

**Submission
No 39**

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

Organisation: Yass Valley Council

Date Received: 24 April 2024

The Hon Emily Suvaal MLC
Chair
Standing Committee on State Development

Dear Chair

Inquiry into the Ability of Local Governments to Fund Infrastructure and Service

Yass Valley Council would agree with your media release statement on 18 March 2024 that Council areas are experiencing significant financial challenges which are threatening the long term sustainability of the sector.

Council is facing the following challenges:

1. Own Source Revenues

Council's own source revenue have not met the benchmark ratio of 60% set by the Office of Local Government at any time since 2021 to 2023. Council is heavily reliance on external funding such as operating grants and contributions. Council receives a share of Federal Assistance Grants but these have declined in real terms. Advocacy by ALGA and LG NSW has been unsuccessful with increasing the pool of fund. Rate pegging constrains Council's own source revenues from property rates and user chargers would need to be significantly increased to fill the gap. Council notes the research into rate pegging commissioned by United Services Union submission on the impacts of rate pegging on Local Councils which included recommendations to either abolish rate pegging or redesign rate pegging. Council would be supportive of either of these options.

2. Financial Assistance Grants (FAGs)

FAGs have been falling in real term for many years. Efforts by ALG and LGNSW to have the funding pool increased by 1% have been unsuccessful. It is suggested that the base amounts be reduced to enable a greater proportion of the funding pool to be directed to rural and regional Councils who carry greatest burden of asset maintenance relative to population. The argument that other grant programs have filled the gap is not soundly based. These programs are mostly competitive and require co-contributions from Council and do not align with Council's budgeting timeframes.

3. Cost Shifting

Cost shifting continues to impact Local Government. The latest report LGNSW report on this issue by Morrison & Low indicates that there has been an additional cost of \$406 per ratepayer across the State. These decisions are often made with little consultation with Local Councils.

4. Asset Management

Council's largest asset class is its road network with 1,237km of sealed and unsealed roads along with 53 bridges. In 2016/17 Council was successful in securing a Special Rate Variation largely for road maintenance and upgrade and timber bridge replacement.

Unfortunately, the high rainfall events of 2022 damaged many of the roads throughout the LGA (including those upgraded by the SRV). The natural disaster funding made available was on the basis of 'like for like' which resulted in Council having to contribute for any betterment improvements. Not all repair work was 100% funding unless Council could demonstrate the prior road condition included sub base, drainage and the like. Asset management records especially for older road lacked sufficient detail to support prior condition. In these cases the scope of repair works were reduced to match the available funding.

5. Post COVID

Post COVID Council has experienced significant increases in construction costs for roads and community facilities. In addition, utility costs, insurances, audit cost have all significantly increased impacting on Council's financial sustainability. All at a time when revenue has remained static.

Council thanks the Standing Committee for providing an opportunity to make a submission on this important issue facing Local Government.

Yours faithfully

Chris Berry
Chief Executive Officer