

**Submission
No 33**

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

Organisation: Mid North Coast Joint Organisation

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Standard Committee on State Development
Legislative Council
Sydney NSW 2000

Dear Sir/Madam

SUBMISSION TO THE INQUIRY INTO THE ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Joint Organisations (JOs) were proclaimed in May 2018 under the NSW Local Government Act 1993. The Mid North Coast Joint Organisation represents over 121,000 people covering an area of more than 8,600sq kms comprising the three Local Government Areas of Bellingen, Kempsey and Port Macquarie Hastings.

Tasked with intergovernmental cooperation, leadership and prioritisation, JOs have consulted with their stakeholders to identify key strategic regional priorities. The MNCJO Strategic Plan can be found here [Statement of Strategic Regional Priorities](#)

Thank you for the opportunity to provide feedback into a revision of the inquiry into the ability of local government to fund infrastructure and services from the NSW Legislative Council's Standing Committee on State Development.

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

Councils need income to provide various services as regulated under various pieces of legislation that have costs imposed on them over which they have no control. Local Government NSW has documented this growing challenge and its costs.¹ On top of this is the need to reserve or plan for income for those activities that the State may impose on Local Government, recent examples are Disaster Adaptation Plans that may be called for under the Reconstruction Act and the mandatory Audit Risk and Improvement Framework under the Local Government Act. The costs of audits have increased substantially since being imposed by the Auditor General. Between 2018/19 and 2023/24 annual audit fees for the MNCJO have virtually doubled, from \$6,500 to \$12,721. This is consistent with the broader trend across NSW Councils and Joint Organisations.

The cost of administering the state and federal government funding frameworks is also significant to councils. For example, disaster declarations double auditing where both the NSW and Australian Governments have separate concurrent audit processes for councils.

¹ [Cost Shifting Summary 2018.pdf \(lgnsw.org.au\)](#)



Councils are also exposed to the sovereign risk of the NSW government withdrawing funding streams (for example Resources for Regions) which then add to the level of income Councils must derive from elsewhere if existing service levels are to remain.

Councils and communities need to be in control of their own financial destiny as much as possible to be able to weather the constant economic shocks of their business-as-usual operating environment.

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

It will be important in this examination to go back in time by at least a decade and include all the imposts on local government in regional areas. This includes but is not limited to:

- Costs of feedstocks to road building including quarrying, bitumen and fuel
- the Emergency Service Levy
- Costs of audit risk and improvement including the Auditor General
- Costs of electricity including the AER determination for street lighting
- The Local Government Award
- The costs of local government elections
- A review of the costs imposed by the NSW government through cost shifting
- The costs of Covid
- The costs of disasters

It is understood that LGNSW has significant back data regarding much of the above.²

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

Cost shifting from other levels of government is significantly affecting the ability of councils to fund infrastructure and services within current revenue sources. It involves imposing responsibility for providing a service or function onto local government without the provision of corresponding funding or the conferral of corresponding revenue raising capacity other than out of general rates.

The seriousness of this issue was highlighted in the 2021–22 Cost Shifting Survey that was undertaken by Morrison Low on behalf of Local Government New South Wales. It identified that cost shifting onto local government totalled \$1.4 billion in 2021–22, or more than \$460 per ratepayer annually.²

The increasing burden of these costs is threatening the ability of councils to deliver the infrastructure and services that communities need and expect. Action is required to end this practice and address the negative impact that past decisions have had on councils in New

² An example - [Cost Shifting Summary 2018.pdf \(lgnsw.org.au\)](https://www.lgnsw.org.au/~/media/2018/07/Cost-Shifting-Summary-2018.pdf)



South Wales.

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

The rate peg will force councils to either cut services and the maintenance of core infrastructure such as roads, drainage and public buildings. This of course has an direct impact on social amenity and community cohesion. As councils constantly review and change their environment to manage their financial positions, staff experience pressure and uncertainty as with income capped, the only solution to manage resourcing pressure is to cut services including staff. While assisting with sustainability, lower staffing numbers impacts the workloads of other staff. In addition to this, the staff either made redundant or seeking better, less stressful job prospects are forced out of region. This in turn has an impact on the community and the benefits of a rising population rather than declining.

Special Rate Variation processes take up staff time and are not always successfully navigated through council. General Managers are particularly at risk as elected representatives form views on the General Manager's capacity to deliver financial sustainability. At its most toxic council sustainability becomes fodder of social media with council staff having to experience the stresses associated with online pile-ons. This has knock on effects of broader community confidence with the council and pressure on elected representatives.

Rate pegging disempowers communities and their councils and flies in the face of IP&R. Councils and Joint Organisations spend time and effort trying to get a better result from IPART and advocating for financial sustainability.

IPART's Rate Peg methodology was reviewed in 2023 to more accurately reflect the increase in costs for each council, better account for the diversity among councils and ensure ratepayers contribute only to costs relevant to their local government area.

The improvements through this process were welcome, however further independent review of the methodology is needed. Councils face escalating costs and often significant maintenance and asset renewal backlogs which are not adequately reflected through the Rate Peg.

The Inquiry should examine how these matters can be better reflected through the Rate Peg Framework so that councils are properly compensated for real cost increases and able to address maintenance and asset renewal backlogs.

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

The current process of providing a rate peg that sufficiently supports the ability of the Council to fund infrastructure and services is an impossible task. A more practical approach would be



to abolish rate pegging in its entirety and allow Councils to control its primary income source. As a comparative, Councils have been managing their water and sewer funds appropriately for decades.

Under current arrangements, councils in NSW ultimately must seek a Special Rate Variation and it may well have significant financial impacts for rate payers. Councils and their communities work could determine this themselves through the Integrated Planning and Reporting (IP&R) process. This would build community trust and power instead of this disabling, paternalistic and resource intensive system as it currently stands.

Good consultation with community will see a growing understanding of levels of service and their financial consequences, including rates. Currently, for waste services councils are more than capable of consulting with community and setting levels of service and fees.

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

Councils should not be driven into debt because the rate peg does not meet the rising costs of core services, nor should councils be required to apply for a Special Rate Variation (SRV) to cover core operating costs.

The current SRV process is unnecessary and should be removed to give councils the discretion to determine their own rates. At a minimum, the process needs to be streamlined. Whilst the overall goal of the SRV application process is beneficial in terms providing context and outlining engagement activities, the application process is a time and resource consuming exercise, usually providing community angst.

The resources utilised for a SRV application would be better utilised in undertaking good consultation with community on levels of service and their financial (rating) consequence. Thus strengthening the IP&R process.

For any further discussion or clarification regarding the above, please feel free to contact me

Yours sincerely

Elizabeth Fairweather
Executive Officer
Mid North Coast Joint Organisation