

File: S3530

26<sup>th</sup> June 2015



Local Government Expert Advisory Panel  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
NSW 1240

Dear Chair

### Gwydir Shire Council

Attached is the Council's submission for the consideration of the Expert Advisory Panel.

Although the Council accepts that it is well outside your Panel's terms of reference, the Council contends that the fundamental problem with the ongoing financing of local government across Australia, but especially in rural areas, is the inequity in the distribution of taxation revenues – the vertical fiscal imbalance.

This imbalance has been recognised in various reports over the last decade but no genuine attempt has been made to address the problem.

Unfortunately, there has been a tendency for mergers or amalgamations to be accepted as some sort of panacea that will miraculously lead to a form of governance utopia in the bush where all the problems will simply vanish in a brave new world of appropriate scale and capacity. It's unrealistic of course and from a policy point of view it is creating a slippery slope that many rural communities are about to find is an irresistible force to counter.

Gwydir Shire Council has endeavoured to apply the Local Government Charter as outlined in the *Local Government Act*, 1993, to the best of its ability given the increasing call on its limited resources.

The focus of the current *Fit for the Future* process has been on financial sustainability with little recognition of the social and cultural challenges being faced by rural local government as it attempts, in many cases, to compensate for the declining level of services being provided by other levels of government in rural and regional areas.

There is a definite need for more comprehensive, supportive and targeted programs to address the issue of declining populations within rural areas.

*From the desk of the Mayor*

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This current review, in the absence of a genuine conversation about Federalism and cross levels of government funding, means that the review is not addressing the issue that is fundamental to the continuing growth and prosperity of regional and rural Australia.

In 1991-92 the Commonwealth's Financial Assistance Grants (FAGs) were around 1.1% of the Commonwealth taxation revenue. It is now less than 0.6% and dropping.

Also although FAGs is notionally an untied grant a fixed component of 29.01% is nominated as the local roads component.

The local roads' component (for Gwydir Shire this is an amount of \$1,868,717) is excluded as own source funding under the guidelines of the Commonwealth's Roads to Recovery (R2R) Program.

The ongoing impact of this Commonwealth requirement under the R2R program is that the discretion of the Council is severely fettered as it struggles to maintain its own source funding requirement to meet the R2R requirement.

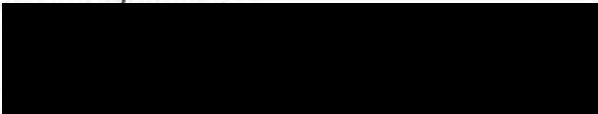
This R2R requirement is restrictive and outdated because road funding will always be the Shire's highest priority but the mandated requirements reduces the Shire's capacity to be flexible when required to meet other demands.

Gwydir Shire Council has over 1,900 kilometres of unsealed roads and 90.4% are considered all weather roads due to the targeted expenditure for re-sheeting over the last few years. A case could be mounted that the Council is over servicing its unsealed road network but this is when looking at the issue from a purely financial and R2R perspective rather than the broader social and on-farm productivity focus where the quality of the Shire's road network can be the difference, literally, between life and death.

The diminishing FAGs grants over the last 20 years are one of the fundamental causes of the current crisis in rural local government. If FAGs had have maintained its 1991 value in terms of a percentage of Commonwealth taxation Gwydir Shire would be receiving approximately an additional \$3.5 million in FAGs' funds.

Finally there is a strong community of interest within the Shire and an intense desire to remain as a stand-alone entity. This has been reinforced through the recent community meetings that have been held across the Shire.

Yours faithfully



Cr John Coulton  
Mayor