



# THE COUNTRY MAYORS ASSOCIATION OF NSW INC

*"What we want is nothing more than equity"*

## **MEDIA RELEASE**

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### **CMA welcomes financial model review**

The Country Mayors Association of NSW (CMA) has welcomed the announcement of a review into NSW Local Government financial sustainability, albeit with some reservations.

"This review has been a long time coming," CMA Chair and Gunnedah Mayor Jamie Chaffey said.

"Draft Terms of Reference from the NSW Government to the Independent Pricing and Regulatory Tribunal (IPART) for a review of the local government financial model are now on the tribunal's website. IPART took a very professional approach when recently conducting a review into the rate peg methodology.

"IPART is initially seeking input into the draft terms of reference, and it is critical that the review be tailored to optimise what can be learned and what outcomes may result from the review and subsequent report."

The CMA is producing a detailed report on financial sustainability on behalf of its members. Mayor Chaffey said the CMA report would help to inform the review.

"Rural and regional Councils face greater financial sustainability barriers, with a reduced ability to generate their own source revenue than city councils," he said.

"Data analysis of 87 CMA member councils' financials showed that operating expenses are far higher per capita, yet low rate bases mean our smaller councils rely on up to 80 percent of their revenue coming from grants. Grant income is often variable and project funding is subject to cost escalations at little to no notice.

"The NSW and Australian governments have repeatedly shifted their service delivery or infrastructure costs onto councils in NSW. Councils have had no notice of such policy changes that impact their bottom lines.

"Cost shifting has cost NSW councils well over \$1 billion annually in recent years. We will highlight it in our submission and will be encouraging IPART to factor it into their investigation."



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Commonwealth-legislated annual Financial Assistance Grants first established in 1974 were originally set at one percent of Commonwealth revenue. They have been decreasing in value since the freeze in indexation in the 2014/15 budget, and are now estimated to be just .55% of Commonwealth revenue.

Rate pegging also remains a limiting factor and a barrier to financial sustainability for local government, according to Mayor Chaffey.

"There has been some improvement to the rate pegging methodology in the past 12 months, but the process is far too arduous in a time when under-resourced Councils are being told to be more efficient. A cursory review of the number of NSW Council Special Rate Variations (SRV) approved by IPART over the last 10 years, and more recently the quantum of those increases, demonstrates the financial pressures on Councils. The process for an SRV application is arduous and yet our member council surveys indicate that many more will need to consider undertaking the process in the near future."

Mayor Chaffey said a vast majority of councillors and council staff were extremely professional, capable and dedicated to their roles in regional NSW communities- and they were also rate payers and community members.

Deputy Chair and Mayor of Temora Shire Rick Firman OAM said any investigation and report on the financial model for councils in NSW needed to be open-minded and deliver constructive recommendations.

"It must also recognise the extra responsibilities on rural and regional Councils," Mayor Firman said. "Many of our members fill the gap by providing services where State and Commonwealth governments are absent, such as:

- Operation aged care facilities
- Child care facilities
- Transportation services to the vulnerable
- Subsidised housing to doctors and other key workers
- Underwriting air transport services
- Underwriting provision of primary health services.

"And the list goes on - all with a low ratepayer base and limited ability to generate own source revenue without impacting commercial small businesses within there council area."

Mayor Chaffey said many of the NSW Governments Draft Terms of Reference to IPART for the review were focused on issues that were already prescribed under the Local Government Act 1993 relating to the IP&R process, reporting and consultation to government and communities plus the audit requirements.



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"This review should be focused on the financial sustainability of local government to ensure the critical services we provide can and will continue to the level of expectation of our residents," he said.

"A number of the proposed terms of reference may be better covered in a holistic review of the Local Government Act rather than serving as a potential distraction from the real issue of insufficient revenue for many of our member councils.

"The perceptions and expectations of councils differ greatly from city to country. In most rural and regional communities, Council is the major employer and people tend to see us as the public service provider. From rate revenue to building certifications, parking fees to charges at the local library, council fees and charges are all published on council websites and the cost differences between city and country is significant," Mayor Chaffey said.

"Better and more consistent funding of rural and regional councils, particularly in relation to roads, is critical to financial sustainability. Simplistically questioning and therefore tarnishing the professional capacities of elected members and staff is far from helpful and demonstrates the need for well-informed common sense submissions to IPART regarding the draft Terms of Reference."

For further information, contact

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