

Purpose-Focused Governance

Moving beyond fifteen years of Funding-Focused Governance

For at least the last 15 years, ‘Funding-Focused Governance’ has dominated local government in NSW and beyond. The strategic direction was clearly described by the NSW Independent Local Government Review Panel (central to the Destination 2036 Action Plan established at an event in Dubbo in 2011):

securing local government’s financial capacity and sustainability is the fundamental pre-requisite for all other moves to enhance its strength and effectiveness ...

There are signs of a growing understanding of what needs to be done, but there is also evident reluctance to take the hard decisions involved. Notably, only 23 councils applied for a **Special Rate Variation** in 2013: the TCorp findings suggest that number seriously understates the need for faster revenue growth.

In its 2023 *Review of the Rate Peg Methodology*, IPART found rates in NSW increased at double the rate peg from 2011 to 2022, yet the financial positions of councils deteriorated in the latter half of that decade (the 5 years after NSW Government made us ‘fit for the future’). Central to reforms now being pursued by NSW Government in response to the Parliamentary Inquiry into the *Ability of Local Governments to Fund Infrastructure and Services* is the Comprehensive Spending Review which is

The NSW Government agrees with the views of the sector that financial sustainability is a serious concern for many councils, particularly in regional and remote areas. However, residents and ratepayers have also suffered a loss of real income through recent inflationary pressures. The NSW Government must ensure council rates remain affordable ...

The Government is confident that the new rate peg methodology is robust. It provides a good starting position for councils in matching revenue to expenditure. If a council and a community agree that current service standards are sufficient to meet community needs, the rate peg should accurately compensate for cost increases beyond a council’s control.

However, some communities may agree an increase above indexation is acceptable to provide for better service standards. Other councils may need additional income to maintain existing service standards due to circumstances the rate peg cannot account for.

The Government will prepare legislation and regulatory changes to allow the review of council income and expenditure through a **Comprehensive Spending Review** process which will be separate to the **Special Rate Variation** process ...

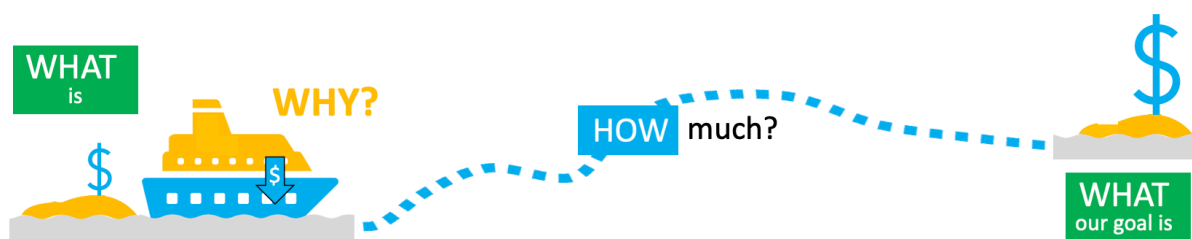
The process should build upon a council’s Integrated Planning and Reporting ...

The proposed process will enable councils who want to permanently adjust their rates to consult with their community and submit to IPART their proposed revenue and expenditure.

The most notable difference between principles set out, upon which NSW Government’s Guidelines for this Comprehensive Spending Review will be based, and current *Special Rate Variation Guidelines* is that IPART’s role will only be to ‘consider whether the community has the capacity to pay the rates.’

The key criteria in *SRV Guidelines* are #1 – the need for the rate increase must be ‘clearly articulated’ – and #3 – ‘the **impact** on affected ratepayers must be **reasonable**’ and to this end, the Delivery Program and Long Term Financial Plan should ‘demonstrate the council’s consideration of the community’s **capacity** and **willingness to pay rates**.’ A review of IPART’s determination reports clearly shows its focus is already on **capacity to pay** (#3) once a council demonstrates it has a ‘**financial need**’ (#1).

Is it any wonder that IPART’s survey of ratepayers accompanying its *Review* found almost two thirds don’t **trust** their councils to keep **rate increases reasonable**? **WHY** does council **need** the **money**?



