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**Shire of Pingelly Submission to the**

**Standing Committee on Regional Development,**

**Infrastructure and Transport**

**Inquiry into Local Government Sustainability**

**Executive Summary**

The Shire of Pingelly as an organisation is on a sustainable footing, however the provision of infrastructure and services is impacted by the following:

* A lack of grant funding, particularly untied funding
* A lack of services provided to regional areas by the State and Commonwealth Governments
* Cost shifting from the State and Commonwealth Governments to Local Government
* Increasing compliance and legislative requirements

An examination of alternative models demonstrates that the relative size of local governments does not impact the provision of infrastructure and services.

**Lack of Grant Funding**

The Shire of Pingelly (SoP) recently concluded its comprehensive Asset Management Plan 2024-2044. This Shire of Pingelly is responsible for:

1. 54 buildings and 1 ‘other’ structure. These assets have a replacement value of $27.8 million.
2. 4,365,387m² of road pavement, 5,406,187m² of road subgrade, and 1,275,543m² of road surface. These assets have a replacement value of $97.7 million.
3. 2,964m² of reinforced concrete footpaths, 16,979m² of insitu concrete footpaths, 2,913m² of brick paving footpaths, 2,422m² of red asphalt footpaths, 64m² of black asphalt footpaths, 1,763m² of concrete paving footpaths, and 97m² of gravel footpaths. These assets have a replacement value of $2.2 million.

The forecast lifecycle costs necessary to maintain these assets in their current condition are:

1. **Building** assets over the 20-year outlays is $67,114 on average per year.
2. **Road** assets over 10 year total outlays is $3,494,550 on average per year.
3. **Footpath** assets 10 year total outlays is $29,192 on average per year.

The total asset replacement cost is $3,590,856 on average per year. This does not include replacement of other assets such as playgrounds etc. This average will increase year on year with increasing costs.

The recurrent grant funding (from both State and Commonwealth Governments) to replace these assets is $828,972 per year. The Local Roads and Community Infrastructure (now discontinued) increased this figure to $890,016 for 2023/2024. This equates to 24% of the funding required to replace these assets and leaves a remaining cost of $2,700,839 (76%). The Shire’s annual rate income was $2,363,584 in 2022/2023.

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| **State and Commonwealth Government Asset Replacement Grants** |
| Annual Grants |
| * Financial Assistance Grant (Local Roads)
 | $119,144 |  |
| * Regional Road Group
 | $399,076 |  |
| * Roads to Recovery
 | $181,566 |  |
| * Main Roads Direct Grant
 | $113,053 |  |
| Sub Total | $812,839 | $812,839 |
| Once-off Grant - Local Roads and Community Infrastructure (Round 4) (1/2 in 22/23) | $77,177 |
| **Grand Total** | **$890,016** |

To create a balance between providing services to the community, complying with the relevant legislation, accommodating the cost shifts from the State and Commonwealth Governments, the Shire of Pingelly allocates $1.3 million to asset replacement in addition to the State and Commonwealth Government’s $0.8 million. This leaves an asset replacement gap of $1.4 million per year. This gap is accumulating, meaning that local roads, buildings and footpaths are deteriorating at a rapid rate, creating a significant risk of increased road deaths and slip and falls accidents. This liability is borne by the Shire, but has been created by the State and Commonwealth Governments through inadequate funding.

This asset replacement gap is common to most regional local governments across Australia – large or small.

Roads to Recovery is set to increase to $2 million for the 5 years from 2024/25 to 2028/29. This is a significant increase from the $1.1 million for the previous 5 years. However, in real terms, the value of the $1.1 million from 5 years ago (compounding) is worth $1.4 million today. LRCI road funding of $77,177 per year is worth $385,885 over 5 years. However, this has been discontinued. Extrapolating current levels of road funding, taking the current value of the $1.1 million and LRCI road funding program, would equate to $1.78 million for the 5 years from 2024/25 to 2028/29. The $2 million announced is an additional $120,000 over 5 years. This is an additional $24,000 per year. While this increase is not substantial in itself, the security of funding over the next 5 years is welcomed.

**Compliance and Legislative Requirements**

Local governments are required under various legislation to provide certain services and perform certain functions. These requirements often are implemented without compensation or consideration about how they will be funded. When funding is considered either through fees or direct grants, invariably the funding is eroded over time to be negligible. The Shire of Pingelly is legally required to provide the below statutory services, however the statutory fees only cover 11.9% ($245,239) of the costs incurred. This equates to 10.4% of the annual rate income for the same financial year.

