



12 October 2023

The Hon Ron Hoenig  
NSW Minister for Local Government

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Dear Minister Hoenig

### **Review of Local Government Financial Model**

As a former President of Southern Sydney Regional Organisation of Councils (SSROC) yourself, you will be aware that SSROC is an association of twelve local councils in the area south of Sydney Harbour, covering central, inner west, eastern and southern Sydney. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member councils cover a population of 1.8 million people, one third of the population of Sydney, including Australia's most densely populated suburbs. SSROC seeks to advocate for the needs of our member councils and bring a regional perspective to the issues raised and I am proud to have the role of President of SSROC today.

SSROC welcomed your announcement that the government would fulfil its election promise to commission an independent investigation of the financial model for councils. This follows on from the granting of Special Rate Variations to 86 of NSW's 128 councils over a four-year period. So many variations clearly indicate that the current funding model is flawed.

I am pleased to say that SSROC supports the review of the financial model for councils and is keen to participate in any future consultations on this. At the outset, SSROC believes it is important to ensure that any review of the financial model of local government contributes to the ongoing enhancement of the capability and capacity of elected Councillors in NSW. As the people responsible for setting the strategic direction of their Councils, a Councillor's role in setting the forward path for financial sustainability is critical and therefore any review that can bring a greater understanding around the complexity that is the current financial model for councils is to be welcomed.

The Terms of Reference (ToR) of the review should be broad enough so that the financial model is examined holistically, including income and expenditure pressures. In addition to the review also needing to cover matters such as rates, domestic waste charges, emergency services levy, the environmental levy and increased requirements such as cyber security and so on, it should also cover key issues such as:

- The rate base was originally set around 40 years ago, and the rate peg applied each year has not matched inflation over that time, and so the level of rates of revenue has consistently fallen relative to costs. A correction is needed to re-base the years of deficient pegged increases, which have contributed significantly to councils' current financial situation. Without such adjustment, councils will continue to struggle to cover rising operational and capital expenditures with increasingly inadequate revenue from rates.
- Adequate funding for infrastructure and assets, which is a multifaceted issue. For example, there is a growing infrastructure backlog across NSW, largely due to the limited funds

available to maintain existing assets as required. Grant funding by other levels of government is often for capital investment only, leaving Councils to then have to fund the maintenance of the new asset from the existing rate base.

- New costs of emerging responsibilities on the sector. These include the capacity to be able to build resiliency into our infrastructure, so that it is not only designed to withstand current risks, hazards and threats, but for the life of the asset, able to withstand future hazards such as those arising from climate change.
- The capacity for the local government sector to develop its own capabilities to deal with external impacts that cause it shocks and stresses. For example, economic factors which drive up the cost of delivering services, and the increasing frequency of severe weather events, would both jeopardise long term strategic goals.
- Ensuring that the suite of legislation, regulations and standards that currently control the way a Council operates are updated and modernised to reflect the broad range of responsibilities beyond roads, rates and rubbish. Some elements of these controls are close to 40 years old and do not necessarily reflect or support the needs of a modern, efficient and effective local government sector.
- The nexus between the financial model and the Integrated Planning and Reporting (IP&R) framework and how this might be enhanced, including a review of the financial ratios and benchmarks that all Councils must report against across NSW.
- Legislating a mandatory Guideline in accordance with section 23A of the Local Government Act 1993, to support the Principles of Sound Financial Management set out in section 8B. This would introduce a more prescriptive, and less conceptual, approach to financial management and improve consistency in services costing and reporting.

The member Councils of SSROC appreciate and take seriously their responsibility to be accountable to their communities for the decisions they make. Therefore, SSROC suggests that the review also encompass how best to report to the community on financial decisions in terms that community members find meaningful. This would have the twin benefits of providing assurance to the community of financial responsibility and would also convey holistically, the true cost of the services and infrastructure delivered by their Council.

I very much hope that you find these comments helpful and I would be grateful for the opportunity to discuss this further with you, prior to the review of the financial model commencing.

I look forward to hearing from you and to participating in the upcoming review. I can be contacted by email at [ssroc@ssroc.nsw.gov.au](mailto:ssroc@ssroc.nsw.gov.au) or by phone 02 8396 3800.

Yours sincerely

A handwritten signature in blue ink, appearing to read "John Faker", written in a cursive style.

Councillor John Faker  
**President, Southern Sydney Regional Organisation of Councils**  
**Burwood Mayor**