

**MEDIA RELEASE**

**22 October 2007**

**MANY NSW COUNCILS AT BREAKING POINT**

A new study has found that the infrastructure and funding crisis of local government in NSW is worse than originally identified by the Local Government (Allan) Inquiry in early 2006.

Research commissioned by *Review Today* shows that unless NSW local government with the help of the state and commonwealth significantly boosts its revenues, increases borrowings and restrains operating costs:

- ❑ Only one in two large councils is sustainable based on their present financial and infrastructure conditions. The rest are vulnerable or unsustainable;
- ❑ Only one in four large councils is sustainable based on their projected financial and infrastructure conditions by 2015/16 with the remainder largely unsustainable; and
- ❑ Only a handful of large councils can expect an improvement in their financial and infrastructure condition over the next ten years. A third can expect deterioration.

The latest study does not review the financial and infrastructure conditions of the smallest 56 of the 152 councils in NSW. The LGI found that most shire councils are struggling since the protracted drought has undercut their revenue base and the local and regional road networks are too big for them to adequately maintain.

The latest research was spearheaded by Mr. Alan Tregilgas of *FiscalStar Services Pty Ltd* who also supervised the financial modelling for the NSW, SA, WA and Tasmanian Local Government Inquiries held in the last three years.

Research Director of *Review Today*, Professor Percy Allan AM, who chaired and directed the NSW Local Government Inquiry (LGI) said:

"The Local Government Inquiry estimated that in 2004/05 NSW councils had \$6,300 million of infrastructure (e.g. roads, storm-water drains, buildings, water and sewerage systems, etc) that was unsound and/or unsafe.

"It found that this backlog was growing by about \$500 million each year because of inadequate council spending on renewing structures and buildings that had reached their used by date. It projected that the backlog would exceed \$21,000 million by 2020 unless the situation was rectified.

"It also found that a quarter of local councils were unsustainable on financial conditions alone.

"To overcome local government's infrastructure and financial problems it prescribed a package of measures including increased council borrowings, a boost to state and commonwealth grants, higher local rates, fees and charges and greater administrative efficiency savings.

"This latest study is based on better council data and a more comprehensive approach than was available to the Inquiry. The study's findings would suggest that the outlook for councils is worse than the LGI anticipated. It reinforces my view that unless the LGI fiscal package is adopted in its entirety, the condition of local government infrastructure, services and finances in most of NSW will deteriorate markedly over the next ten years.

"The LGI was not permitted by its terms of reference to disclose its results for individual councils. The latest study which is based on new data and takes full account of each council's infrastructure conditions as well as its finances was not constrained by this requirement. It presents the results for each of the largest councils in NSW, which together account for more than 90% of local government revenues and assets in this state.

Mr Bob Gaussen, Managing Director of *Review Today*, said that:

"The research commissioned by *Review Today* is based on desktop analysis of published council data and as such is only indicative of the financial condition and outlook for each council examined and for local government as a whole.

"Hence it is important that each council undertake a more in-depth review of their sustainability as a precursor to drafting a long term community strategic and financial plan as recommended by LGI and proposed by the Department of Local Government.

"Until a council has diagnosed its true condition and outlook and shared this with its community it may find it difficult to get support from its citizens and the state government for the necessary measures to rectify its infrastructure and financial problems. Simply waiting for the state or federal government to bail out local government *en masse* is not a realistic option. Councils must take the initiative to save themselves.

"A strong business case must be made by each council to its citizens and the state government about what exactly needs to be done to ensure that its long term planning will achieve genuine sustainability in terms of:

# **Infrastructure**, through reducing any backlog to an acceptable minimum, renewing assets when they are due and expanding facilities to meet population pressures;

# **Services**, by ensuring they meet community priorities and that core services are not sacrificed in the process of solving the infrastructure crisis;

# **Revenue**, by keeping future increases in rates, fees and charges within affordable limits to the local community; and

# **Finances**, by achieving an operating surplus and capping net debt to a manageable level.

"It's pleasing that four councils, namely Newcastle, Wollongong, Albury and Great Lakes have already undertaken such sustainability reviews with the assistance of *Review Today*. Copies of the sustainability reports on Newcastle and Wollongong City Councils are available on their respective websites and on *Review Today's* website [www.reviewtoday.com.au](http://www.reviewtoday.com.au).

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