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| **Statutory Services provided by the Shire of Pingelly (2022/23 Financial Year)** |
|  | Cost to SoP | Statutory Fee Income | % Cost Recovery | Loss on Services |
| Dog Permits | $13,459 | $3348 | 24% | $10,111 |
| Cat Permits | $13,459 | $492 | 3% | $12,967 |
| Development Approvals | $48,593 | $3,485 | 7% | $45,108 |
| Building Permits | $59,969 | $4,792 | 8% | $55,177 |
| Health Fees | $18,393 | $1,750 | 9% | $16,643 |
| Vehicle licencing  | $124,545 | $19,312 | 15% | $105,233 |
| **Total** | **$278,418** | **$33,179** | **11.9%** | **$245,239** |

Beyond the provision of statutory services, various other legislation requires local government to carry out certain processes, often in a prescribed manner. While many of these requirements are reasonable and to be expected for good governance, many others either are onerous and escalating or simply excessive. These add up to $380,399 or 16% of the annual rate income and are detailed below:

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| **Compliance Requirements (2022/23 Financial Year)** |
|  | Description | Cost |
| Audit Fees | SoP is required to pay both the Auditor General and the consultant working for the Auditor General to conduct both a procedural audit and a financial audit every year. Costs have dramatically increased since this change, from when approved independent auditors undertook this role.  | $31,231 |
| Audit Facilitation | A team of staff is required to prepare a prearranged file of information and also provide further detailed information for the above audits e.g. search and provide a particular purchase order etc.  | $50,000 |
| Road Valuations | SoP is required to obtain a commercial valuation for roads. This is despite the fact that SoP does not own the land under the roads (they are reserves) and has no prospect of selling the roads. This figure is for accounting purposes only. An internal estimate would not comply with the legislation.  | $6,574 |
| Record Management Plan | This plan is required to be prepared and reviewed regularly while a policy or procedure would suffice.  | $5,000 |
| State Records Act 2000 | SoP staff spend an estimated 5% of their time keeping records of emails and letters sent and received. For the vast majority of cases this is unnecessary (e.g. notes taken during a meeting to collate minutes) and discretion should be used for what should be recorded. SoP has not had a Freedom of Information Request in the past 5 years. | $36,301 (staff time)$41,042 (records management software) |
| Statewide Public Notice | Tender, certain positions, selling/leasing property and many more cases requires ‘statewide public notice’. This includes adverting in the local newspaper, social media, noticeboards and the Shire’s website. It also requires adverting in the West Australian. This costs $3,000 - $7,000 depending on the day and the size of the advert. It is ineffective and irrelevant in 2024. | $15,785 |
| Elected Member Training | Councillors are required to undergo a 5-day mandatory training every 5 years through WALGA or an RTO. This is the role of the Dept of Local Government and should be provided without charge. Councillors should also be paid to attend this training – similar to jury duty. This will encourage training and promote high quality decision making.  | $5,078 |
| Construction of a Bushfire Brigade Building | SoP is required to contribute land and funding towards the construction of Bushfire Brigade Buildings. This is directly to supplement the state government’s budget as the state did not require this financial contribution 8-10 years ago.  | $10,000 |
| Bush Fire Brigades | The Emergency Services Levy is levied on all landowners throughout the State to fund emergency services, particularly bushfire. When introduced it was explicit that the ESL was to fund operational, front line services only. This has now been eroded that only 8% of the ESL (total 2023-24 $418.8 million) is allocated to bushfire brigades. Most of the rest is lost in administration costs. This leave SoP funding more than 50% of the costs of the local bushfire brigades with $72,643 received in 2022/23.  | $82,785 (direct costs)$15,000 (manager)  |
| State Emergency Services | Similarly to the bushfire brigades above, the SES is the responsibility of the state government. Unfortunately, they only provide operational funding of $32,603. This is less then 1/3 of the real cost.  | $71,322 (direct costs) |
| Street Lighting | To provide a base load to the power grid at off peak times, no reduction in power costs is passed on to local governments if LED bulbs are used. This discourages most from taking this step. It is estimated that at least 30% savings would be achieved if the system accommodated energy savings from LED bulbs. This does not include the greater longevity arising from LEDs or the improvement in lighting our streets.  | $10,281 |
| **Total** |  | **$380,399** |

The compliance and legislative requirements costed the Shire of Pingelly $625,638 or 26% of rates income in the 2022/23 financial year. This represents missed opportunities for the local community and businesses as this money could have been put to a productive use.

