

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

Organisation: Coonamble Shire Council

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The Honourable Emily Suvaal MLC
Chair
Standing Committee on State Development
Parliament House
Macquarie Street
SYDNEY NSW 2000

By email: state.development@parliament.nsw.gov.au

Dear Ms Suvaal

INQUIRY INTO THE ABILITY OF LOCAL GOVERNMENT TO FUND INFRASTRUCTURE AND SERVICE

I write to you with regard to the Inquiry into the Ability of Local Government to Fund Infrastructure and Services. Please find below a non-exhaustive list of observations from the Coonamble Shire Council.

Coonamble Shire Council Background

Coonamble Shire Council covers an area of 9,926km² with a population of 3,907 (ABS 2020) and is situated on the Castlereagh River which runs through the town, dividing east from west. It is bounded by the Shires of Coonamble, Walgett, Narrabri, Warrumbungles and Gilgandra. Residents of rural properties account for approximately one-third of the LGA population.

A considerable proportion of Council's budget is allocated to roads – 365.84 km of sealed roads and 1,171.66km of unsealed roads.

Council also undertakes ordered works and maintenance on HW18 Castlereagh Highway under the RMCC for Transport for NSW.

Notwithstanding the roads infrastructure, Council also operates three (3) water supplies, two (2) sewerage schemes, and airport, a hard rock quarry as well as other community based infrastructure including sporting fields, parks and three (3) pools.

Council has considered the Terms of Reference set out by the Legislative Council's Standing Committee on State Development and would be pleased to submit our views on the level of income Council's require rate pegging, sustainability and alternative approaches.

Income

Council relies heavily on grants and contributions for improvement and maintenance/operation of its assets. Based on the last three (3) years, the income from operational grants has averaged 44% of Coonamble Shire Councils operational budget. Councils General Fund Revenue budget for 2023-24 was \$31,652,956, of which rate income equates to 16%. General rates income for 2023/2024 was to \$5,370,000. Coonamble Shire Council's depreciation on roads alone is approximately \$3.6M for this same FY.

The allowed rate peg of 3.7% has generated an additional \$241k in income for Council in 2023/24. Council's wage increase for that same period was \$345k, demonstrating that the allocated rate peg did not even cover the wage increase, let alone increases in costs for asset maintenance and renewals.

The other issue that smaller, regional Councils face is that the rateable income is not always paid in a reasonable timeframe. With the ever-increasing cost of living, there is the associated increase in debt recovery for unpaid rates.

Coonamble Shire Council is rarely in the position to be able to provide anything other than minor contributions or works in kind to grant funded projects. Funding bodies need to be able to consider the inability of rural/regional Councils such as Coonamble Shire Council to provide any extra funding/capacity to pay. The funding that is available to Councils is used not only for servicing, but also for renewals.

The level of work to provide grant/project submissions can sometimes be extraordinary and this also limits Council in being able to apply for such grants or to have projects "shovel ready" i.e. designed and community consulted appropriately.

Other issues with grant funding include the time taken to assess and notify successful grants, and furthermore, the months it takes after the announcement to get a Funding Deed for signature.

The State Government should consider providing certain levels of funding not tied and with flexible funding timetables to ensure Council can plan for required known works/projects.

Grants for 2023/2024

Over the past five (5) years, Coonamble Shire Council has been successful in receiving over \$65 million of extra grants from both the Commonwealth Government and NSW State Government.

If similar grant income is not sustained, Coonamble Shire Council's Infrastructure Backlog will start again to increase with the resultant reduction in asset condition and service provision.

With the prospect of a continued reduction in NSW State Government grants, concern is also being expressed regarding being able to sustain the internal Infrastructure

Projects Management Office and the current professional engineering capacity of Council's Engineering Services Department.

Rate Pegging

Rate Pegging limits the annual increase in rate revenue a Council can levy. Of course, this then restricts the level of funding for infrastructure improvement/replacement, maintenance of some and services provided by the Council.

The current regulatory framework, including rate pegging and grant allocation processes, can limit local governments' ability to raise revenue and respond flexibly to local needs. There is a need for greater flexibility in revenue-raising mechanisms and more equitable distribution of funding opportunities.

