Submission
No 45

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Name: Mr Justin Clancy

Date Received: 24 April 2024

---

24 April 2024

Emily Suvaal MLC
Chair
Standing Committee on State Development
GPO Box 5341
SYDNEY NSW 2001

Dear Chair

Inquiry into the ability of local governments to fund infrastructure and services

Thank you for the opportunity to make submission to the Standing Committee on State Development for the Inquiry into the ability of local governments to fund infrastructure and services.

I would like to make a brief submission on key issues:

(a) the level of income councils require to adequately meet the needs of their communities and the impact of property valuations.
(b) current levels of service delivery and financial sustainability in local government, including the impact of cost shifting on service delivery and financial sustainability.

Regional councils often bear the burden of providing services to multiple town and village population centres, with a modest number of ratepayers to provide much of the working capital.

For example, Greater Hume Council, which is within the Albury Electorate, has fewer than 8000 electors but 11 population centres within its LGA.

The Greater Hume budget sits around $59 million, with $37.2 million in operating costs and $22 million for capital works. In this same year road, bridge and footpath projects were the major expenses and were estimated at $28.6 million.

These are modest sums which must stretch vast distances and be distributed with equity and fairness across diverse communities.

Snowy Valleys Council reports that it has an underlying operating deficit in the region of $6 million to $7 million annually.

At the same time its internal reserves and unrestricted cash are diminishing at approximately $2 million to $3 million per year.

Councils in my electorate draw attention to the impacts on finances from:

- The Black Summer bushfires of later 2019/early 2020
- Covid pandemic throughout most of 2020-20221 and continuing

- Road repairs and replacement following storm and flooding events of 2020-2021.
- Rapid increases in CPI, combined with shortages of building materials post-covid, have also played havoc with cost control and indeed with accurate budgeting by councils.

PERCEIVED INEQUITIY THROUGH IMPACTS OF PROPERTY VALUATION

Primary producers perceive there is an inequity in the impacts of property valuation on their productive landholdings.

There is a strong sense that they are carrying a disproportionate level of rate increases when compared to other forms of land use and ownership. For example, I have been informed about adjacent parcels of land, one for farming and the other forestry, where the valuation of the farm land per hectare is now approximately seven times that of the forest land.

Further, this is taking place without significant opportunities for community engagement with the valuation process; dialogue is limited.

The interpretation of data must take into account broader economic conditions and the role of property valuations.

- Land valuations were completed at the top of the property and commodity cycle.
- Many in primary production are now closer to the bottom of the commodity cycle.
- Wool, lambs, mutton, grapes and beef prices have been at historic lows.
- Input prices have increased as interest rates doubled.

Illustration#1

A fourth generation landholder in Mannus, southwest of Tumbarumba in the Snowy Valleys Council area, was so upset by rate increases that he prepared and lodged a submission with IPART.

In particular he expressed his concerns over initial and potentially further Special Rate Variations which he believes threatened the viability of his 256 Ha primary production property and business.

Embodied in this is his observation, shared with others in my electorate, that land valuations have been determined on little sales evidence or by reference to non-comparable properties and are therefore flawed.

He states that the larger portion of his property has been hit with a total rate increase of 91 per cent in just two years (2021-22, 2022-23). The actual increases affecting his property appear to be substantially beyond the stated applicable SRV.

This dramatic increase affects not just his home but also the viability of his business on this land his family has owned for generations.

Accordingly this ratepayer is seeking greater oversight by government to verify that Snowy Valleys Council has been charging him correct rates since 2022-2023, and applying the current SRV as it was approved by IPART.

Illustration#2

A primary producer within Snowy Valleys LGA writes that, from his family perspective, ordinary Farmland Rates excluding other charges have risen sharply:
2020/21 - $6,908.40
2023/24 - $12,873.06
That is a 86% increase. Add the proposed 40% special rate increase flagged by council and that rises to $18,022.28.

"That is a 260% increase in 5 years. Our business rates have gone from asking for what amounts to 1.8% of turnover to 5.5% of turnover."

Overall this is hurting both the council and the business. This example can be observed across numbers of regional and rural LGAs.

As a result I am seeing councils tighten their belts – leading to reduced services, reduced maintenance of capital assets, delay or postponement of projects, road degradation and job losses.

EMERGENCY SERVICES LEVY AND RED FLEET

Two principal examples of new financial burdens for councils are the Emergency Services Levy and the Red Fleet issue which places depreciation costs of emergency service vehicles onto councils.

This is of particular impact on rural and regional councils where there are a large number of fire trucks and emergency vehicles in place and which represent a sizeable imposition of state services into the accounting of councils.

A further blow, for some councils unhappily and unsatisfactorily amalgamated in 2016, comes from the current government's push of the costs onto de-amalgamating councils. This is yet to land.

The *Local Government Amendment (De-amalgamations) Bill 2024* provides a framework to de-amalgamation. However it proposes to leave the costs of de-amalgamation and of establishing new councils to the councils – and thereby to the ratepayers and service users.

****

Again, I appreciate the opportunity to make this submission to the Standing Committee on State Development Inquiry and I would appreciate any further opportunities to contribute or be involved.

Given the number of council mergers and ongoing community concerns, particularly among primary producers, I would like to extend an invitation to the Standing Committee to visit this region as part of its hearings process.

Yours sincerely

JUSTIN CLANCY MP
Member for Albury

Lodged at
https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=3040#tab-submissions