

**Submission
No 30**

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

Organisation: Warren Shire Council

Date Received: 26 April 2024

The Hon. Emily Suvaal MLC
Chair
Standing Committee on State Development
Parliament House
Macquarie Street
SYDNEY NSW 2000

Email: state.development@parliament.nsw.gov.au

26th April 2024

Dear Ms Suvaal,

Re: Inquiry into the Ability of Local Governments to Fund Infrastructure and Services

I write with regard to the Inquiry into the Ability of Local Governments to Fund Infrastructure and Services. Please find below a non-exhaustive list of comments from Warren Shire Council.

Warren Shire Council Background

The Warren Shire covers an area of 10,860 square kilometres and has a population of approximately 3,000 people. Warren Shire is bounded by the Shires of Bogan (Nyngan), Brewarrina, Coonamble, Gilgandra, Lachlan, Narromine and Walgett. Within the Shire is the town of Warren, population 2,000 and the villages of Collie, population 38 and Nevertire, population 103.

The Council was formed by the amalgamation of the Marthaguy Shire and Warren Municipality in 1957 and currently has a budget of \$45 million per annum including depreciation, with an asset base of approximately \$330 million. About 80 full time equivalent staff provide a diverse range of services to the community.

Council spends a considerable amount of its total budget on roads – 691 km of sealed roads and 698 km of unsealed roads.

Council is also the RMCC Contractor for the SH11 Oxley Highway for Transport for NSW.

In addition to road operations, Council operates four (4) water supplies (one dual supply), two (2) sewerage schemes, an airport, a hard rock quarry as well as general purpose Council activities such as parks, facilities, sporting fields, swimming pool, showground/racecourse, public toilets etc.

The pressure on Council to continue to provide services of appropriate standard to our community is now extraordinary.

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Income

Council relies heavily on grants and contributions for improvement and maintenance/operation of its assets i.e. \$32 million of the \$45 million budget in 2023/2024. The Capital Renewal Expenses for 2023/2024 amounts to almost \$26.5 million. General Rates and Annual Charges Income for 2023/2024 amounts to \$6,814,000.

Over time with the increases in grant funding, Council has been able to set up an internal Infrastructure Projects Management Office and increase its professional engineering capacity within its Engineering Services Department. This took time however, now appropriate results are being achieved in proper procurement practices and engineering quality, safety and environmental outcomes of the projects undertaken.

Warren Shire Council is seldom in the position to be able to provide anything other than minor contributions or works in kind to grant funded projects. Funding bodies need to be able to take into account the inability of rural/regional Councils such as Warren Shire Council to provide any extra funding/capacity to pay.

The level of work to provide grant/project submissions can sometimes be extraordinary and this also limits Council in being able to apply for such grants or to have projects 'shovel ready' i.e. designed and community consulted appropriately.

The State Government should consider providing certain levels of funding not tied and with flexible funding timetabling to ensure Council can plan ahead for required known works/projects.

Grants for 2023/2024

Attachment 1 is a copy of the Warren Shire Council Grants Summary for NSW State Government Grants for the past several years.

Over the past five (5) years, Warren Shire Council has been successful in receiving over \$40 million of extra grants from both the Commonwealth Government and NSW State Government (as shown in Attachment 1).

The receipt of these grants has enabled Council to commence an improvement program of its community facilities however, unfortunately it seems that in 2023/2024 the grant income has ceased to continue and this will severely curtail any improvement programs and could jeopardise the sustainability of local contractors who have relied on this extra Council income for turnover and sustainable staffing levels, particularly during the drought years of 2017-2020.

If similar grant income is not sustained, Warren Shire Council's Infrastructure Backlog will start again to increase with the resultant reduction in asset condition and service provision.

With the prospect of a continued reduction in NSW State Government grants, concern is also being expressed in regard to being able to sustain the internal Infrastructure Projects Management Office and the current professional engineering capacity of Council's Engineering Services Department.

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Rate Pegging

Rate Pegging limits the annual increase in rate revenue a Council can levy. Of course this then restricts the level of funding for infrastructure improvement/replacement, maintenance of same and services provided by the Council.

