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MEDIA RELEASE

COUNCIL CONTINUES TO BE SHORT-CHANGED BUT EXPECTED TO KEEP PROVIDING MORE AND MORE

The major ongoing challenge that Council faces in delivering services with totally inadequate funding support was never more evident than at a recent government inquiry.

The Standing Committee on State Development recently invited Council staff to give evidence at a hearing for the inquiry into the ability of Local Governments to fund infrastructure and services.

The General Manager was given the opportunity to speak on rate pegging and payments for natural disaster and the effects they have on Council.

Council provided strong evidence on the actual costs, the effect of rate pegging, the continuous cost shifting from government and the effect of natural disaster funding.

The rate peg enforced by the State Government means that Council cannot increase rates above a certain level. Rate pegging or limit fixing restricts the financial capacity of council and the ability to deliver basic services.

The numbers speak for themselves:

- The rate peg is 3.7%, generating \$241,000 extra income – but Council's award wage increase alone is a \$345,000 expense – meaning the rate peg does not even come close to covering the wage increase.
- Council's General Fund in FY24-25 is \$31.65 million, of which rate income comprises 16%. The rest of the funding is reliant on grant income and fees and charges.
- General rate income is \$5.37 million – however, depreciation on roads is around \$3.6m.
- Grants averaged 44% of the operational budget; the rest must be sourced from fees and charges.

“Our rates are a very small proportion of our income. We are very reliant on the Federal Assistance Grants, which predominantly goes to roads,” General Manager Paul Gallagher said.

Mayor Tim Horan said “Natural disaster funding has a major impact on Council's financial situation. Our Council currently is owed \$5.5 million from the State Government. We have had no choice unfortunately but to stop flood damage roads repairs now to ensure that we are still a viable Council with funds to operate with.”

Council roads have experienced \$14 million worth of flood damage from four natural disasters in the past four years. But Council is having to jump through more and more bureaucratic hurdles just to make the claims to try to get expenditure reimbursed.

“We had multiple claims sitting there, and it got to the point where we weren't getting any of those reimbursements. We've had to stop because, at the end of the day, our bottom line was impacted,” the General Manger said.

It can take time just to get in safely to fix roads effectively. Yet there are time parameters placed on the limit of the funding. At the same time, there is a community expectation that these roads will be fixed straight away.

Mayor Tim Horan said, “There is little doubt from all the evidence that Council is expected to keep doing more and more with less and less. Ongoing regular cost-shifting from Government and the glacial pace of grants payments means the financial viability of Council is in jeopardy.

General Manager Paul Gallagher said, “We will wait and see what the final report from the Standing Committee on State Development concludes. But it is a no-brainer that rate pegging needs to be reviewed as well as the funding parameters for Local Government.”

Background information on the Inquiry

The terms of reference for the inquiry were referred to the committee by the Hon Ron Hoenig MP, Minister for Local Government on 8 March 2024 and adopted by the committee on 14 March 2024. The Terms of reference included:

That the Standing Committee on State Development inquire into and report on the ability of local governments to fund infrastructure and services, and in particular:

- (a) the level of income councils requires to adequately meet the needs of their communities,*
- (b) examine if past rate pegs have matched increases in costs borne by local governments,*
- (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,*
- (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,*
- (e) compare the rate peg as it currently exists to alternative approaches with regards to the outcomes for ratepayers, councils, and council staff,*
- (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,*
- (g) any other related matters.*

Paul Gallagher
GENERAL MANAGER