

**Submission
No 101**

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

Organisation: Junee Shire Council

Date Received: 1 May 2024

The Hon Emily Suvaal MLC
Chairperson
NSW Legislative Council Standing Committee on State Development

Dear Ms Survaal,

**JUNEE SHIRE COUNCIL SUBMISSION TO THE NSW LEGISLATIVE COUNCIL
STANDING COMMITTEE ON STATE DEVELOPMENT REGARDING THE INQUIRY
INTO THE ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE
AND SERVICES**

Junee Shire welcomes the opportunity to make a submission to the Standing Committee's inquiry.

Junee Shire Council is a member of the Riverina Eastern Region of Councils (REROC). In addition to the points made below, we support the issues raised in the REROC submission.

Junee Shire Council's responses to the Terms of Reference of the inquiry are as follows:

(a) the level of income councils require to adequately meet the needs of their communities.

Junee Shire Council believes that it is vitally important that in considering the ability of Local Government to fund infrastructure and services, that the State recognises the substantial differences in service provision between rural towns and regional cities and metropolitan centres.

For rural councils such as Junee, distance and sparsity of population impact on virtually every facet of its operations; from the hundreds of kilometres of rural roads that are maintained, to the costs of providing essential and social services, to difficulties that are faced in attracting highly skilled staff.

If the people of Junee are to receive access to facilities like swimming pools, libraries, cultural spaces and sporting facilities that are taken for granted in cities and large regional towns, the local council has no choice but to provide them. This is a structural issue that underpins some of the struggles that rural councils such as Junee face in funding infrastructure and services. To not provide these services would severely disadvantage its residents.

People in small communities expect local councils to do more with less resources. Hence local councils in smaller towns frequently take on loss making services because the community want those services, even though it is not economic to provide them.

For example, Junee Shire Council operates a large Aquatic and Recreation Centre which runs at a loss of about \$500,000 per annum. The community expect and appreciate the services that the Centre offers.

If this facility was not open, the community would not have access to the services that it offers. In the case of Junee, the private sector would not offer these services because they would not make money.

(b) examine if past rate pegs have matched increases in costs borne by local governments.

Rate pegs have not matched the increased costs borne by local governments. A comparison over the past four years is shown below. Local governments are paying for the cumulative effect of rate pegs over many years.

A comparison over the past four years is shown below.

<u>Year</u>	<u>Rate Pegs</u>	<u>CPI</u>
2021	2.6%	3.8%
2022	2.0%	6.1%
2023	2.5%(0.7+1.8)	6.0%
2024	3.7%	4.1%

Financial Assistance Grants have also not matched inflation.

(c) 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.

The financial viability of Local Government has changed over time due to costs increasing over time and revenue not keeping up. The increase in costs can be put into three broad categories. They are:

1. Cost shifting from higher levels of government
2. Increases in Regulatory requirements
3. Unavoidable increases in core costs

Cost shifting is where a higher level of government reduces the level of funding but still requires Local Government to provide that service.

Examples of cost-shifting are:

- **Pensioner Rate Subsidy** – this has become larger as the population has aged. The subsidy is mandatory and now costs Junee Shire Council about \$68,000. The cost of the subsidy is a State Government decision and therefore should be met fully by the State Government.
- **RFS costs** - councils meet 11.7% of RFS costs. The overall budget for the RFS has increased significantly over recent years. In Junee's case it means that we are paying significantly more in expenditure for a State Government service, against a stagnant income base.
- **Libraries** - the NSW Government is failing to meet the originally committed 50 per cent of the cost of libraries' operations. NSW has the lowest State Government per capita contribution to public libraries of all states and territories in Australia. It is Local Government that is picking up the funding shortfall.

In Junee's case, the cost of running the library service is \$385,000 per annum for which it receives funding of \$80,000 from the State Government. This is a front-line service that disadvantaged people rely on and can't really be reduced.

- **Waste Levy** – the waste levy is a revenue raising exercise and is essentially a tax on Local Government as the money collected is not used to improve waste and recycling services.

Examples of Increased Regulatory Burdens Are:

- **Audit Risk and Improvement Committee (ARIC) requirements** – this is an additional regulatory burden placed on councils for which they receive little or no benefit. In Junee’s case, the additional cost to meet the ARIC’s requirement will cost an additional \$100,000. This money will be spent on paying its share of an Independent Audit Co-ordinator, an Independent Chairman and two independent committee members. Most galling of all is these people will not report to the General Manager so Council will have no control over them and the community will derive no benefit.
- **Development Compliance** - the regulatory environment has increased. Councils are expected to maintain this service even though fees charged cover only a fraction of the cost of providing this essential service.
- **End of Year Finance Audits** – for the 2024 financial year, the quoted cost of the financial audit has doubled from \$40,000 to \$79,000. Additionally, the audits are more comprehensive and staff are expected to supply more information resulting in more staff costs.
- **HR Compliance** – requirements in this area have increased significantly over the years particularly in relation to Work Health and Safety. The quickest way to do something is no longer acceptable. Worker safety is paramount and the cost of this needs to be included in our jobs.
- **Animal control** – the State Government has continued to load more regulatory burden in this area.
- **Weed Control** – Council is not funded adequately to perform this activity. Over time the amount of funding has not kept pace with costs.

Examples of Unavoidable Increases in core costs are:

- **Public Liability Insurance** – cover for public liability has increased at levels that are higher than the rate-peg over the past. In the 2021 financial year, public liability insurance cost \$87,700. In the 2024 financial year it had risen to \$121,960; a 39% increase over the four-year period.
- **General Asset Insurance** – premiums in this have increased significantly due to higher levels of claims due to building damage resulting from several natural disasters over the last four years. In the 2021 financial year, Building Insurance cost \$119,000; in 2024 it cost \$175,000, a 47% increase over four years.

- (d) **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.**

Council is a community and social service provider. The rate peg has taken a significant toll on Local Government’s ability not just to meet the growing demands of its residents, but to maintain services at current levels.

Junee Shire Council believes that the rate peg has not only stopped Council from providing sufficient services but has impacted its very financial viability.

- (e) compare the rate peg as it currently exists to alternative approaches with regards to the outcomes for ratepayers, councils, and council staff.**

Junee Shire Council suggests that the rate peg be abolished and allow rate increases which are justified with componentised increases. Councillors can justify rate increases to the community.

- (f) 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.**

The SRV process needs to be simplified. It is too complex and time consuming. The Office of Local Government should help Councils that really need an SRV.

If rate caps were adequate, SRV applications would not be required unless the Council was proposing to build a significant new asset or instigate a new service.

- (g) any other related matters**

Financial Assistance Grants (FAG's) should be redistributed and allocated based on disability factors without the minimum population floor of 30%. This would result in smaller rural council's receiving a larger share while large councils, who have much greater revenue raising capacity, receiving less.

If the Standing Committee have any questions, or want any of the points above expanded upon, please contact Luke Taberner, Chief Financial Officer

Yours faithfully

Luke Taberner
Chief Financial Officer