IPART was right: the **lack of trust** arises from a need to improve how councils communicate with ratepayers about **rates**. But to do so we've got to recognise **money** is just a **means**, not the **end**.

Here the *SRV Guidelines* offer an alternative: while evidence in support of criterion #1 may include analysis of a council's **financial sustainability** (which is IPART's focus) it can *also* include evidence of community **need/desire** for the **service levels** and limited council **resourcing** alternatives.

One benefit of 'Purpose-Focused Governance' is antagonism associated with imposing rate increases the community is **unwilling** to pay is *potentially* reduced, but it fundamentally rejects the underlying assumption that there is *automatically* (as the Panel put it) 'a need for faster revenue growth.'

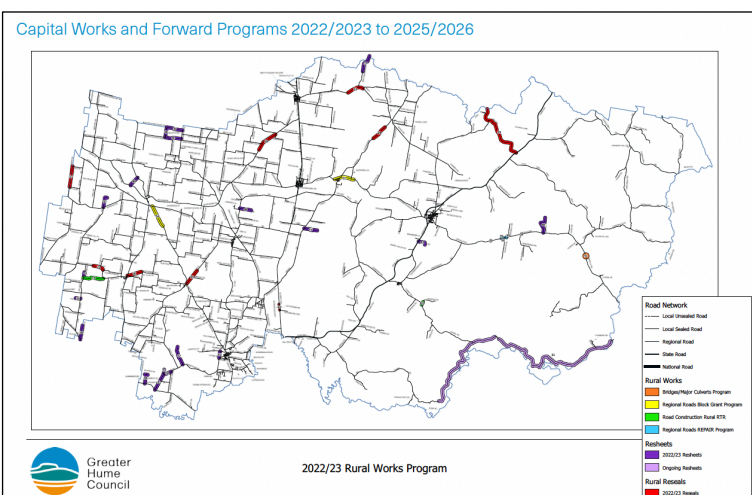
A council's **need** for extra **revenues** depends on the present situation (**WHAT is**), the **future** that the community **desires** to **create** (**WHAT our goal is**) and – where council has a role in **making** that a **reality** – **HOW** we **work** towards our **goal** and **HOW** much those **activities** will **cost** to undertake.

If we talk of **activities** to achieve our **purpose** not **money** council needs (to do **WHAT**ever it does) we make room for **executive leaders** who '**operate the ship**' to provide robust and timely **advice** to help **elected leaders** to '**steer the ship**' in consultation with the 'passengers' paying the 'fare'.



If we talk of **activities** to perform **functions** we also make room in the conversation for councils to give evidence of **effectiveness** – are we **doing** the **right things**? – and **efficiency** – are we **doing things right**?

This reduces the need for faster revenue growth (criterion #5 in *SRV Guidelines*), but *if* it is required to achieve our **agreed purpose** it is far more likely that the community will be **willing** to **pay** it as they'll be more confident they'll get **VALUE** for **money** from **rates**. **Trust** must be the foundation for **revenue**.



But we need to learn to walk before we try to fly.

Roads are a great place to start as they're of high importance to the community, a big cost centre and the biggest opportunity for smaller councils in regional NSW to secure a **fair share** of **funding**.

By reframing a council's integrated planning and reporting (IP&R) with a focus on **functions** not '**themes**' from traditional Community Strategic Plans, '**Purpose-Focused Governance**' makes room for councils to communicate **HOW** they **spend** their **money** on **maps** like this from Greater Hume.

It begs all the **right** questions: **WHAT is** the current state of our **road network**? **HOW** do we **fix** it?

This map-based approach brings together **planning** for **place** in a council's *Local Strategic Planning Statement* and **planning** for **functions** given the **resources** available to do so in the Delivery Program.

But it's not only primarily about council's **functions** but the **future** we **aspire** to **create** together. Questions like 'who is **responsible**?' and 'can they **deliver** **WHAT** we **need**?' are vital, but secondary.

