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# 2024 Local Government NSW Annual Conference motion

*Responsible Officer: Group Manager, Organisational Services (Helen McNeil)*

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## Recommendation

That Council support the submission of the proposed motion outlined in this report to the Local Government NSW Annual Conference being held on 17-19 November 2024.

## Background

Local Government NSW ('LGNSW') accepts motions each year from Member Organisations (made up of New South Wales (NSW) councils and county councils) to be considered at its annual conference.

Where motions are endorsed, they become resolutions and amend the LGNSW Policy Platform. The LGNSW Policy Platform is the document on which the organisation lobbies the NSW State Government for changes to legislation and policy as it impacts the local government sector in NSW.

The recommendation to make the below motion was made by Council's Audit, Risk and Improvement Committee at its meeting on 5 April 2024 and ratified by Council at its ordinary meeting held on 17 April 2024 [16/24].

## Proposed Motion

### Financial Performance Indicators for County Councils

That Local Government NSW lobby the NSW Government to amend the Office of Local Government's protocols for the calculation of the Operating performance ratio and the Debt service ratio to include capital revenue from Section 64 contributions when assessing the financial performance of County Councils. The proposed change is not intended to include revenue from capital grants.

## Rationale for proposed motion

These financial performance ratios were introduced to Local Government as part of the NSW Government's Fit for the Future program in 2014 and were informed by the participating general purpose councils.

County Councils were not required to participate in the Fit for the Future program, however these financial performance ratios and their associated benchmarks were implemented across the Local Government sector, inclusive of County Councils, despite being designed for general purpose councils.

Consequently, with respect to Council, they do not account for the (1) long-lived nature of water source and supply infrastructure, and (2) obligation and criticality of securing additional water sources to meet increasing demand for water across the region.

Council's bulk water supply function is its biggest area of operations and is the subject of the majority of infrastructure renewal and maintenance programs in order to ensure continued service delivery. Capital revenue from developer contributions in relation to water supply works<sup>1</sup> represent Council's second largest source of revenue. As such, Council has difficulty in meeting these financial performance ratios and benchmarks unless a significant operating surplus is achieved.

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<sup>1</sup> Section 64 *Local Government Act 1993*.

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The only reasonable way to achieve this surplus would be through significantly increased charges to Constituent Councils for the supply of bulk water. As these costs are passed on to the Constituent Council customers it would place a financial burden upon residents already facing challenges from recent flood events and the current cost of living crisis. This is not seen as an acceptable option for our wider community.

## **Governance**

- **Finance**

The motion seeks to address Council's future financial performance as assessed by the Office of Local Government's financial ratios and benchmarks. There is no financial cost associated with submitting the motion.

- **Legal**

Council's accounting records and practices are required to accord with the Code of Accounting Practice and Financial Reporting (the Code) published by the Office of Local Government<sup>2</sup> which outlines the assessment of key financial performance indicators or ratios.

## **Consultation**

This motion is supported by Council's Audit, Risk and Improvement Committee.

## **Conclusion**

Should the motion outlined above be endorsed and provided to the Minister for Local Government, with the support of LGNSW, it is envisaged that this will produce financial ratios that are designed specifically county councils.

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<sup>2</sup> Section 206 *Local Government (General) Regulation 2021*.