

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Organisation: Bourke Shire Council

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OFFICE OF THE MAYOR

30 April 2024

The Hon. Emily Suvaal MLC
Chair
Local Government Infrastructure and Services Inquiry
Parliament House
Macquarie St,
Sydney NSW 2000

Dear Ms Suvaal,

I refer to the determination of the NSW Legislative Council that the Standing Committee on State Development "inquire into and report on the ability of local governments to fund infrastructure and services."

Council thanks the Legislative Council for its determination with Bourke Shire Council taking the opportunity to make a submission in respect of the adopted Terms of Reference for the Inquiry.

Shire Overview

By way of background, the Shire of Bourke is located in Far Western NSW with the Shire having an area of 41,679 km² and a population of 2,340 people (2021 ABS Census data). The traditional custodians of the land are the Ngemba (Ngiyaampa) people with 708 people, or 30.3% of the Shires population, identifying as Aboriginal in the latest census. Situated at the crossroads of the Mitchell Highway, Kamilaroi Highway and the Kidman Way, the Shire is home to various small villages and is a gateway from NSW into southwest Queensland. The Shire's boundaries extend to the Queensland border which is 136 km north from the township of Bourke, south to Byrock (approx. 90 km from Bourke), west to Wanaaring (190 km from Bourke) and east towards Brewarrina (the Shire boundary is approximately 50 km from Bourke).

Located some 760 km from Sydney and 390km from its regional service centre of Dubbo, the history of Bourke extends back to the late 1800's when paddle steamers operated on the Darling Baaka River, transporting wool and other goods to and from the then major inland port that Bourke was. Today, Bourke is a service

centre built on community services, administration, tourism, pastoral, and irrigation industries.

With such a large Shire in terms of area, roads are an important, and a most expensive, component of the Shires operations. The road network in the Shire comprises a total of 2775 km's of roads. These roads are as follows:

- State Roads (357 km) are the responsibility of the State Government to fund and prioritise, with Council maintaining and undertaking capital works thereon on behalf of the NSW Government under a RMCC arrangement.
- Regional Roads (572 km - comprising 269 km sealed roads and 303 km of unsealed roads) are the responsibility of Council to fund, prioritise and carry out work thereon. Funding assistance is provided from the State Government in recognition of their importance to the overall network.
- Local Roads (1846 km - comprising 66 km sealed roads and 1780 km of unsealed roads) are the remaining Council-controlled roads that provide for local circulation and access. It is the priority of Council to fund, prioritise and carry out work on Local Roads. Local roads are eligible for State Government funding under the Fixing Local Roads program and are eligible for expenditure under Financial Assistance Grants from the Federal Government.

Council Overview

Bourke Shire Council is best described as a small, remote, rural Council. Its draft 2024/2025 Operational Plan identifies a total operating expenditure budget approaching \$35 million. The total draft budget, however, increases to closer to \$48 million should all the various capital grant proposals, as included in the draft Plan, come to fruition.

Councils budgeted income from Ordinary Rates in 2024/2025 has been estimated at \$1.98m, (being but 5.6% of estimated operating expenditure or 4.1% of income should all Councils grant proposals come to fruition), as follows:

Rate Type	No. of Assessments	Notional Income
Residential	919	\$ 490,288
Residential - Villages	234	\$ 29,001
Business	208	\$ 171,120
Farmland	375	\$1,302,621
Sub Total		\$1,993,030
Less: Pensioner Concessions		\$ 12,487
Total Rate Revenue		\$1,980,542

The number of assessments will continue to diminish, whilst ever Government continues to seek to acquire large tracts of rural land for the purpose of establishing National Parks. Already, the Shire is home to the Gundabooka National Park and State Conservation Area (63,903ha), Toorale National Park (30,866ha), Brindigabba National Park (33,000 ha) and Ledknapper Nature Reserve (47,864 ha). In March 2023, the NSW Government purchased a 437,394 ha property between Bourke and Tibooburra to create a new National Park. In August

2023, the NSW Government acquired the 37,000 ha Comerook, Muttawary and Maranoa stations – known collectively as Comerook – 150km northwest of Bourke, for National Park purposes. National Parks are non-rateable Crown Land.

Other major revenue sources for Councils General Fund include fees for acting as a Service NSW Agency, funds for services provided in respect of its water, sewer and domestic waste operations, property rentals, fuel rebates, plant income, noxious plant subsidies, domestic and trade waste charges, drainage charges, library subsidies, and tourism related income. In addition to these income sources, Council very much relies on the receipt of its annual Financial Assistance Grant, various annual road grants, including work orders under the RMCC program with TfNSW, Private Works income and income from interest on investments. In 2022/2023, Council assessed and approved 25 development applications with a total value of \$7.9million. Council does not charge section 64 or Section 94 developer contributions. In addition, Council does not undertake parking patrol and accordingly receives no income from such a source.

