



Hay Shire Council

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Committee Secretary
House of Representatives Standing Committee on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
CANBERRA ACT 2600

Re: Inquiry into Local Government Sustainability

We refer to your media release, dated 21st March 2024, on House of Representatives Standing Committee on Regional Development, Infrastructure and Transport inquiry to examine local government sustainability. Hay Shire Council, at its meeting 23rd April 2024, resolved to make a submission to the inquiry. We make comments as follows:

- Hay Shire Council welcomes the inquiry and supports the initiative to investigate the sustainability and impacts on Council's ability to provide service delivery to our communities.
- Overall, Hay Shire Council believes the Terms of Reference (ToR) are appropriate and focusses on the issues that regional and rural councils are facing.
- Local government provides efficient, effective and value for money service delivery. This is evidenced by the high liveability of the people of Hay and the minimal complaints received by Council.
- Successive State and Federal governments over an extended period have reduced, removed, or transferred services, even though communities still required them. This encouraged disaffected and desperate councils to delve into non-core businesses.
- Subsidies related to services for health, aged accommodation, early childcare/education, and community transport – which assist to maintain the social fabric of communities – have become commonplace on council's budgets and service delivery. Add the tyranny of distance found in rural areas, and even more community pressure is placed on local government to fill the gaps after abandonment by the other two tiers of government.
- The NSW Local Government Association recently published a report on cost shifting which tabled the amount at \$460 per rate assessment. Providing the aforementioned (non-traditional) services wouldn't be so challenging, if at the onset, local government was given the financial powers to raise revenue to offset the expenses. Almost always, the cost is shifted without the provision of ways of increasing the income.
- 'Silent cost shifting' is occurring additional to this, via legislative changes where Local Government is forced to take on more and more areas of service, which is adding considerable costs to non-recoverable items such as staffing, insurance etc and also the spin-off costs.

This is evidenced by areas now the responsibility of councils such as companion animals, environmental compliance, emergency services, biosecurity, which were never the original responsibility of local government.

- Without Commonwealth funding local government in regional and rural areas would not exist. Financial Assistance Grants (FAGs) and Roads to Recovery (R2R) will make up 41% of Council's revenue in 2024/25, compared with 33% from Rates & Charges. These operating grants are essential for rural councils' financial sustainability.
- FAGs were established by the Whitlam Government in the 1970's to assist disadvantaged Councils. Over time it has seen this intent eroded with now 10 of the largest Councils in metropolitan areas in NSW receiving over \$100M in FAGs. Rural and remote councils do not have the ability to generate other revenue, such as parking and facility user fees, and as such relies on operating grants like FAGs for survival. Hay Shire Council is not asking for a bigger FAGs bucket but an equitable redistribution of available funding to councils with the most disadvantage, like Hay. An increase in FAGs allocation of 5% over 5 years would see Hay Shire Council achieve a positive operating result without the need to ask its ratepayers to pay more. We request a change to the FAGs distribution formula to assist rural and remote councils.
- Due to large areas with low population, and subsequently low-rate base, rural councils are unable to generate additional own source revenue and rely on Commonwealth and State funding for its very survival. This is particularly relevant for asset renewals such as the town swimming pool replacement, as well as aging water and sewer assets. Often rural councils continue to defer their priorities as they simply cannot afford them.
- While NSW had employed a form of rate-pegging between 1901 and 1952, which was discontinued due to its 'impracticality', the genesis of the modern method of rate-pegging may be found in the 1976 state election campaign. Under the Local Government (Rating) Further Amendment Bill, an interim type of rate-pegging was re-introduced in 1977 and further refined into its contemporary form in 1978. While rate pegging achieved some of what it was initially designed to do, historically except for few occasions, the cap was set below inflation. Moreover, the discrepancy is even larger than it might first appear if one considers a true measure of local government inflation rather than the Consumer Price Index. Cumulative effect of rate pegging over the past 20 years shows Hay Shire Council's rate income compared to inflation is \$400,000 less, equating to 15% of the 2023/24 rate income.
- Given the removal of services by other governments, the effective halving of FAGs, the more onerous compliance and legislative requirements, and the gap between rates caps and inflation, rural or remote councils, over the last thirty years, have balanced budgets by reducing their largest expense: transportation (roads). In 1995 rural or remote councils spent 58% of their budgets on transportation. In 2024/25 Hay Shire Council forecasts to spend 30% of its budget on transportation.
- The Heavy Vehicle Safety & Productivity and Bridges Renewal Programs provide much needed funding to local government. Hay Shire has been fortunate to receive \$4.8M in recent years to fund bridge and culvert asset replacement.
- New initiatives by the Commonwealth, such as Growing Regions Program and the Community Energy Upgrade Program are game changers in terms of providing funding for significant projects that would be normally out of reach of rural councils like Hay.

- Other programs including Local Roads & Community Infrastructure (\$2.8M) and Murray Darling Basin Economic Development Program (\$1.7M) again provide funding for community initiatives not typically possible for regional and rural councils. These coupled with Disaster Recovery Funding (administered via the State) give reassurance to councils that they are able to maintain service delivery obligations to their communities.
- Councils provide a government presence in rural communities, such as via the Hay Multi Services Outlet (HMSO), previously known as the Home & Community Care Services – HACC, providing home and community care services for the elderly and those in need, as well as the provision of Centrelink services and community transport. Local government provides these services on behalf of the Commonwealth and State Governments.
- As stated above, Councils now provide many services to the community that it was never set up or funded to undertake, such as youth and seniors services, childcare, economic development, tourism, health (provision of facilities for GP's) and aerodromes. These place added pressure on an already limited budget to continue to maintain service infrastructure requirements.
- The decline in volunteers in the community often results in local government having to pick up the shortfall, which places further pressure on overall service delivery capability. This is evidenced by Council now having to undertake maintenance of showgrounds, recreational areas, museums and community halls, which were in general previously undertaken by volunteers.
- Emerging industries such as large-scale renewables are placing added pressure on rural communities through worker accommodation demands and impacts on transport routes.
- The attraction and retention of a skilled workforce is a real challenge for rural councils. Hay Shire Council has worked hard on its staff attraction and retention with a grow your own philosophy and other initiatives, which has resulted in currently zero vacancies in the organisation. Local government often requires specialist skills not necessary in other sectors, such as Planners, Building Surveyors, Water Treatment Plant Operators, Rangers, Chief Finance Officers, with all taking years to train and develop the mandatory skills required. Being financial sustainable allows councils to compete against other industries in the tight labour market and implement a grow your own philosophy.
- We see local government's partnership with the Australian Government as vitally important to the wellbeing and liveability of the communities of Australia. Together we can progress towards a more healthy, secure, sustainable, cohesive and prosperous Australia, particularly in rural and remote regions like Hay.

Thank you for your consideration of our comments. Hay Shire Council is willing to participate in further discussions if required.

If you have any further queries, please do not hesitate to contact me on (02) 6990 1100.

Yours faithfully


David Webb
General Manager