

SUPPLEMENTARY AGENDA

Notice is hereby given that a Northern Beaches Council Meeting will be held in the Council Chambers at the Civic Centre, Dee Why on

Tuesday 26 March 2024

Beginning at 6:00pm for the purpose of considering and determining matters included in this agenda.

Scott Phillips
Chief Executive Officer

OUR VISION

Delivering the highest quality service valued and trusted by our community

OUR VALUES

Trust Teamwork Respect Integrity Service Leadership

OUR OBLIGATIONS

I swear/solemnly and sincerely declare and affirm that I will undertake the duties of the office of councillor in the best interests of the people of the Northern Beaches and the Northern Beaches Council and that I will faithfully and impartially carry out the functions, powers, authorities and discretions vested in me under the Local Government Act 1993 or any other Act to the best of my ability and judgement.

ORDER OF BUSINESS

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7.0 MAYORAL MINUTES

ITEM 7.2 MAYORAL MINUTE NO 6/2024 - SUBMISSIONS TO THE INQUIRIES INTO THE FINANCIAL SUSTAINABILITY OF LOCAL GOVERNMENT

PURPOSE

The purpose of this mayoral minute is to seek the preparation of submissions relating to:

- the inquiry by the NSW Parliament's Legislative Council Standing Committee on State Development into the ability of local governments to fund infrastructure and services; and
- the inquiry by the Parliament of Australia's House of Representatives Standing Committee on Regional Development, Infrastructure and Transport into local government sustainability.



**Sue Heins
MAYOR**

RECOMMENDATION

That:

1. A submission to the inquiry by the NSW Parliament's Legislative Council Standing Committee on State Development into the ability of local governments to fund infrastructure and services be prepared by Council staff and circulated to Councillors via memorandum for feedback prior to lodgement.
 2. A submission to the inquiry by the Parliament of Australia's House of Representatives Standing Committee on Regional Development, Infrastructure and Transport into local government sustainability be prepared by Council staff and presented to the April 2024 Ordinary Council Meeting.
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BACKGROUND

A number of factors are increasingly eroding the financial sustainability of local government and risking the capacity of councils to deliver grassroots services to their communities and maintain vital local infrastructure. Council has dealt with some of these issues at recent meetings, including in relation to the growth of cost shifting to councils.

For Northern Beaches Council, this constrains our ability to maintain our community infrastructure and sustain the same level of service to our community. Our Asset Management Plan (AMP 2022-2032) identifies an infrastructure funding gap of \$151 million over 10 years. This is further exacerbated by recent high inflation and the \$3.1 million increase in costs to Council associated with the Emergency Services Levy this financial year. A combination of regulatory reform, budgetary provision and appropriate funding is required.

Recognition of this problem is growing at both the State and Federal level with recent initiatives providing the opportunity for Council to contribute to the consideration of this important issue.

On 11 January 2024, the Independent Pricing and Regulatory Tribunal (IPART) received draft terms of reference from the NSW Government to investigate and report on the financial model for NSW local councils under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992* (Draft IPART Terms of Reference). In line with the requirements of the Act, IPART advised it would undertake consultation and seek feedback on the Draft IPART Terms of Reference until 15 March 2024. The Draft IPART Terms of Reference are at Attachment 1.

At the Ordinary Council meeting held on 27 February 2024, Council resolved to endorse a submission to IPART. This submission, which suggested that various other matters be included in the review, was lodged with IPART by Council on 29 February 2024 (see Attachment 2).

On 8 March 2024, the Hon Ron Hoenig MP, Minister for Local Government, referred the terms of reference for an inquiry into the ability of local government to fund infrastructure and services to the NSW Parliament's Legislative Council Standing Committee on State Development. The Standing Committee's terms of reference (NSW Standing Committee Terms of Reference) were adopted by the Committee on 14 March 2024. The NSW Standing Committee Terms of Reference are at Attachment 3.

On 19 March 2024, IPART received a letter from the NSW Government withdrawing the referral pertaining to the Draft IPART Terms of Reference to avoid unnecessary duplication, as the matter will now instead be considered by the NSW Parliament's Legislative Council Standing Committee on State Development. IPART has advised that it will consider all feedback received in response to the Draft IPART Terms of Reference and will provide a summary of issues raised by stakeholders to the NSW Government.

While the NSW Standing Committee Terms of Reference have similarities to the Draft IPART Terms of Reference, there are differences including that the NSW Standing Committee Terms of Reference specifically focus on the impact of the rate peg and the operation of the special rate variation process and its effectiveness in providing the level of income councils require to adequately meet the needs of their communities.

Submissions in relation to the NSW Standing Committee Terms of Reference are due by 26 April 2024, which is prior to the Ordinary Council meeting to be held on 30 April 2024. As such, it is proposed that staff circulate a draft submission to Councillors via memorandum out of session so that Councillors can provide feedback and the submission can be finalised by staff before the due date.

