

**Submission
No 42**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Greater Taree City Council
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The Director
General Purpose Standing Committee No 6
Parliament House
Macquarie Street Sydney 2000

Submission by Greater Taree City Council to the Inquiry into local government in NSW

Please accept the following comments against the relevant Terms of Reference as a submission from the Mayor and General Manager of the Greater Taree City Council.

Terms of Reference

1. That General Purpose Standing Committee No. 6 inquire into and report on local government in New South Wales and in particular:

a) the New South Wales Government's 'Fit for the Future' reform agenda,

The intent of local government reform is supported by the sector and there are many practical recommendations from the ILGRP that have the full support of the sector. Unfortunately the supported areas of reform have been slow to emerge and have been seemingly overtaken by structural changes and financial benchmarks.

The TCorp review of the sector in 2013 indicated 25% of councils are financially unsustainable and that this will grow to closer to 50% in coming decades. The unsustainable councils are almost exclusively in regional and rural NSW. The fact that the Government has abandoned a Rural Councils model is clear evidence that they do not have solutions for the issues challenging sustainability in these councils.

The Fit for the Future (FFTF) process is misguided in that it does not deliver any solutions to those councils facing sustainability issues. The single outstanding sustainability factor in regional and rural councils is the size of their infrastructure asset base (especially roads and bridges) compared to their population and rate base. In many councils property rates cannot sustain this infrastructure as it reaches its end of life.

We believe the start of a solution to this problem is to allocate Federal Assistance Grants to councils 100% on the basis of road and bridge length. The current methodology provides that 70% of these grants are allocated on a per capita basis and therefore metropolitan councils with significant rate income and limited local transport assets receive funds that they are not reliant on to maintain sustainability.

Councils are required under State legislation to maintain access to properties, and this is a basic right of property owners across Australia. The activities in regional and rural Australia are essential to the economy of the nation. It is therefore appropriate that the essential service of local transport infrastructure, is underwritten by federal taxation income.

b) **the financial sustainability of the local government sector in New South Wales, including the measures used to benchmark local government against the measures used to benchmark State and Federal Government in Australia,**

The FFTF benchmarks are being applied to 152 councils that have massively different circumstances and to compare councils by these benchmarks is unrealistic.

As stated above, fix the infrastructure funding model and you fix the sector's core sustainability problem.

c) **the performance criteria and associated benchmark values used to assess local authorities in New South Wales,**

The benchmarks set for sustainability are theoretically reasonable and in a perfect world that is what a business would expect. However, this reform process came from the position that much of the sector was unsustainable. Setting benchmarks does not create sustainability.

The impact of the benchmarks is that councils are scrambling to meet these benchmarks to avoid punitive mergers across the State. In doing so they are reducing their depreciation expenses by reducing acceptable service standards and making the numbers appear to improve without any injection of funds. This is not addressing the sustainability issue regional and rural councils currently experience.

The use of written down values in the asset backlog benchmark is further evidence that the sustainability issue is being addressed by fiddling the numbers.

d) **the scale of local councils in New South Wales,**

Scale is a complex issue in regional and rural NSW. The only scale aspect that causes a lack of sustainability, however, is the scale of the infrastructure responsibility compared to the scale of the rates income. The only way to address this without placing an unsustainable burden on ratepayers is to provide funding support to underwrite the burden.

The scale of the infrastructure burden is highly variable and this is not addressed in the FFTF process. More than 50% of timber bridges are located in 10 (6.5%) NSW councils and 21 (13.7%) councils are responsible for 45% of all bridges in NSW. Road lengths are equally variable across the state and largely inversely proportional to population densities.

It needs to be remembered that regional and rural NSW feeds the metropolitan population and the degradation of assets that impede primary production is in no one's interest.

o) **the impact of the 'Fit for the Future' benchmarks and the subsequent IPART performance criteria on councils current and future rate increases or levels,**

As the FFTF process provides no structural change in funding models to the sector the result in currently unsustainable councils can only be an increase in rates or an acceptance of lesser standards of service. In reality the outcome is likely to be unacceptable levels of rate increases and unacceptable levels of service deterioration.

It is ironic in the extreme that more than thirty years of rate pegging leads us to a process that will likely produce the largest rate increases in the history of NSW.

p) **any other related matter.**

The statements made by the Government indicating that they are injecting \$1b into local government reform is not supported by fact and diminishes the situation the sector finds itself in. In reality, the well-off councils will get rewarded and the struggling councils will be ignored.

Six hundred and sixty million dollars in loan interest subsidy over ten years will largely benefit large metropolitan councils that have the capacity to borrow. While access to the State's credit rating and subsequent loan terms is positive, it costs the State nothing and has been in place in other states for decades. The remainder of the funds are to support mergers. The ILGRP recognise that mergers are not possible in most regional and rural councils so these funds will not go to these councils. Where councils do merge it is likely the cost of merging including salary equalisation and system standardisation will absorb those funds provided and more.

The outstanding question is whether this is reform that does anything to address the reason for the reform – sustainability of local government, or has it been hijacked into structural reform based on ideology. As a regional council with a very large infrastructure base and a moderately-sized, low socio-economic community we see very little in this that helps us with our sustainability.

Yours sincerely

Ron Posselt
General Manager

Paul Hogan
Mayor