

**Submission
No 23**

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Organisation: Goulburn Mulwaree Council

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OFFICE OF THE CHIEF EXECUTIVE OFFICER

22 April 2024

The Director, Standing Committee on State Development
Parliament House, Macquarie Street
Sydney NSW 2000.
state.development@parliament.nsw.gov.au

Dear Director,

Submission - Inquiry into the ability of Local Government to fund infrastructure and services.

Adequacy of Income

At Goulburn Mulwaree Council, we recognise the importance of having sufficient income to meet the diverse needs of our community. As a Regional Council we are limited in the ways we can raise revenue; our main source of revenue being general rates. We are increasingly reliant on state and federal grant funding to be able to build, replace or maintain assets particularly transport assets such as roads.

We regularly assess the level of income required through comprehensive budgeting processes that consider community needs, infrastructure requirements, and regulatory obligations. But due to our revenue raising restraints mentioned above instead of raising more revenue to meet our growing communities needs we are forced to push important projects to future years to ensure we remain financially sustainable and can meet the basic operational needs of the Council year on year. An example of the ever growing needs to fund infrastructure is the depreciation expense incurred by Council in 2023. Our General Fund Rates and Annual Charges was \$28.040m and Depreciation was \$22.496m equating to 80% of our General Fund Rates being needed to fund the renewal of our current asset base. Additionally in 2023 our General Fund employee costs equated to \$25.144m, had Council not received the \$37.433m in capital and operational grants we would not be financially sustainable.

Rate Pegs and Cost Increases

We acknowledge the importance of examining whether past rate pegs have adequately matched increases in costs borne by local governments. Cost pressures, including inflation, rising wages, and infrastructure maintenance, can impact our ability to deliver services effectively. The rate peg has not matched the increase in costs borne by local government in recent years.

The 2023FY rate peg set by IPART was 0.7% at a time when inflation in Australia was approx. 7% and Council's were certainly not immune to the effects of the high inflation. In the previous 10 years the average rate peg had been 2.46%. A recent example of rate peg not keeping up with costs aside from the costs impacted by inflation is the salary and wages. This expense was legislated to increase by 2.5% in the 2023FY, which is 1.8% lower than the increase in employee costs.

Finally, the significant number of Special Rate Variation applications from NSW Local Governments over the last 10 years is another important indicator that the rate pegs have not adequately matched the increase in costs borne by local Governments.

Service Delivery and Financial Sustainability including Cost Shifting impact

Maintaining current levels of service delivery while ensuring financial sustainability is a priority for all Local Governments. The challenges posed by cost shifting and its impact on service delivery and financial stability over time are immense, particularly for Regional and Rural Councils who are restricted in the ways to increase revenue and are reliant on grant funding. As mentioned above the majority of our income funds asset renewal and employee costs, the continued cost shifting will force Councils to review their services and make changes at the detriment to the community they serve to ensure they continue to be financially sustainable.

We are committed to addressing these challenges through prudent financial management, seeking efficiencies, and advocating for fair funding arrangements with higher levels of government particularly arrangements such as the Emergency Service Levy.

Assess the social and economic impacts of the rate peg in New South Wales for ratepayers, councils, and council staff over the last 20 years and compare with other jurisdictions

Assessing the social and economic impacts of the rate peg in New South Wales over the last 20 years is a complex task. We acknowledge that the rate peg has implications for ratepayers, councils, and council staff. It is essential to examine these impacts comprehensively, considering factors such as affordability for ratepayers, financial sustainability for councils, and workforce implications.

We are open to contributing data and insights in a more comprehensive manner to facilitate this assessment.

Comparison of Rate Peg to Alternative Approaches

Comparing the current rate peg system to alternative approaches is a valuable exercise in understanding the potential outcomes for ratepayers, councils, and council staff. We are open to exploring alternative models that promote fairness, efficiency, and sustainability while balancing the needs of various stakeholders. Any proposed changes should be carefully evaluated to assess their potential benefits and drawbacks.

We welcome the recent changes to the rate peg methodology however is a rate peg required? Councils should be allowed to strike a rate that meets the needs and expectations of its unique community. They are best placed to make this assessment.

Special Rate Variation (SRV) Process

The special rate variation process plays a crucial role in providing councils with additional income to meet the needs of their communities. The process is effective in allowing

Councils to increase their income to adequately meet their community's needs and any assessment should consider factors such as community consultation, transparency, and the impact on ratepayers. However, there should be strong consideration into how IPART or higher levels of government can support the Councils applying for an SRV.

Having recently undertaken the application process at Goulburn Mulwaree Council one of the biggest issues faced was the community backlash and misinformation being shared by within the community. This has had a significant negative impact on the health and wellbeing of Elected Members and staff and has resulted in poorer relationships between the community and Council.

Other Related Matters

We welcome the opportunity to address any other related matters or concerns that the Standing Committee may have regarding local government funding. Our council is committed to engaging constructively with the inquiry and providing relevant information to support its deliberations.

In conclusion, Goulburn Mulwaree Council is committed to prudent financial management, transparency, and meeting the needs of our community. We appreciate the opportunity to contribute to this inquiry and look forward to further discussions on these important issues.

Yours sincerely,

Aaron Johansson
Chief Executive Officer