On 21 March 2024, it was further announced that the Parliament of Australia House of Representatives Standing Committee on Regional Development, Infrastructure and Transport will inquire into and report on local government sustainability, following a referral from the Minister for Infrastructure, Transport, Regional Development and Local Government, the Hon Catherine King MP. The terms of reference for this inquiry (Federal Standing Committee Terms of Reference) are at Attachment 4.

Submissions in relation to the Federal Standing Committee Terms of Reference are due by 3 May 2024. It is proposed that staff present a draft submission relating to the Federal Standing Committee Terms of Reference to the Ordinary Council meeting to be held on 30 April 2024.

It is timely that Standing Committees at both the State and Federal level are conducting inquiries into local government financial sustainability. Council should take the opportunity to contribute to the inquiries.

TRIM FILE REF	2024/205213
ATTACHMENTS	↓1 IPART - Draft Terms of Reference - Review of the council financial model in NSW ↓2 IPART - Draft Terms of Reference - Review of the council financial model in NSW - Submission ↓3 NSW Parliament's Standing Committee on State Development - Terms of reference - Ability of local governments to fund infrastructure and services ↓4 House of Representatives Standing Committee on Regional Development, Infrastructure and Transport - Terms of Reference - Local Government Sustainability

The Hon Chris Minns MP
Premier of New South Wales



Ref: A5922499

Carmel Donnelly PSM
Chair
IPART
PO Box K35
HAYMARKET POST SHOP
NSW 1240

Re: Referral to commence review of the financial modelling of councils

Dear Ms Donnelly,

I refer the financial modelling of councils to IPART under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992* (the Act).

Enclosed are a draft terms of reference as provided to me by the Minister for Local Government. I understand that IPART will consult on the draft terms of reference in line with the requirements of the Act.

I look forward to hearing about the next steps and outcomes of this work.

Sincerely,



Chris Minns MP
Premier of New South Wales

CC: The Hon. Ron Hoenig MP, Minister for Local Government

11 / JAP / 2024

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DRAFT TERMS OF REFERENCE

Investigation of council financial model in NSW

I, the Hon. Christopher John Minns MP, Premier, under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), request the Independent Pricing and Regulatory Tribunal (IPART) to investigate and report on the financial model for councils in NSW.

The task

IPART should review and recommend improvements on the following matters:

- 1. The visibility of councillors and the community over the financial and operational performance of their councils**
 - Are the mechanisms for reporting on council performance clear and understood. Does the accounting code for local government provide meaningful financial information to enable councillors to understand and influence the financial and budget performance of their council. Is there a need to update the performance indicators to make them more useful for 'real time' monitoring.
 - Are councillors receiving timely and appropriate information to enable decisions on allocation of public funds in an efficient and cost effective way.
 - Are there benefits to moving to dedicated budget or expenditure review committee models to ensure budget decisions are understood by councillors and the communities they serve?
- 2. Whether the current budget and financial processes used by councils are delivering value-for-money for ratepayers and residents**
 - Is the Integrated Planning and Reporting process, currently used by councils to make budget decisions, effective in allowing councillors to engage with the community on the challenges in setting a budget and meeting service level expectations
 - How well Councils are setting service delivery standards that match revenue, managing their expenses within allocated budgets, and what opportunities exist for improvement in efficiency, service quality and sustainability.
 - How to visibly boost elected councillor accountability for council budgets and expenditure to the community
- 3. Whether the current funding model will sustainably support the needs of communities** 
 - How do councils balance cash flow to manage the different (and sometimes uncertain), timeframes for revenue and grants money (including Financial Assistance Grants), coming into council
 - How effective are councils in identifying and using other revenue sources beyond grants and rates to support the needs of communities and sustainably provide services required to be delivered by councils.
 - Identify measures to put downward pressure on rates through other 'own source' revenue or closer scrutiny of expenditure.
 - Consider the needs of diverse communities and councils and protect the interests of current and future ratepayers from unnecessary impact on their cost of living

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4. Whether councils (both councillors and staff) have the financial capacity and capability to meet current and future needs of communities.

- Are councils equipped with the right internal capabilities to deliver on the services which their community requires?
- Has the Audit Mandate been successful in providing a consistent view on the accounting and risk management practices of councils?
- Are there opportunities to look at long term expenditure and service delivery improvements by insourcing services? Where outsourcing models have been used, do they provide an efficient and effective means of meeting community needs?
- What examples of best practice capability building and innovation could be implemented more widely?



5. How can better planning and reporting systems improve long term budget performance, transparency and accountability to the community?

- How effective councils are in managing their assets and planning for future growth and renewal of assets.
- Whether current community engagement allows for effective long-range planning and sustainable funding.
- Whether the current framework of reporting and compliance is appropriate and effective.

6. Any other matters IPART considers relevant.

The review process and timeline

IPART is required to consult publicly as part of this review, including publishing a Draft Report for comment and undertaking a public hearing prior to finalising its Final Report. IPART may undertake other methods, including targeted consultation, that it considers appropriate.

