Submission
No 40

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

**Organisation:** Nambucca Valley Council

**Date Received:** 24 April 2024

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**INQUIRY INTO THE ABILITY OF LOCAL GOVERNMENT TO FUND INFRASTRUCTURE AND SERVICES**

I thank you for the opportunity to provide feedback on the Inquiry into the ability of local government to fund infrastructure and services.

I have summarised Nambucca Valley Council recommendations of as follows:

1. Consideration of the abolition of the rate peg
2. Council be able to raise funds through locally determined rate increases or locally determined levy for existing essential infrastructure assets such as roads, buildings etc in accordance with Asset Management Plans
3. The stormwater levy be increased to $100 (residential) and $400 (Commercial) respectively and indexed annually
4. Based on SEIFA rankings the State Government provide an untied Grant for infrastructure maintenance/renewal
5. The State Government support ALGA's position and advocate on behalf of Councils for this increase in Financial Assistance Grants (FAGs) to 1% of tax revenue.
6. Reform the model for funding emergency services and remove ESL on Councils
7. All assets used by the RFS (fleet and buildings) be transferred to the RFS
8. End cost shifting
9. EPA Waste Levy to be hypothecated for improved waste management rather i.e. circular economy action plan.

**<u>Discussion</u>**

Nambucca Valley Council (NVC) currently has a rates income of $11.12M and total income of $49.266 M excluding water and sewer with over $500M of assets on its books. This means that Council is reliant upon grants e.g. FAGS, R2R, Fixing County bridges, Fixing Country Roads to maintain its assets with reducing service levels.

Council's Annual Financial Report 2022/2023 report indicates the following:
Building and Infrastructure renewal ratio went down from 55.3%1 in 2021/22 to 50.85% in 2023/23 Asset Maintenance ratio has decreased to 58.85% in 2022/23.

This all indicates a deterioration in Council assets/infrastructure for which Council is starting to see more infrastructure failures such as leaking roofs and deteriorated roads.

A review of *"A Critical Assessment of the Rate Peg Methodology in the IPART (2023) Review of the Rate Peg Methodology: Final Report"* by Emeritus Professor Brian Dollery undertaken on behalf of the United Services Union (USU), Council notes Recommendation 1: A “First Best” Approach to Abolish the Rate Pegging.

In recent years, while there has been an increase in the rate peg, the recent cost escalation in goods and services has far outweighed the addition income received. In addition, the rate peg increase lags the real cost escalations by up to 2 years. In most cases the increase in rate peg doesn’t even cover Council’s liability for planned award increases.

I note in the Grattan Institutes report “Potholes and Pitfalls: How to fix local roads” (Nov 2023) notes that:

*“Many councils do not have a realistic way of raising the money they need to keep their roads good condition, especially rural and remote councils.”*

It also states:

*“Rate caps in place in New South Wales and Victoria also make it difficult for councils to raise more revenue.”*

Council’s Community Satisfaction Survey show that roads/infrastructure are importance to 93% of our residents however the community rate it as one of their least satisfied service. In addition, 38% of those surveyed stated Council needed to improve its roads and infrastructure. It is Councils view that this is driven by the underfunding of assets, cost shifting e.g. Emergency Services Levy and RFS red fleet and building assets and the inability for council to raise additional funds for infrastructure renewal due to the rate peg and Special Rate Variation process.

In addition, NVC has the real risk of financial unsustainability should the State Government hand back the old Pacific Highway road assets valued at approximately $200M+, further deteriorating Council’s ratios for maintenance and renewal. Depreciation of this asset would be catastrophic to Council’s financial performance resulting in Councils becoming financially sustainable.

On current level of service, with funding levels becoming tighter councils have been gradually reducing its level of service for many maintenance services and in particularly proactive maintenance programs which have given way to fund reactive programs. For example, NVC has changed it level of service for gravel road maintenance form grading roads at least once per year to an as needs basis which has led to a significant increase in complaints from residents.

One way to address the underfunding of infrastructure to allow councils to raise funds by applying a local infrastructure levy determined by asset management plans and only for the renewal of current asset. Introducing this levy should also require councils to maintain its current maintenance spending to ensure that the levy is not used to generate additional revenue for other services.

The Stormwater Levy has not increase from $25 (per residential assessment) and maximum $100 (per Commercial assessment) for councils since it was introduced in 2003. No indexation has been applied and with flooding now occurring on a more regular basis an increase in funding is desperately required. Alternately, Hunter Water also has stormwater levy which also commenced in 2003 at $25 which has increased to $97.04 for residential services and is tiered for businesses ranging from $97.04 to $6404.36 in 2023/2024 Financial Year.

This levy should be increased to $100 (residential) and min $400 (commercial) respectively and be indexed.

Nambucca Valley Council has a SEIFA ranking as one of the lowest in the state which would potentially affect the capacity for a community to pay. It is expected that Council is best place to determine the capacity of the community to pay and set any levy at an appropriate rate. It is recommended that the State Government provide an untied annual grant for infrastructure similar to the FAG's road grant for low ranking SEIFA councils to reduce the impact on low income earners.

Council also supports ALGA'S position that that local government's share of tax revenue increases significantly to meet increasing demands on local infrastructure and services and ultimately that it reaches a level of at least 1 percent of Commonwealth taxation revenue.

In addition, Council would recommend that the State Government support ALGA's position and advocate on behalf of councils for this increase in FAGS to 1% of tax revenue.

Council understands that there is a separate Inquiry into the Advocacy against the requirements for Council to Account for RFS assets. Council has lodged a separate submission to this Inquiry. Council is of the view that the RFS assets including building assets should be transferred to the RFS. This would allow Council to focus on the assets that they do have care, control and management of.

Yours faithfully

**Bede Spannagle**
**GENERAL MANAGER**