

I make this submission in a personal capacity as a regional small business owner, community volunteer, and long-term resident of a rural local government area. I also bring prior professional experience in public policy and program administration.

My comments are grounded in lived experience with local government in a rural setting. While each council is different, many of the challenges I outline are systemic and relevant to rural and regional councils across Australia.

1. Capability and financial literacy gaps are a structural risk

A significant but under-examined issue in local government sustainability is the capability gap among elected councillors and, in some cases, senior staff.

Most councillors are not career politicians and often enter the role with goodwill but limited formal training in finance, governance, or long-term strategic planning. Induction programs alone are insufficient for the complexity of modern local government.

This issue is magnified in rural councils where:

- The candidate pool is smaller
- Remuneration is modest relative to workload
- Conflicts of interest can exclude highly skilled residents
- Workforce and recruitment constraints are greater

Local governments now manage large budgets, debt portfolios, infrastructure programs, regulatory responsibilities, and disaster recovery functions. Expecting effective oversight without minimum competency standards or ongoing training creates systemic vulnerability.

2. Funding pressures are real — but do not fully explain financial distress

Local governments face genuine pressures, including:

- Cost shifting from other levels of government
- Expanding compliance obligations
- Infrastructure backlogs
- Inflation and disaster recovery costs
- Growing service expectations

However, funding pressures alone do not explain all cases of financial stress.

Recent experience in my local government area illustrates this. In 2023, Yass Valley Council resolved to take on a \$50 million loan for a major precinct project on the basis it would be offset by grants and asset sales, and that no special rate variation would be required. Yet the subsequent financial statements showed a consolidated operating deficit and extremely low unrestricted cash reserves well below recommended benchmarks.

While external pressures were cited, major financial decisions and long-term planning choices were also significant contributors. This highlights a broader issue: financial sustainability is not only about funding levels, but about financial governance and decision-making.

When risks are not addressed early, communities are later asked to absorb the impact through higher rates, reduced services, or deferred infrastructure. This erodes trust and creates hardship, particularly in regional areas facing cost-of-living pressures.

3. Oversight frameworks need strengthening

Current oversight arrangements can be reactive rather than preventative. In practice, governance problems may become visible only once financial stress is advanced.

A related issue is the treatment of community concerns. In many cases, councils and the NSW Office of Local Government have been slow to act on warnings or dismiss community complaints as trivial or vexatious. From experience, when residents raise repeated concerns, there is often substance to the issues—where there is smoke, there is often fire. Ignoring or minimising legitimate complaints erodes trust and prevents early intervention on problems that could be mitigated with timely action.

There is value in considering:

- Earlier state or independent intervention triggers
- Stronger monitoring of debt and reserve levels
- Clearer transparency standards for long-term financial plans
- Support mechanisms for councils showing early warning signs
- A structured process to ensure community feedback is taken seriously and acted upon promptly

Stronger oversight should be seen as capacity-building, not a punishment. It protects councils as well as communities.

4. Disaster preparedness is undermined by financial fragility

Rural councils are on the frontline of floods, fires, and storms. Financially weak councils are less able to:

- Invest in mitigation and resilience
- Maintain critical infrastructure
- Respond quickly to emergencies
- Recover without long-term financial damage

If local governments are financially fragile, disaster impacts escalate and recovery costs ultimately shift to state and federal governments. Local government sustainability is therefore a national resilience issue.

Local government is being asked to deliver more with limited resources and, in some cases, limited capability support. Addressing fiscal sustainability requires more than adjusting funding formulas.

It requires honest recognition of governance and skills gaps, particularly in rural and regional areas, and a stronger partnership between all levels of government to build capability, accountability, and resilience.

Without this, councils risk falling behind contemporary governance standards seen in other sectors — and communities ultimately bear the cost.

Sincerely,

Stephanie Helm