It's about **lived reality**. The **lack** of **water security** in Parkes Shire would've been of no less **concern** to the **elected leaders** of the Council had Central Tablelands Water been responsible for **performing** this **function** (as it does in neighbouring local government areas to the east), just as the **lack** of a **doctor** in Parkes Hospital is of serious **concern** despite this being the **responsibility** of NSW Government.

Transport Infrastructure	Flooding and Drainage	Water Supply	Sewerage
Safe, smooth, accessible and efficient transport infrastructure	Floodplain and drainage infrastructure are managed for resilience and reliability	A safe, secure, reliable and efficient water supply	A sufficient and reliable sewerage system that minimises environmental impacts
Asset inspections and planning, asset maintenance, road safety, capital works	Floodplain mgmt., urban stormwater drainage, improvement strategy, capital works	Potable water operations, recycled water ops., maintenance, strategic planning, capital works	Operations, maintenance, strategic planning, capital works
Income: 8,064 Expenses: 8,013	Income: 0,220 Expenses: 0,213	Income: 1,358 Expenses: 7,848	Income: 5,843 Expenses: 3,498
Open Space and Recreation	Waste Management	Planning and Regulation	Environment and Sustainability
Well maintained open space and recreation facilities that cater to our needs and make it a great place to live	Waste management that is reliable and minimises our environmental impact	Land use in our local area is aligned with our community's vision; our public health and the natural environment is protected	Improving environmental outcomes by managing biosecurity and natural resources as well as sustainability programs
Open Space and Recreational Facilities, Sports Facilities, Amenities and Public Toilets, Swimming Pools, Cemeteries	Domestic Waste Management, Commercial Waste Management, Waste Education, Landfills, Transfer Stations	Land Use Planning, Development Assessment, Building Certification, Environmental Health, Ranger Services	Biosecurity (weeds), natural resource management (restoration) and sustainability (mitigation and adaptation)
Income: 0,258 Expenses: 3,764	Income: 4,284 Expenses: 3,984	Income: 0,591 Expenses: 3,854	Income: 0,084 Expenses: 0,644
Economy and Events	Community and Culture	Emergency Services	Commercial and Other
Supporting the local economy and events for locals and visitors	Community and cultural programs and facilities that meet local needs and contribute to a vibrant community	Support for emergency services to meet council's legal obligations	Well managed commercial activities that contribute to the community
Economic Development, Tourism, Events	Library, Parkes Childcare, Family Day Care, Community Facilities	Support for Rural Fire Service, State Emergency Service, NSW Fire Brigades, Emergency Management	Parkes Regional Airport, Spicer Caravan Park, Commercial Property and Rentals, Land Development
Income: 1,083 Expenses: 7,080	Income: 2,124 Expenses: 2,807	Income: 0,154 Expenses: 0,797	Income: 1,839 Expenses: 1,684
Council and Corporate	Strategic goals for services, principal activities and resources (operating) (Income & expenses 2025/26 excl. depreciation)		
An efficient, effective and sustainable council that listens to, works with and leads the local community	General fund financial summary (including water & sewer funds)		
Governance, Civic Functions, Human Resources, Information and Communications Technology, Finance, Property, Plant and Fleet, Customer Service, Communications, Engagement	Operating Income (\$M) above (incl. water and sewer)		
Income: 25,137 Expenses: 8,301	Operating Expenses (\$M) above (incl. WBS and depreciation)		
	33,977		
	Depreciation Expenses for General Fund (\$M)		
	13,528		
	Operating Result for General Fund (\$M)		
	-1,961		
	Water fund depreciation: 4,729 Sewer fund depreciation: 1,753		
	Water operating result: 0,500 Sewer operating result: 0,092		

WHAT is

WHY?