IPART will provide the final report to the Minister administering the Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act) and the Minister for Local Government within 12 months of receiving the final terms of reference.

The Minister administering the IPART Act will table the final report in each House of Parliament and forward a copy to the Parliamentary Librarian in accordance with section 19 of the IPART Act. Once the final report has been tabled in Parliament or earlier if requested by the Minister administering the IPART Act, IPART will publish a copy of the report on its website.

The Hon. Christopher John Minns MP
Premier

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29 February 2024

Mr Andrew Nicholls PSM
CEO
Independent Pricing and Regulatory Tribunal
Via online submission form

Our Ref: 2024/060852

Dear Mr Nicholls

**Submission: NSW Government's Draft Terms of Reference for NSW council
financial model review**

Northern Beaches Council welcomes the opportunity to provide feedback to IPART on the Terms of Reference from the NSW Government to investigate and make recommendations on the NSW council financial model. This submission was endorsed by Council at their meeting on 27 February 2024.

The current terms of reference cover issues identified by IPART in your 'Review of the rate peg methodology' in 2023 in terms of transparent governance and better accountability, streamlined frameworks and processes and better engagement with the community to build trust and understanding.

However, they do not effectively cover better financial sustainability for councils including looking at restrictions which currently limit fair and reasonable increases on revenue sources and ensuring rates affordability and the equity of the rating system.

To address this gap, the following other measures, should be included in the terms of reference:

- Ensuring that statutory charges reflect the efficient costs incurred by councils in providing statutory services.
- Consideration of a rate peg exemption model for councils that demonstrate an agreed level of performance and streamlining and simplification of the Special Rate Variation process.
- A comprehensive evaluation of existing pensioner concessions should be conducted, including the funding model and support for vulnerable ratepayers.
- Consideration of the eligibility criteria for rates exemptions.
- Consideration of the use of the Capital Improved Value method to set the variable component of rates.
- Investigate the legitimacy and how cost shifting from other levels of government to local government impacts financial sustainability and the consideration of funding mechanisms to take account of these cost transfers.

- Given natural disasters and extreme weather events are becoming more intense and frequent, consider how climate change impacts financial sustainability, including the adequacy of infrastructure, coastal erosion risks, clean-up costs along with the need to fund mitigation and adaption actions and what funding mechanisms may be available to deal with these additional costs.

Should you require any further information or assistance in this matter, please contact my office on 8495 6286.

Yours faithfully



Scott Phillips
Chief Executive Officer



LEGISLATIVE COUNCIL

STANDING COMMITTEE ON STATE DEVELOPMENT

Inquiry into the ability of local governments to fund infrastructure and services

TERMS OF REFERENCE

That the Standing Committee on State Development inquire into and report on the ability of local governments to fund infrastructure and services, and in particular:

- (a) the level of income councils require to adequately meet the needs of their communities
- (b) examine if past rate pegs have matched increases in costs borne by local governments
- (c) current levels of service delivery and financial sustainability in local government, including the impact of cost shifting on service delivery and financial sustainability, and whether this has changed over time
- (d) assess the social and economic impacts of the rate peg in New South Wales for ratepayers, councils, and council staff over the last 20 years and compare with other jurisdictions
- (e) compare the rate peg as it currently exists to alternative approaches with regards to the outcomes for ratepayers, councils, and council staff
- (f) review the operation of the special rate variation process and its effectiveness in providing the level of income Councils require to adequately meet the needs of their communities
- (g) any other related matters.

The terms of reference for the inquiry were referred to the committee by the Hon Ron Hoenig MP, Minister for Local Government on 8 March 2024 and adopted by the committee on 14 March 2024.

Committee membership

Hon Emily Suvaal MLC	Australian Labor Party	<i>Chair</i>
Hon Sam Farraway MLC	The Nationals	<i>Deputy Chair</i>
Hon Mark Buttigieg MLC	Australian Labor Party	
Dr Amanda Cohn MLC *	The Greens	
Hon Emma Hurst MLC	Animal Justice Party	
Hon Stephen Lawrence MLC	Australian Labor Party	
Hon Taylor Martin MLC	Liberal Party	
Hon Peter Primrose MLC	Australian Labor Party	

* Dr Amanda Cohn MLC substituted for Ms Cate Faehrmann MLC from 15 March 2024 for the duration of the inquiry.

**House of Representatives Standing Committee on Regional Development,
Infrastructure and Transport**

Inquiry into local government sustainability

Terms of Reference

The House of Representatives Standing Committee on Regional Development, Infrastructure and Transport will inquire into and report on local government matters, with a particular focus on:

- The financial sustainability and funding of local government
- The changing infrastructure and service delivery obligations of local government
- Any structural impediments to security for local government workers and infrastructure and service delivery
- Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices
- The role of the Australian Government in addressing issues raised in relation to the above
- Other relevant issues.

Committee Secretariat contact:

Committee Secretary
House of Representatives Standing Committee on Regional Development, Infrastructure
and Transport
PO Box 6021
Parliament House
Canberra ACT 2600