Submission
No 31

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Organisation: Uralla Shire Council

Date Received: 26 April 2024

26 April 2024

Parliament of NSW
Director, Standing Committee on State Development
Parliament House - Macquarie Street
Sydney NSW 2000.

RE: Inquiry into the ability of Local Government to fund infrastructure and services

Dear Director

Uralla Shire Council welcomes the Parliamentary Inquiry into the ability of local government to fund infrastructure services and appreciates the Committee considering the issues presented in this submission.

Since the introduction of rate pegging, the NSW Government has limited the ability of councils to collect property taxes and other related fees and charges. During this period, the State Government has also shifted costs from State to local government, increasing the burden on councils, while at the same time continually expressing concern and criticising councils for not being sustainable. Councils have done an extraordinary job to continue to deliver to our communities, meet legislative requirements and increasing regulatory costs, while managing community expectations and maintaining community support in difficult circumstances.

In terms of the specific terms of reference, we noted that detailed analyses and quantification of the financial impacts will be provided from other sources. We are therefore providing comments relating to the terms of reference as they apply specifically to Uralla Shire Council:

a) The level of income councils require to adequately meet the needs of their communities.

Our community would always like more work on the ground: more roads sealed, gravel roads graded more often, streets swept more often, better facilities in our parks and gardens, etc. However, the test is what is our community willing to pay to achieve these outcomes? Many of our current councillors stood on the platform of fiscal responsibility. This reflected a commitment to effectively manage our limited resources to deliver services, while also targeting improvements to meet community requirements (for example; effective asset management plans, developed with our community are key to achieving this outcome).

To date we are managing, albeit with a tolerable reduction in service levels in some areas. With the added burden of cost shifting this cannot continue and we will be forced to seek a special rate variation

(SRV). The net result will be a, say 30% increase over two or three years, rather than smaller increases most years.

However, application for an SRV requires the allocation of valuable resources to complete the detailed business case and supporting analysis, resources that must be directed away from works on the ground – a somewhat vicious circle.

b) Examine if past rate pegs have matched increases in costs borne by local governments.

IPART's 2023 review of Rate Peg Methodology demonstrates how the financial position of councils has deteriorated from 2016-17 to 2020-21. This clearly shows that the rate peg has not matched costs borne by Local Government. This issue is summed up in IPART's statement about the role of rate peg:

"As Chapter 1 discussed, we consider the rate peg to have dual purposes. It allows councils to automatically increase their rates income each year to keep pace with the estimated change in the costs of providing their current services and service levels to households, businesses, and the broader community. At the same time, it limits the impact of these automatic increases on ratepayers, by ensuring that councils cannot increase their total rates income by more than the estimated change in these costs."

Basically, removal of the discretion to increase rates and charges at a local level to meet local community needs, at a level the community can afford, and its deferral to a body deciding on averages across the state, has created a crisis.

c) Current levels of service delivery and financial sustainability in local government, including the impact of cost shifting on service delivery and financial sustainability, and whether this has changed over time.

Despite our best intent over the last twelve years, our level of service delivery has declined. Roads are graded less frequently; less time is spent on maintaining parks and gardens; and there are fewer "outdoor staff" involved in works on the ground while more staff are required involved in corporate functions including governance and risk, reporting and grant preparation and administration. The percentage of our income from continuing operations that is derived from grants has increased from 34% in 2013 to 51% in 2022, with the main increase being in the grants provided for capital purposes.

We do not track cost shifting costs and therefore cannot comment constructively on this aspect.

d) 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.

IPART's 2023 review of Rate Peg Methodology reviewed these criteria.

In terms of direct impact on Councils like Uralla Shire Council, the rate peg and cost shifting results in a slow decrease in rates collected (revenue) and consequent service delivery. Inevitably, this seems to be followed by an eventual application for a Special Rate Variation(SRV), as has been seen in many of our neighbouring Councils. To date Uralla Shire has resisted progressing an SRV, which will result in a substantial rise in rates to restore services. However, it seems eventually Council will have no choice. The cycle will then repeat.

Cost shifting results in workforce changes to enable delivery to the State Government's requirements while removing or limiting associated revenue streams.

e) Compare the rate peg as it currently exists to alternative approaches with regards to the outcomes for ratepayers, councils, and council staff.

The main alternative approach to the rate peg is to have no rate peg with Councils able to set rates according to local needs. This would even-out rate increases in line with inflation, CPI and council costs. It would be monitored by our community at each council election as happens in some other states. This would support financial sustainability enabling councils to deliver services to meet the needs of their communities and absorb operational 'shocks', which currently are not accommodated in budgets or reserves of smaller councils.

f) Review the operation of the special rate variation process and its effectiveness in providing the level of income Councils require to adequately meet the needs of their communities.

See comments under point (d).

Rate peg works on averages. It does not take account of the change of individual council needs over time and the willingness of local communities to address these needs. For example, Uralla is in the New England Renewable Energy Zone. To most effectively manage the challenges of renewable energy development and its associated impacts, we need flexibility in zoning to enable rapid development, not based on history, but based on projections. The constraints have resulted in a lag in response, a cost in developing adequate local responses and constrained development.

g) Any other related matters

The dominance of the Department of Planning and Infrastructure on planning matter, the long lag time, and the expensive and lengthy process to address issues all impact on the ability of local councils to meet community needs to address development, and generate revenue.

I make this submission on behalf of Uralla Shire Mayor Robert Bell and Councillors. We trust the committee will consider the issues raised and look forward to the committee's report and recommendations. We are optimistic that the committe will provide pathways to greater sustainability for local government, and in particular, smaller rural councils.

Sincerely,

Toni Averay

General Manager