

## **INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES**

**Organisation:** City of Coffs Harbour

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The Terms of Reference for the 'inquiry into the ability of local governments to fund infrastructure and services' needs to go beyond the rate peg impacts and consider other key drivers of Council revenues such as State and Federal funding, and the fact that one-off capital grants contribute to the financial sustainability problem of local government. These grants fund the 'ribbon cutting' new capital asset, but not the ongoing maintenance of it and without a mechanism to obtain regular operational funding to meet the costs, local government is required to undertake constant service reductions to offset the asset growth.

Further burden is placed on councils through cost shifting, such as emergency levies and Red fleet, highlighting how the financial interactions of local government with the state and federal governments affect the provision of both infrastructure and services to the community. Another example is the Financial Assistance Grant that has not kept in line with inflation, again leading to a financial handicap for local government.

The inquiry needs to carefully consider how local government can maintain financial stability when they face increasing community expectations, with rising service provision costs (impacted by a range of factors including inflation) that are increasing at a rate greater than available revenue. This is essential to deal with long-term fiscal challenges and successfully meet the needs and priorities of the community.

The previous rate peg methodology has been inadequate because it:

1. Hasn't historically kept with inflation
2. Hasn't historically kept / covered annual award increases
3. Hasn't accommodated the cumulative operational burden driven by the annual growth in the capital program for new items and it should do
4. Hasn't historically accommodated population growth

As a result of all of the above, there are crystalized rating deficiencies which require SRVs, which are time consuming, resource-heavy and politically impacted. As a result, this leads to a continued trend of whopping SRV percentage increase requests, as have been seen recently – and they unnecessarily cause increased tension for the community and councils. Consideration for a state-wide one-off reset may be beneficial.