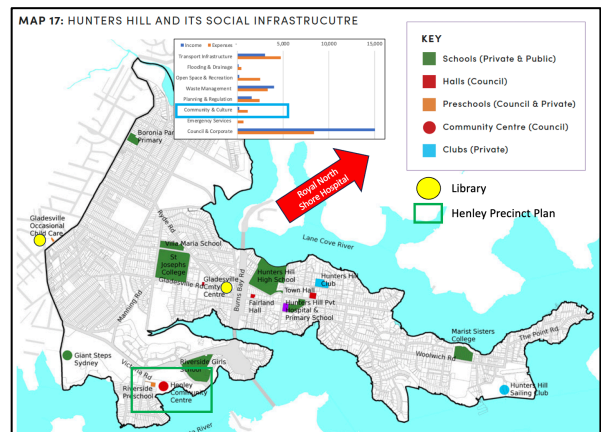
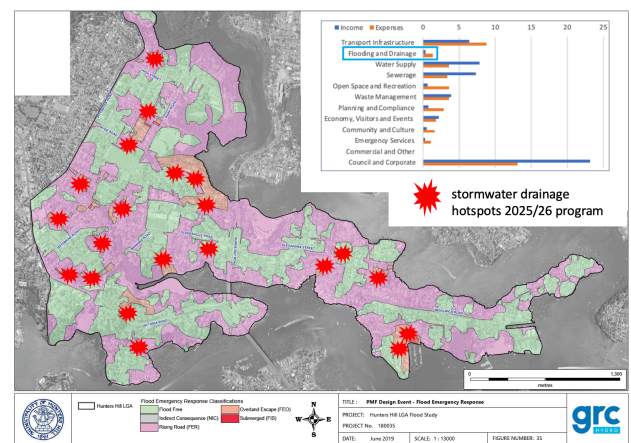
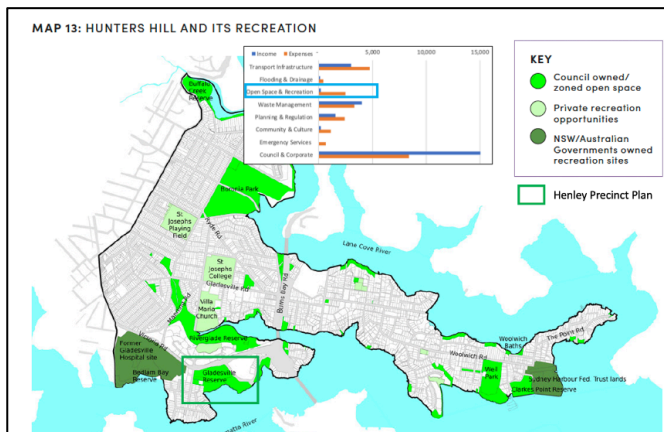
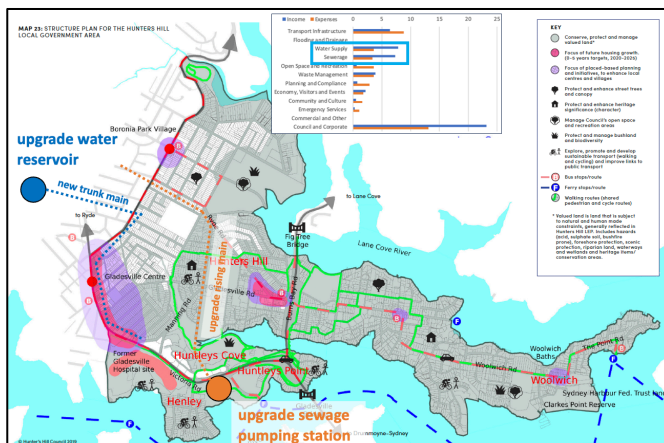
HOW

HOW sure?