Overall, rate pegging can impose significant challenges for Council in funding infrastructure services etc. There are no more creative solutions to address the financial constraints from rate pegging, except reductions in levels of service, poor condition ratings of assets and higher risks regarding public liability insurance actions.

Cost Shifting from State Government to Local Government

These latest researched reports commissioned by LGNSW show that the increase in cost shifting has been accelerated by various NSW State Government Policies.

As shown in the latest cost shifting report produced by independent consultants Morrison Low on behalf of LGNSW for the 2021/2022 financial year (www.lgnsw.org.au/costshifting), an amount of \$1.36 billion of expense has been passed on to Councils to fund. This is an increase of \$540 million since the last report from the 2017/2018 financial year and represents lost services, lost opportunity and lost amenity for all our residents and businesses.

On average, this represents an additional cost of \$460.67 for every ratepayer across the state, escalating to \$590.80 for ratepayers in rural councils such as Coonamble Shire Council.

With Council having to fund this ongoing subsidy for the NSW State Government every year, it means our community gets less or goes without. They go without better roads, they go without better parks, they go without important community services that only Councils provide, and our ratepayers are effectively paying hidden taxes to other levels of government.

Our communities deserve better than this. Cost shifting by the NSW Government reduces the amount of bitumen reseals, pavement heavy patching or resheeting etc that can be undertaken each year as examples.

In 2024 it is important to all Councils and their communities that the NSW State Government urgently addresses cost shifting through a combination of regulatory reform, budgetary provision and appropriate funding, so the long-standing impacts of cost shifting on Councils financial sustainability is resolved.

Sustainability

The unrelenting growth of cost shifting to Council, coupled with rate pegging, is increasingly eroding any possibility of financially sustainable local government in NSW

and risks the capacity of Council to deliver tailored, grassroots services to our community and properly deliver and maintain vital local infrastructure.

For the past three (3) years Coonamble Shire Council has been unfortunate to have been affected by four (4) flood disaster declarations; AGRN 898 – January 2020, AGRN 960 – March 2021, AGRN 987 – November 2021 and AGRN 1034 – September 2022. The estimated amount of asset restoration is of the order of over \$14 million, mostly Council's Road network. Having no extra funds available severely limits Council's ability to provide 'betterment' funds to go with the restoration funding to develop more resilient infrastructure capable of withstanding future disasters.

To complicate matters, Council's claims of reimbursement for expenditure have not been assessed in a timely manner which has resulted in a considerable impact on our bottom line.

Coonamble Shire Council does have the appropriate focus on asset maintenance and rehabilitation/ refurbishment works instead of where possible new builds or highly improved assets.

Recommendations for Improvement

○ Review of Rate Pegging

Consideration should be given to adjusting or reforming the rate pegging system to better reflect the true cost of delivering services and maintaining infrastructure. This could involve periodic reviews tied to economic indicators or regional needs assessments.

○ Enhanced Grant Funding

Advocate for increased state and federal grant funding specifically earmarked for infrastructure projects and service delivery in regional and rural areas. Grants should be allocated based on transparent criteria that prioritize areas with the greatest need.

○ Asset Management Planning

Encourage councils to develop robust asset management plans that outline long-term infrastructure priorities and funding strategies. These plans should be regularly updated and aligned with community input and strategic objectives.

○ Community Engagement

Strengthen mechanisms for community consultation and engagement in the budgeting and infrastructure planning processes. Transparent communication about funding priorities and financial challenges fosters trust and accountability.

○ Partnerships and Innovation

Promote collaborative partnerships between local governments, private sector entities, and community organizations to leverage expertise and resources for infrastructure development and service provision.

Conclusion

Addressing the funding and infrastructure challenges faced by local governments requires a concerted effort from all levels of government, as well as active engagement

from the community and stakeholders. By advocating for reforms to funding frameworks, supporting asset management planning, and enhancing community participation, we can ensure that Coonamble Shire Council continues to thrive and grow sustainably.

Council thanks you for the opportunity to provide a submission to the Committee.

If you have any further questions regarding the submission, please contact me at your convenience.

Yours sincerely

Paul Gallagher

GENERAL MANAGER