These requirements and government enforced wastage applies to all local governments. The total rates income across all 139 local governments for 2022/2023 is estimated to be $2,753,032,515. This is based on the 2020/21 figures from mycouncil.wa.gov.au with a 4% increase in each of the two intervening financial years to estimate a 2022/23 figure. If each local government experiences a similar impact from compliance and legislative requirements, and there is no reason to think that they do not, the financial impact in Western Australia alone would be $715 million per year.

**Regional Service Gaps**

In regional towns such as Pingelly, many services are not provided by the State and Commonwealth Governments. However, some of these services are essential to modern life, leaving either volunteers or the local government to pick up the pieces. For SoP, these add up to $232,443 or 9.8% of the annual rate income and are detailed below:

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| **Regional Services Gaps (2022/23 Financial Year)** |
|  | Description | Cost |
| WIFI | Mobile phone coverage is patchy at best in the Pingelly Town Centre, despite being a well-established town within 1.5 hours from a capital city. This entrenches the socio-economic disparity and disadvantage that Pingelly experiences as one of the 7% worst disadvantaged places in Australia (Socio-Economic Indexes for Areas rankings). To attempt to rectify the inability place calls or use mobile data, the Shire has installed public WIFI in limited locations.  | $10,000 |
| CCTV | The provision of CCTV has been devolved by effect to local government as other levels of government have abdicated responsibility to supply CCTV, despite being responsible for crime prevention in general.  | $37,904 |
| Medical Services | SoP provides an incentive package for a General Practitioner to provide a 5 day per week service in Pingelly to supplement the structural inadequacies of the health service. The provision of this service has saved countless lives over the years. | $109,539 |
| Childcare Services | Similarly, SoP provides the facility for the provision of childcare services in the absence of any other support.  | $50,000 |
| Transport Services  | SoP provides both a community bus for public transport services and also a community car to enable local people to attend hospital and specialist appointments in regional centres and in Perth. This is required in the absence of any other suitable public transport. Both of these services depend on volunteer drivers.  | $25,000 |
| **Total** |  | **$232,443** |

There are many other regional service gaps that SoP would like to support, including the lack of any trained mental health professionals which contributes to the disproportionally high rate of suicide.

**Financial Assistance Grants**

SoP received $1,501,532 in untied FA Grants in 2022/23. This allowed the Shire to provide community services such as parks and gardens, an oval and other sports grounds. Without this funding, SoP would be in an unsustainable financial position. With funding at this level SoP is financially sustainable, but with no discretionary funding available. This keeps SoP dependant on applying for and receiving grant funding for projects, preventing the Shire from responding appropriately to the needs of the community. Consequently, the Shire supports ALGA and WALGA’s advocacy position that to increase and index the overall pool of FA Grants to 1% of Commonwealth tax income, that the funding remain untied for local governments. At the current allocations, this would provide an additional $1.5 million per year to SoP, alleviating the asset gap of $1.4 million per year.

**Large V Small Local Governments**

With regard to sustainability, there appears to be no difference between the varying sizes of local governments for a given area. For that given area, the asset replacement task is the same, income sources are the same, compliance requirements scale with size, meaning that there appears to be no real financial advantage to large V small local governments. Touted synergies of larger local government are frequently already utilised through resource sharing, use of contractors and multi-skilling of staff. In fact, in many practical case studies, larger local governments made less effective use of resources due to additional layers of management necessary for a larger bureaucracy.

**Conclusion**

In conclusion, the Shire of Pingelly is making progress paying off capital loans for the recent construction of a multi-purpose recreation centre and re-building reserves to an appropriate level and is sustainable as an organisation. The Shire of Pingelly is weighed down by often onerous legislative requirements and fees and subsidies that have not kept pace with costs. Regional local governments also are required by their community to fill service gaps which is a further financial burden. Unfortunately, the Shire of Pingelly’s and most other local government’s asset replacement is falling further behind due to lack of direct funding. There are a number of steps that should be taken:

1. A review of fees or allowing the local governments to set appropriate fee levels for statutory services;
2. Removal of onerous or excessive compliance requirements such as those listed above;
3. Provision of equitable service levels in regional areas including medical services and telecommunications; and
4. An increase in Financial Assistance or other direct untied grants to offset the asset replacement gaps.