



MAYORAL REPORT

13th June 2006

MM2	INDEPENDENT INQUIRY INTO THE FINANCIAL SUSTAINABILITY OF NSW LOCAL GOVERNMENT
FILE: 319	JACH {Folio No. * }

SUMMARY:

To outline the next steps that should be taken in support of the LGSA Inquiry into Local Government Sustainability.



DESCRIPTION:

The Final Report Findings and Recommendations of the Independent Inquiry into the Financial Sustainability of NSW Local Government were released on 3 May 2006. This is a major report with far reaching implications for the future of NSW Local Government. A copy of the report is available at the Association's website at www.lgsa.org.au.

The report is based on one of the most comprehensive reviews of Local Government conducted in NSW. It has involved extensive research and consultation including: consideration of over 170 submissions, 13 consultative forums, councils surveys, public opinion polling, more than 30 commissioned research papers and interviews with key government Ministers and officials.

The Inquiry was initiated by the Associations in response to widespread concerns about Local Government's financial capacity to meet the growing demand for infrastructure and services. The Inquiry was financed by a combination of council contributions and the Associations reserves. The total cost of the Inquiry was \$600,000 plus moderate administrative and research support by the Associations.

The Inquiry was conducted by a highly qualified independent panel of experts. The panel members were:

- Professor Percy Allan AM, Chair and Research Director, a former Secretary of NSW Treasury, public policy, finance and management advisor;
- Ms Diana Gibbs, company director, farmer and economic development advisor; and
- Ms Libby Darlison, social policy and change advisor

REPORT FINDINGS & RECOMMENDATIONS

It is clear from the report that NSW Local Government is facing major challenges including: a real infrastructure funding crisis, an inadequate revenue base, skills shortages and the ever increasing demands being placed on local Government by the community and other spheres of government.

The report's major finding is that there is a huge infrastructure renewals backlog of over \$6 billion and that this is expected to grow to almost \$21 billion in 15 years.

The report includes 49 final recommendations and highlights a number of challenges facing Local government including the need to:

- Define Local Government's role relative to other spheres of government;
- Renew infrastructure to overcome a growing backlog;
- Implement Total Asset Management;
- Prioritise services to better reflect public preferences;
- Reform development controls at both state and council levels;
- Improve strategic planning and operational efficiency;
- Boost revenues from rates, fees and grants;
- Strengthen governance structure and procedures; and
- Achieve long-term financial sustainability

The report concludes that most of the proposed changes require a long term commitment and need to be introduced in concert because they are either interdependent or insufficient on their own to underpin council sustainability.

Given that most of the proposed changes also require an intergovernmental and / or whole of government response, the report proposes that a Summit be convened to consider, debate and hopefully endorse the recommendations of the Inquiry, and that the State Government establish an Independent Commission to monitor progress in achieving agreed outcomes.

The report provides future directions for NSW Local Government and the Associations advise that they will consult widely with members before acting on any of the recommendations. Given the extensive nature of the report, detailed consideration will be required before a comprehensive response can be made.

The Associations have advised that the Inquiry has completed its task with the presentation of the *Final Report*. However, the report does not mark the end of the process. Rather, it sheds light on the size and complexity of the task ahead of us. Many of the key findings and recommendations of the report will need to be acted on if the Inquiry is to have served any practical purpose.

The Inquiry has been a major initiative by and on behalf of Local Government, and there is both an expectation and obligation (for the Associations) to take the next steps towards improving the financial sustainability of NSW Local Government. Advancing the report's recommendations will involve working in close collaboration with stakeholders of the Local Government sector including the Local Government Managers Australia (LGMA), the Institute of Public Works Engineering Australia (IPWEA) and the NSW Department of Local Government. It will also involve the daunting task of trying to shift the attitudes of the NSW State Government and the Commonwealth Government, their respective agencies and the public.

This will be a long term process and it is recommended that Council commit to the ongoing effort to rebuild and strength the financial sustainability of NSW Local Government.

REPORT IMPLICATIONS:

- ***Environmental***

Nil

- ***Social***

Nil

- ***Economic (Financial)***

Implementation of the report recommendations would provide Local Government with resources to adequately

provide the infrastructure and service requirements of their Council areas.

- *Policy or Statutory*

Nil

RECOMMENDATION:

1. That the report be received and noted.
2. That the Independent Panel be commended on the successful conduct and completion of this watershed inquiry.
3. That the LGSA be commended for initiating the Inquiry.
4. That Council commit to support the LGSA in an ongoing effort to rebuild and strengthen the financial sustainability of NSW Local Government.
5. That Council request the LGSA to establish an implementation framework and process to consult with Councils and other stakeholders; and to advance the key recommendations of the report that have been endorsed by members.
6. That Council call on NSW Government to establish an "Independent Commission consisting of equal representation from the LGSA and the State to assess the gravity of the problems facing Local Government, to recommend urgent action to be undertaken, to help implement such changes in cooperation with Local Government and to monitor progress in achieving agreed outcomes" (recommendation 49, *Final Report*).

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J A C Hayes
MAYOR