

## Chapter 4

# Financial Reform in New South Wales: Towards a Sustainable Future

*John Truman*

### 4.1 Introduction

Recently the extent of local government reform has accelerated. A key driver for this reform pertains to the financial sustainability of councils. The financial sustainability of a council is closely linked to the management of infrastructure. A large majority of council services are provided by infrastructure, which typically represents the majority of a council's assets. Chapter 4 examines the opportunities presented by the reforms within the context of improving asset management practices as the key process to achieving the sustainability outcomes needed by local communities.

Chapter 4 is divided into four main parts. Section 4.2 provides a brief review of the meaning of sustainability and establishes the case for reform. Section 4.3 considers the history of the key reform initiatives within New South Wales and outcomes achieved in increasing the capacity of councils to provide desired services from their infrastructure to their communities. Section 4.4 extends this analysis by looking at the way forward to address infrastructure backlog issues and section 4.5 provides brief concluding remarks.

### 4.2 Local government sustainability and the case for reform

#### 4.2.1 *What defines a council as sustainable?*

New South Wales Treasury Corporation (TCorp) (2013, p 21) notes that while significant work in a range of jurisdictions has been undertaken, there are few definitions of financial sustainability. TCorp offers the following definition:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.

This is a preview. Not all pages are shown.

for the Auditor General and TCorp to provide to government and councils further leadership and oversight to enable continuing progress.

The overwhelming matter for councils to consider concerning financial sustainability is, in close consultation with their communities, to determine preferred service levels, based on a willingness and capacity to pay. This requires the preparation of long-term financial plans that are informed by consideration of the relationship between risk and future service potential. Under this approach, together with an increased use of debt and a focus on renewal rather than on acquiring new assets, councils will achieve a pathway to financial sustainability.

## References

- Allan Report – see Local Government and Shires Associations of NSW.
- Comrie J (2014), *Debt is Not a Dirty Word: Role and Use of Debt in Local Government*, Institute of Public Works Australia and Australian Centre for Excellence in Local Government: Sydney.
- Division of Local Government (DLG) (2013), *Local Government Infrastructure Audit*, NSW Government: Sydney.
- Independent Local Government Review Panel (ILGRP) (2013), *Revitalising Local Government: Final Report of the NSW Independent Local Government Review Panel* <[www.localgovernmentreview.nsw.gov.au/documents/LGR/Revitalising%20Local%20Government%20-%20ILGRP%20Final%20Report%20-%20October%202013.pdf](http://www.localgovernmentreview.nsw.gov.au/documents/LGR/Revitalising%20Local%20Government%20-%20ILGRP%20Final%20Report%20-%20October%202013.pdf)>.
- Institute of Public Works Engineering Australia (IPWEA) (2009), *Australian Infrastructure Financial Management Guidelines*, Version 1.0: Sydney.
- Local Government Act 1993* (NSW).
- Local Government and Shires Associations of NSW (2006), *Are Councils Sustainable? Independent Inquiry into the Financial Sustainability of Local Government* (the Allan Report), Sydney.
- New South Wales Treasury Corporation (TCorp) (2013), *Financial Sustainability of the New South Wales Local Government Sector*, Sydney.
- New Zealand National Asset Management Strategy (NAMS) and Institute of Public Works Engineering Australia (2011), *International Infrastructure Management Manual*, Version 4.0.
- Office of Local Government (2014), *Fit for the Future – A Blueprint for the Future of Local Government*, OLG: Sydney.