

Mosman Council's Response to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport inquiry into Local Government Matters.

Introduction

The House of Representatives Standing Committee on Regional Development, Infrastructure and Transport will inquire into and report on local government matters, with a particular focus on:

- The financial sustainability and funding of local government
- The changing infrastructure and service delivery obligations of local government
- Any structural impediments to security for local government workers and infrastructure and service delivery
- Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices
- The role of the Australian Government in addressing issues raised in relation to the above
- Other relevant issues.

Mosman Council makes the following submissions in response to the focus areas:

The financial sustainability of local government

Local Government provides frontline support for communities as well as improving infrastructure for thousands of people. However Council's ability to support the community and ensure financial sustainability is dependent on incomes and expenses it can not control.

For example in the 2024/2025 draft budget fixed expenses account for 68.8% of total expenses.

Examples include:

- depreciation expenses, insurance premiums, and State Government levies, collectively accounting for 19.8% of total expenses, which cannot be reduced.
- employee costs, which represent 38% of total costs, are regulated by LG (State) Awards, and as such Council has little influence over the outcomes.

Likewise Council's income is also highly regulated including

- rates - \$24.0 m,
- domestic waste income - \$8.6 m, and
- grants (Operating) - \$3.1 m.

These items alone account for 65% of Council's revenue.

Given the highly regulated nature of Council's finances there is little opportunity to absorb external financial impacts such as:

- Natural disasters
- Cost shifting from State and Federal Governments

- Poor decisions impacting incomes and expenses, for example the .7% rate peg during a period of high inflation.
- Uncertain and unclear grant funding.

Any of these impacts will disrupt the financial sustainability of Local Government.

The NSW Government has been working on improving the funding mechanisms including implementing a fairer, forward looking rate peg methodology, and processing Special Rate Variations for those Councils, who for the reasons outlined above are unable to maintain financial sustainability.

Mosman Council calls on State and Federal Governments to recognise the critical frontline services and infrastructure Councils provide and to work collaboratively to ensure Councils are properly supported.

The funding of local government

The funding of local government is often unclear and unpredictable. For example experiences such as the setting of a .7% rate peg during a period of very high inflation caused significant financial problems for many Councils. Likewise uncertainty around Emergency Services Levies furtheracerbate the challenges. Mosman Council does acknowledge the efforts taken by the NSW Government to reform the rate peg methodology making it fairer.

The changing infrastructure obligations of local government

Councils are required to maintain key infrastructure including roads, footpaths, storm systems, marine structures, beaches, parks, sporting facilities, open spaces and more. The cost of maintaining such infrastructure continues to rise with Council's either forced to either allow infrastructure to deteriorate or to cut services.

In a metropolitan context Councils are often left with the cost of providing open space, parking and amenities to residents, whilst developers pursue high density smaller and more profitable apartment projects.

Mosman Council encourages Governments to ensure that the total cost of creating liveable high density is recognised and met.

The changing service delivery obligations of local government

Historically Local Governments provide community services that are unprofitable and unattractive to the private sector. Examples include, child care, the aged, youth, arts, the environment, libraries and sporting clubs. These are critical services, often for the most vulnerable in the community.

Mosman Council calls on Governments to recognise that these services are very important in defining and supporting our communities. Further Council seeks recognition that service delivery is becoming more complex and administrative, increasing costs and discouraging staff from remaining in the sector. Many workers in these sectors are relatively low paid and are motivated to serve and help others.

Examples include the overly complex privacy and freedom of information laws, and the confusing and overly legalistic tests for contractor/employee status.

Any structural impediments to security for local government workers

The security of local government workers is ultimately linked to the success of the organisation. Councils that are not economically sustainable often must reduce services and headcount to survive.

However job security as a result of good performance is generally overlooked in Local Government.

Mosman Council does not believe local government workers need greater security. The current Award provisions for change management, requirements around restructuring, transferability of entitlements and generous redundancy provisions already make local government workers some of the most secure and protected workers in the country.

Any structural impediments to infrastructure and service delivery

The erosion of local government powers in significant areas such as planning results in local governments losing control over infrastructure maintenance and development.

Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices

The attraction of skilled workers in the local government is impacted by a number of factors.

Of most significance is the state of the labour market. In times of low unemployment skilled labour is hard to find. Alternatively in high unemployment skilled labour is plentiful. These extremes were experienced during the pandemic.

Secondly the conservative nature of the industry often does not attract young workers.

Mosman Council calls on governments to provide ongoing support for the sector in skills development, and grant funding for apprentices and student placements.

With respect labour hire, Mosman Council supports the availability of a range of employment types to ensure the most efficient arrangements are achievable to suit customer needs. In many instances permanent employment is appropriate, however in other circumstances labour hire is necessary. Eliminating or restricting labour hire will create a dis-incentive for councils to meet customer needs.

In the event labour hire is mis-used Council argues the current awards provide sufficient protections.

The role of the Australian Government in addressing issues raised in relation to the above

Mosman Council considers the role of the Australian Government to include recognising the importance of councils in caring for communities, the environment and infrastructure.

Councils need support to ensure adequate and reliable funding is available to meet unexpected events or cost shifting. Further government can investigate industries that take advantage of councils, such as the unregulated extreme increase in insurance costs.

Lastly councils rely on a whole of government approach to streamline the vast swath of regulatory requirements that continue to hamper the delivery of services and infrastructure.

Dated: 15 April 2024