WHAT our goal is

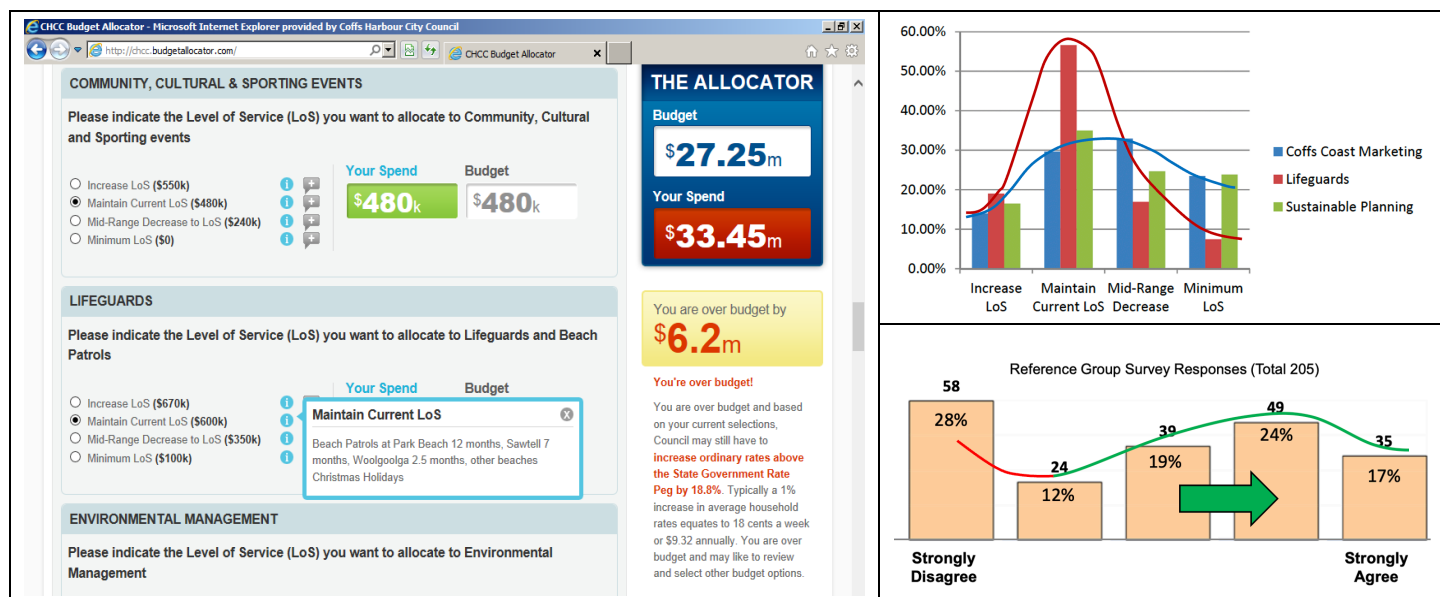
Service	WHAT our goal is	WHAT it looks like
Water Supply	A safe, secure, reliable and efficient water supply	Safe: complies with Australian Drinking Water Guidelines (Potable) and Recycled Water Guidelines (Recycled) Secure: sufficient capacity to meet current and future demand (including for development) even during periods of extended drought Reliable: unplanned interruptions to supply per 1,000 customers less than NSW median Efficient: non-revenue water loss minimised (as measured via water balance)
Service	WHAT our goal is	WHAT it looks like
Health & Allied Services	Appropriate health and allied services that meet our needs	Appropriate: a doctor in Parkes Hospital; access to general practitioners in Peak Hill, Trundle and Tullamore...

These mock-ups – good **maps** and compact **geography** make Hunters Hill the perfect prototype! – illustrate the central focus of Purpose-Focused Governance besides the service dashboard from Parkes: instead of hundreds of pages of documents, we can communicate both **WHAT is** and **WHAT our goal is** – which is WHY councils need money in the first place – and, importantly, explore alternative scenarios...

