Submission
No 47

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

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The level of income required by each LGA will vary substantially depending on both the size, population and also where the Council is located - being City, Regional or Rural. One size does NOT fit all.

One thing for sure is that Councils CANNOT operate Soley on own source "income"" of rates, fees and charges and minor other sources.

Historically - all Councils across AUSTRALIA receive between 30-60% of their income from Operational and Capital Grant Funding.

NSW Councils are in line with their comparable Councils in other Australian wide jurisdictions.

According to NSW Compare your Council " data- the average of all LGA Operational Grant funding is 13% of Councils revenue, and average Capital Grant Funding is 21% of Revenue.

Much has been made of the idea that Councils are NOT SUSTAINABLE if they cannot show ongoing (General Fund) operational profits over their 10-year LTFP Long Term Financial Plan EXCLUDING any Capital Grants. What a ridiculous and unsustainable model! Eventually ALL Councils will fail this model - as it is clear (from the above average income sources) - that few - if ANY Council CAN function and adequately meet the needs of their communities if they have to rely Soley on their own source " revenues. This is all the more obvious in smaller rural Councils - where population bases are small, and the amount of infrastructure within the Council is substantial. If you look at the number of km of roads that need to be build and maintained in some of the sparsely populated and remote LGA - compared to their ratepaying population base - it is blatantly obvious that there is NO POSSIBLE way this model can work!

I am personally aware that even after a forced amalgamation of 3 regional LGA in 2016 to form a "viable "LGA - Snowy Monaro had to apply for a SRV of over 50% (over 4 years) in 2023/4. web

The Compare my Council website shows that for 2022 the NSW State Average Own Source Revenue % of income was 58.05% . It is obvious that the both Operational and Capital Grant funding are essential and indeed appropriate - as "normal "Council revenue.

2 I contend that the rate peg in the past has had some bearing on Council Finances- but no worse than in any external normal business. The only source of revenue effected by the rate peg, is land rates.

All water, sewer, rubbish, environmental and most other fees and charges of all LGA are NOT tied to the rate peg.

In fact, many of these fees and charges have risen substantially ABOVE the rate peg over the last few years. Rates and annual Charges across all NSW Councils accounted for an average of 45% of Council Revenue (Compare Your Council 2022) - so in fact the average Council had at least 21% of revenue sources that was NOT tied to the rate peg, as well as the average 34% Grant funded revenues. The new methodology for the rate peg announced in October 2023 should alleviate any "rate peg "issues to a large extent. Particularly with the additional - Council based the adjustment regarding the ESL to

3.Levels of service delivery and financial sustainability in LG- including the impact of Cost shifting has had some impact on service delivery in recent years,

In order to compensate somewhat the State Government has included some additional funding in untied Operational Grants to help alleviate this, and until the 2024 year - did provide Councils with a "Rebate" "to help cover the increased ESL.

If services are transferred to Council by higher levels of Government- it is appropriate that Councils are also provided with both Financial and other resources to make it sustainable.

4.The social and economic impact of the rate peg in NSW has always provided ratepayers with a degree of financial certainty and a perception of fairness. Ratepayers- generally- have limited funds and resources - so to limit land rate increases to the rate peg - which has been broadly in line with CPI - has resulted in residents believing any rise is in line with a fair benchmark.

Further - for Councils which may not be operating in a very efficient or "business like "manner, to give them free reign on setting their own rate increase - COULD in fact=-increase the inefficiencies and create financial stress within communities - without actually improving the LGA sustainability at all. This is one of my specific arguments AGAINST the enormous SRV that have been applied for over the last few years.

5.The rate peg (2023 Model) is much better in realistically recognizing differences between City, Regional and Remote area Councils. Clearly, each Council category is significantly different, and costs and resources vary largely across the categories. In addition, the inclusion of the calculation of the ESL individual council subsidy amount is also a much fairer and targeted result.

6. Operation of the SRV process is unrealistic, unfair and totally flawed. The large number of SRV applications over the last few years is testament to this.

EVERY NSW Council will eventually fail this unrealistic model - and subsequently be deemed unsustainable. The LTFM on which the SRV perceived need is nothing short of "creative accounting."

To design a 10year budget for any business model is a feat in itself. Any accountant or business knows that a annual Budget will change the day after they are written. To have placed such a degree of "Trust "and reliance on this 10-year model leaves much to be desired.

Communities who are already suffering Financially are hit with massive rate rises they can't afford - and this is dividing communities, and even families.

Councils and Councilors are spending substantial amounts of time and resources planning out 10-year budgets which will either change substantially or simply NEVER eventuate.

Further the criteria to be deemed viable by the Office of LGA requires that Council does NOT include any Capital Funding in their bottom line but MUST INCLUDE massive ""current value"" depreciation - whereby all assets are revalued to their market value every 5 years.

In Councils which have substantial assets - such as thousands of km of roads, footpaths and bridges - depreciation is increasing at such a large exponential rate - that it has often overtaken wages as the highest cost of the Operational Statement!

I shake my head in disbelief.

Worse yet is the fact that almost all Councils executives are so worried that their Council may be deemed unsustainable- and forced into amalgamations that do not desire - or worse still put under administration - they have played the game - and gone along with this terribly flawed process.

On the whole - most Councilors across the State have little (if any Financial Training) and have relied on Council executive to explain why they "need a SRV"'.

In my own Council - not one Councilors understands that the Council is not actually going to make a $10.7 million loss each year (as the press release by the Consultant suggested) - but this figure was arrived at after excluding Capital Grants from revenue - and including massive depreciation in expenditure. The shocking media release was enough to ensure most councilors simply went along with the whole fiasco.

In addition, many Councilors are led to believe they might be held personally liable for mismanagement of Council Finances - if they don't agree to a SRV.

Unbelievable, but true ....

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Lastly - the Councilors are given the absolutely worse deal when it comes to the SRV in their local Community.

A sham community consultation process (enabled by the assessment criteria at IPART) , not really understanding why the reason Council is applying for a SRV - and unable to adequately explain it to their community.,

Many Councilors are left stressed beyond belief and wondering how it all deteriorated to this level- with no prior knowledge of any "Financial issues "in their Council.

Sadly, it is the Councilors that are often subjected to their community anger & frustration and finally - an unceremonious dumping at the next Council Election

Both the current Local Government Long Term Financial Model, and the SRV system BOTH have to go!

This Model and Process has not achieved any real sustainability purpose for many LGA , has caused massive stress and division within communities, and worse yet - has seen communities left to wear with the biggest COST SHIFTING outcomes that have ever been seen across NSW. Cost shifts directly to the ratepayers!!

Thanking You for considering these points

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