Government with recommendations on its future, noting that during the recent review of rate peg methodology undertaken by IPART the question of the actual future of rate pegging was not allowed to be asked. It is a plain nonsense that rates and charges for water, sewerage and waste can be set by Councils based on the need of the community and for general rates the government via IPART seeks to predetermine levels. Given the role of the NSW Audit Office I believe there can be a better way. Now that the Audit Office is signing off on Councils financial reports and reporting to Parliament on those reports why not ask the Audit Office for an assessment of the Councils financial health and provide recommendations on rating levels. A process of this nature could be used to allow Councils to "qualify" for a slightly higher rate peg to restore the balance progressively over time.
7. Having just been through a special rate variation process I can attest that it is nothing short of appalling and I would be happy to give evidence to the Inquiry as to the fine details. In order to qualify for a special variation Council has to prove that it is unsustainable, opening councillors and senior staff up to levels of verbal and written abuse of incompetence.

8. One of the most important sources of income for the Councils is provided by the tied grant process. This is where State and Federal governments utilise councils to deliver outcomes for communities in line with State and Federal priorities. Why? And most of all why are these processes competitive? Simplify the process and allocate a reasonable amount to each Council to be expended on a local basis.

If you have any further enquiries concerning this matter, please contact my Executive Assistant Vicki Maher

Yours faithfully

Mr George Cowan
General Manager