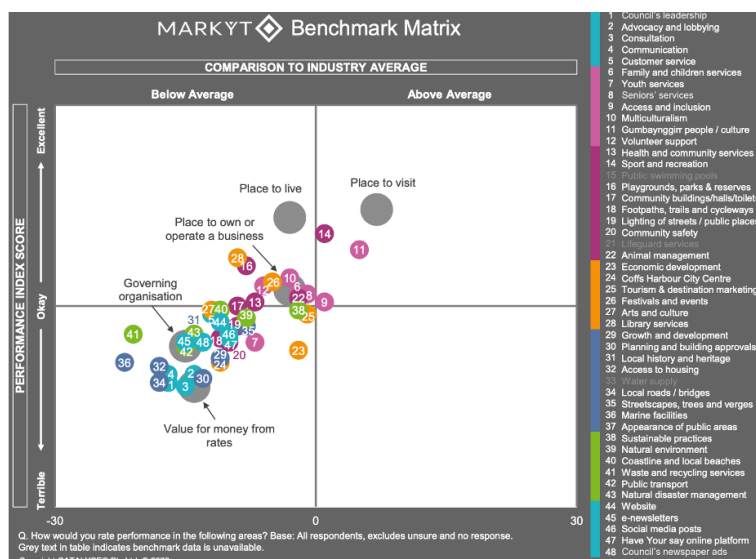


The radical simplification of the bureaucratic frameworks established by NSW Government over the last 15 years could easily be mistaken as the defining characteristic of Purpose-Focused Governance.

But the **maps** and **service dashboard** are just tools to support **elected leaders** who ‘**steer the ship**’ to navigate the ‘**dire straits**’ of local government and maintain a **course of action** that realises the **vision** of the **future** that the community has **agreed** to. The defining characteristic is that the ‘**passengers**’ who ‘**pay the fare**’ are **willing** to ‘**get on board**’ when *invited* to do so. We seem convinced it’s not possible, but as this engagement program that Ben Lawson led at Coffs Harbour City Council in 2013-14 – not long before he was made **redundant** in Council’s ‘**transformation to sustainability**’! – is evidence that it is:



But the fact that, just 8 years later, the community rated ‘**value for money from rates**’ the lowest of any areas of Council’s **performance** on this chart – yet twice as high as other characteristics of sustainable community **LEADERSHIP** such as clear **vision**, good understanding of community **needs**, Council **listens to and respects views** and clearly explains **reasons for decisions** – points to deeper **problems** than those we see in terms of ‘**financial sustainability**.’ **Trust** is the foundation of **revenue**. **WHAT** is the **money** for?



Factor	Indicator	Rating	2016	2018	2020	2022	Trend*	Benchmark	Comparison	Source
Leadership	Clear vision	% Agree	-	-	-	18	-	32	↓	MARKYT
	Council's leadership	Index	-	-	-	31	-	48	↓	MARKYT
	Advocacy and lobbying	Index	-	-	-	33	-	47	↓	MARKYT
Governance	Governing organisation	Index	56	57	-	40	↓	55	↓	MARKYT
	Value for money	Index	-	-	-	30	-	44	↓	MARKYT
Service	Customer service	Index	62	62	-	48	↓	60	↓	MARKYT
Consulting	Community is actively involved in local issues	% Agree	-	-	-	52	-	-	-	-
	Good understanding of community needs	% Agree	-	-	-	15	-	33	↓	MARKYT
	Council listens and respects views	% Agree	-	-	-	14	-	31	↓	MARKYT
	Council clearly explains reasons for decisions	% Agree	-	-	-	14	-	26	↓	MARKYT
Informing	Consultation	Index	-	-	-	30	-	45	↓	MARKYT
	Communication	Index	-	-	-	33	-	50	↓	MARKYT
	Website	Index	64	64	-	46	↓	57	↓	MARKYT
	E-newsletters	Index	-	-	-	41	-	56	↓	MARKYT
	Social media posts	Index	-	-	-	43	-	53	↓	MARKYT
	Newspaper ads	Index	-	-	-	41	-	54	↓	MARKYT
	Have Your Say platform	Index	-	-	-	42	-	52	↓	MARKYT

One diagnosis of the problems in the City where Ben and his family still live is the opposite of the old saying ‘a poor workman blames his tools’: the **problem** is the **tools** not the **workman**. How does your community **evaluate** your council’s **performance** in relation to ‘**value for money from rates**’?

Purpose-Focused Governance begins with: ‘**WHAT future** are we trying to **create** together?’ Everything else—**planning**, **assets**, **funding** and **reporting**—exists to help us **faithfully pursue** that **shared purpose**.