Since rate pegging in NSW commenced in approximately 1975, it has been estimated that the difference to what Warren Shire Council actually took up for increases in rates and the typical inflationary increases/CPI has probably meant a rates funding gap of general rates of at least 40%. Typically this has meant a loss of income from rates if Council had been able to take up typical CPI increases of over \$2 million in 2023/2024.

This also does not take into account that the typical CPI increases for inputs to road maintenance and construction which is a major component of works by Warren Shire Council is much higher than normal CPI over all goods and services i.e. fuel, bitumen, steel, cement etc.

Overall, rate pegging can impose significant challenges for Council in funding infrastructure services etc. There are no more creative solutions to address the financial constraints from rate pegging, except reductions in levels of service, poor condition ratings of assets and higher risks in regard to public liability insurance actions i.e. 'there is no more blood from the stone'.

Cost Shifting from State Government to Local Government

Attachment 2 is a copy of the *Local Government NSW Cost Shifting 2023: How State Costs Eat Council Rates Report Summary and Highlights*.

Attachment 3 is a copy of the *Local Government NSW – LGNSW Cost Shifting Report – How State costs Eat Council Rates*.

These latest researched reports commissioned by LGNSW show that the increase in cost shifting has been accelerated by various NSW State Government Policies.

As shown in the latest cost shifting report produced by independent consultants Morrison Low on behalf of LGNSW for the 2021/2022 financial year (www.lgnsw.org.au/costshifting), an amount of \$1.36 billion of expense has been passed on to Councils to fund. This is an increase of \$540 million since the last report from the 2017/2018 financial year and represents lost services, lost opportunity and lost amenity for all our residents and businesses.

On average, this represents an additional cost of \$460.67 for every ratepayer across the state, escalating to \$590.80 for ratepayers in rural councils such as Warren Shire Council.

With Council having to fund this ongoing subsidy for the NSW State Government each and every year, it means our community gets less or goes without. They go without better roads, they go without better parks, they go without important community services that only Councils provide, and our ratepayers are effectively paying hidden taxes to other levels of government.

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It is believed that our community deserves better and this must stop. It has been estimated that by average for Warren Shire, cost shifting by the NSW Government equates to over \$1,148,000 per annum and of course reduces the amount of bitumen reseals, pavement heavy patching or road gravel resheeting etc that can be undertaken each year as examples.

Council also being in the western region of NSW, for many decades has had to provide support to health services within the Shire, such as provision of medical facilities and equipment (Warren Family Health Centre) and subsidised housing for General Practitioners. This is an unfair cost burden on Council that should be the responsibility of other tiers of government.

In 2024 it is important to all Councils and their communities that the NSW State Government urgently addresses cost shifting through a combination of regulatory reform, budgetary provision and appropriate funding, so the long standing impacts of cost shifting on Councils financial sustainability is resolved.

Sustainability

The unrelenting growth of cost shifting to Council, coupled with rate pegging, is increasingly eroding any possibility of financially sustainable local government in NSW and risks the capacity of Council to deliver tailored, grassroots services to our community and properly deliver and maintain vital local infrastructure.

For the past three (3) years Warren Shire Council has been unfortunate to have been affected by five (5) flood disaster declarations; AGRN 960 – March 2021, AGRN 987 – November 2021, AGRN 1025 – June 2022, AGRN 1030 – August 2022 and AGRN 1034 – September 2022. The estimated amount of asset restoration is of the order of over \$15 million, mostly Council's road network. Having no extra funds available severely limits Council's ability to provide 'betterment' funds to go with the restoration funding to actually develop more resilient infrastructure capable of withstanding future disasters.

Warren Shire Council does have the appropriate focus on asset maintenance and rehabilitation/refurbishment works instead of where possible new builds or highly improved assets.

Conclusion

Council thanks you for the opportunity to provide a submission to the Committee.

If you have any further questions regarding the submission, please contact me at your convenience.

Yours faithfully,

Gary Woodman
General Manager

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