



THE COUNTRY MAYORS ASSOCIATION OF NSW INC

"What we want is nothing more than equity"

November, 2023

A statement from the Country Mayors Association Chairman

Local government, the level of government closest to communities across New South Wales and Australia, is drowning under a wave of escalating costs, cost-shifting by state and federal governments, increasing responsibilities and ageing infrastructure.

People across New South Wales rely on their Councils to provide a clean water supply, remove their waste, provide and look after their local roads, assist in planning, provide airport facilities, cultural and community facilities, sporting fields, walking tracks, swimming pools, tourism and economic facilities, and so much more.

And yet the support, resources and funding available to local government is rapidly shrinking. Councils are having to take action to find the funds they need to continue to provide services through the only avenue left available to them – special rate variations.

The recent announcement from the Independent Pricing and Regulatory Tribunal NSW (IPART) – the body that sets the annual limits for rate increases - that the methodology for the rate peg system had changed shows this is just one of the ways the system has failed local government for many years.

The rate peg methodology, supposedly implemented to protect the ratepayers, has instead hogtied local governments that provide community services, limiting a critical source of income as Councils' responsibilities increase.

Here are just some of the other blows local government has taken in recent years:

- **Cost-shifting.** Councils and communities have been forced to carry ever-greater responsibility for state government services and infrastructure. In *Cost Shifting 2023: How State Costs Eat Council Rates*, released by Local Government NSW, LGNSW says the burden is now valued at more than \$1.36 billion per year, up 78% from \$820 million in just over five years. That's the equivalent of more than \$460 per ratepayer annually.
- **Dwindling funding.** State and federal government funding for critical services and infrastructure is dwindling as local government responsibilities become greater. Financial Assistance Grants – the funding provided by the federal government to help councils provide local services and infrastructure – were basically frozen by a change in methodology in 1989 and have fallen from 1% of Commonwealth taxation revenue to 0.53%. That's half as much



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funding going back to the grass roots level of government.

- **Natural disasters and ageing infrastructure.** State and federal funding has not kept pace with the need to repair and replace infrastructure. Add to this the massive costs associated with recent floods and fires, and local government is in trouble. Recent research published by the Grattan Institute showed our roads were in a state of dangerous disrepair, especially in the regions, and would continue to get worse without an extra \$1 billion in funding each year.

The gap between what local governments are expected to provide and the money they have to fund it has been getting wider and wider.

Councillors are members of their communities and work passionately to help the people they live and work with. Similarly, Council staff are local people who work to achieve the best for ratepayers and residents. No Council willingly pursues a special rate variation. Every Council would provide the same high standard of services without taking this course of action if they possibly could.

But the fact remains, in the face of increasing costs and evaporating assistance, the money must come from somewhere.

Our CMA Members' Survey this year found almost 75% of member Councils in rural, regional and remote NSW had either implemented a special rate variation in the past two years, or thought they would have to do so in the next five. From the numbers of Councils now forced to pursue a special rate variation, it appears this indication was very conservative.

Seventeen Councils were granted special rate variations (SRV) in 2023-24, the highest number in many years. Among these approvals was the largest-ever permanent cumulative increase – Strathfield with 73.1% (92.83% compounded). Four of the approved SRVs were in the top 10 ever granted by IPART, and eight were in the top 20.

IPART only grants special rate variations after stringent review that looks at the applicant Council's financial planning, asset management, service planning and other areas. Councils are required to demonstrate the measures they have already taken for financial efficiency. In other words, SRVs are only granted when a Council shows it has explored every other avenue.

It is proof that the system is not working, and that it has not been working for many years. While the change to rate pegging methodology is a start, the benefits will not come into play for some years. Local government has a commitment to continue providing services and facilities that are critical to everyday life in the meantime.



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We ask for our communities to stand with their Councils who have been forced to go down the path of seeking special rate variations to ensure their water supply continues, their garbage is collected, the swimming pool remains open, and the roads are safe.

This is a desperate time for local government, and it calls for desperate measures.

For further information, contact

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