The Terms of Reference

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

In comparison to our city and regional council “cousins”, Bourke Shire as a small, remote, rural Council, is a very different local government entity. Funding models for one council, certainly does not fit all councils. Bourke Council is large in area but sparse in population. Its rate revenue is minimal, with Council reliant on government programs to allow it to operate and survive. Given the location of Bourke and the surrounding Shire and the resulting tyranny of distance, it is not uncommon for a 30-40% locality cost to be added to contract prices for works being undertaken in the Shire.

Defining a level of income that is required to adequately meet the needs of communities is most difficult.

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

Others in local government will undoubtedly extract data that shows that past rate pegs have not matched increased costs and report to the Inquiry accordingly. That is certainly the anecdotal experience at Bourke. Much of Councils annual budget goes towards funding its road asset base and inflationary costs in this area alone have certainly increased at levels greater than the approved rate peg.

(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.

As previously advised, income from rate revenue in 2024/2025 for Bourke Shire is estimated to account for but 5.6% of operating revenue next financial year. Put another way, from Councils 2022/2023 Annual Financial Statements, Bourke Shire

Councils 'own-source operating revenue ratio' was 30.45:1. This ratio measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent. In a small, rural and remote Council, every dollar is most precious and continued cost shifting by government to local councils is of considerable frustration to Bourke Shire. Cost shifting represents lost services, lost opportunities and lost amenities for all residents and businesses across our Shire and the State. With less available funds, it means that residents go without better roads, they go without better parks, they go without important community services that only councils provide, and effectively, residents are paying hidden taxes to other levels of government.

Two (2) topical examples of cost shifting that affect Bourke Shire are in the areas of:

1) Disaster Recovery

Under existing disaster funding requirements, the costs of Council day labour resources to undertake repairs are essentially not recoverable as compared to the use of contract labour resources. In Bourke Shire, the luxury of engaging contractors to undertake required disaster works is invariably not an option. Such contractor simply do not exist and it is necessary for Council to undertake the works, which are then basically unrecoverable. In addition, despite Council paying the annual Emergency Services Levy which funds in part, the NSW State Emergency Services, a lack of available people power in the local SES, results in Council undertaking many of the tasks traditionally undertaken by the Service in more populated areas of the State. This is not a criticism of our local SES, rather it is the reality of the situation in remote localities.

2) The Red Fleet

Much has been written about the "ownership" of, and accounting for, the NSW Rural Fire Service Red Fleet. For Councils to be instructed to account for assets that they do not have control over, is wrong which transfers costs onto Councils.

(d) Assess the social and economic impacts of the rate peg in New South Wales for ratepayers, councils and council staff over the past 20 years and compare with other jurisdictions.

Despite the low level of annual rate income derived by Council, rate pegging at a level below either the Consumer Price Index (CPI) or at a level that doesn't reflect the cost of Councils input materials, has financially impacted Bourke Shire over the past 20 years. As an example, the approved rate peg figure for the 2017/2018 financial year was 1.5% Apart from being the lowest rate peg over the past 20 year's, the peg did not meet the All-Groups CPI as at 30 June 2018, which was 2.1%. The most significant price increase in the final quarter of the 2017/2018 financial year was automotive fuel, which rose 6.9%. As a remote Council with an extensive road asset base with a fleet of road train tippers and graders to assist in maintaining these roads, the gap between permissible rate increases and its input costs, in this case fuel, is evident.

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

There is considered no perfect system of deriving income for Councils. The current unimproved land value process, whilst not perfect, is generally fair. Councils should however be able to levy rates on all parcels of Crown Land properties in their respective council areas. As mentioned above, Bourke Shire's rate base has been diminished over time as a result of the acquisition of agricultural land in the Shire for the purposes of National Parks. The rate base should be spread fairly to all.

Local Government has long advocated for a fixed proportion of GST coming back to the various states that is specifically earmarked for local Councils. If this was ever to be achieved, distribution of the funds would be considered to be along the lines of the existing Financial Assistance Grants program.

(f) Review the operation of the Special Rate Variation process and its effectiveness in providing the level of income councils require to meet the needs of their communities.

Bourke Council does not have experience in pursuing a SRV for the Shire. With such an existing low-rate base, to achieve the 'own source operating revenue ratio' benchmark of greater than 60 %, Council would need to increase its rate base by at least 1415%, such that rate income amounted to a minimum of some \$28 million. From the community's perspective and its ability to pay, pursuit of an SRV to address this issue is not achievable.

I wish the inquiry the best in its deliberations.

Yours faithfully

Councillor Barry Hollman
Mayor Bourke Shire