

AVERAGE RATES-2011/12

As per Division Local Government Website

www.dlg.nsw.gov.au

(Click on Comparative Information on NSW Local Government)

Council	Average Residential Rate	% Change To LPSC	Average Business Rate	% Change To LPSC
Gunnedah	\$577	+6.9%	\$3,089	+118.0%
Narrabri	\$766	+41.9%	\$1,775	+25.3%
Tamworth	\$729	+35.0%	\$2,534	+78.9%
Upper Hunter	\$576	+6.7%	\$974	-45.5%
LPSC	\$540	0	\$1,417	0
Warrumbungle	\$452	-19.5%	\$1,339	-5.8%
Mid-Western - Mudgee	\$737	+36.5%	\$1,857	+31.0%
Moree	\$842	+55.9%	\$2,902	+104.8%

Note – Tamworth Regional Council had an 11% rate increase in 2012/13, Gunnedah 26.7% for 2013/14 and Upper Hunter 17% for 2013/14.

4. Confront Financial Realities

The recent report of the NSW Treasury Corporation (TCorp) on the *Financial Sustainability of the NSW Local Government Sector* makes disturbing reading. TCorp defined sustainability in the following terms:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.

This definition takes into account the effect ongoing change could have on a Council's operating position and service levels over the long term.

TCorp's methodology

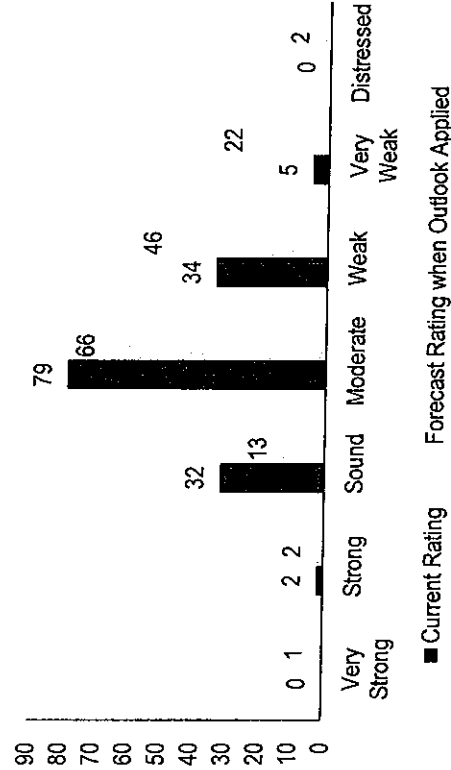
TCorp allocated all councils a Financial Sustainability Rating (FSR) on a scale from Very Strong to Distressed. A council needs to be assessed at a Moderate or higher level to be acceptable in terms of its sustainability. A Moderate level FSR is on average equivalent to marginally exceeding the benchmarks utilised in TCorp's assessment process.

Councils were also assigned a short-term Outlook rating of Positive, Neutral or Negative. A Negative Outlook is a sign of a general weakening in performance and sustainability. Hence a council with a FSR of Moderate and an Outlook of Negative, is assessed as being in a deteriorating position or at risk of being downgraded from Moderate to Weak. This makes it clear that, on its own, a Moderate rating is by no means a 'clean bill of health'. Councils rated Moderate-Negative or worse should urgently consider options to address areas of poor performance in order to avoid becoming steadily more unsustainable.

As shown in the figure below, in 2012 around 75% of NSW councils achieved a rating of Moderate or better. However, only two councils were rated Strong. Moreover, only five councils had a Positive Outlook, while 73 – nearly half of all councils – rated Negative. This means that the overall position of the sector is likely

to get significantly worse over the next three years, and that by 2015 well over 40% of councils could be rated Weak, Very Weak or Distressed.

Figure 2: Financial Sustainability Ratings with Outlooks



Key findings and recommendations

TCorp's key findings may be summarised as follows:

- **Operating deficits are unsustainable.** Most councils are reporting operating deficits and a continuation of this trend is unsustainable. In 2012 only one third of councils (50) reported an operating surplus. Moreover, the figures for 2012 significantly understate the problem, because the federal government prepaid half of its 2013 Financial Assistance Grants to councils. Removing the impact of this prepayment increases the deficit for 2012 by \$181m to \$469m.
- **Sustainability is deteriorating.** Sustainability is expected to deteriorate over the short term for nearly 50% of all councils, based on their current Long Term

Financial Plans. Should the current Outlooks eventuate, 70 of the 152 councils in NSW would be rated as Weak or worse within three years.

- **There is a large an annual asset maintenance gap.** Councils' reported expenditure shows an annual shortfall in spending on asset maintenance. In 2012 alone, the reported maintenance gap was \$389m across the local government sector, and the total for the last four years is \$1.6b.
- **The infrastructure backlog has yet to be addressed.** Achieving an annual breakeven operating position would provide councils with adequate funds to meet future requirements for maintenance of assets and services, but on its own would not be sufficient to address the cumulative infrastructure backlog of \$7.2b reported in 2012, nor any additional maintenance funding gaps that may be identified as data improves.
- **Regional performance varies.** There is a higher proportion of councils rated as Weak and Very Weak along the north coast and in the far western regions compared to others. Notably, there are also several 'Weak' councils in the metropolitan region.

TCorp goes on to recommend that:

- At least breakeven annual operating positions are essential
- Rate increases must meet *underlying* costs as well as annual growth in expenditure
- Medium-term pricing paths are needed for ongoing adjustments to rates and charges
- Asset management planning must be prioritised
- Councillor and management capacity must be developed

- The system and guidelines for accessing restricted funds should be reviewed
- Increased use of borrowings.

These recommendations are discussed in more detail later in this paper.

'Councils at risk'

Based on the TCorp analysis, population projections and the 'cluster-factor' analysis it commissioned, the Panel has made an assessment of those councils that could be deemed to be 'at risk'. They are shown on Map 1. Risk was assessed based on combinations of several factors:

- FSR of Moderate with Negative Outlook or worse (all councils with a Weak FSR were included automatically)
- Projected population less than 10,000 in 2036
- Projected decline in population or only marginal growth
- Low rating base.

The Panel's assessment identified 55 'councils at risk' in non-metropolitan NSW, 8 along the north coast between the Hunter and the Queensland border, and 7 in or around the Sydney metropolitan area. Options for each of these groups of councils are discussed in sections 13 to 17.

A multi-pronged response

The TCorp report confirms the Panel's view that underlying weaknesses in the financial position of NSW local government have been allowed to build up for far too long. This is due to misdirected policies at both State and local levels; lack of technical and financial expertise in many councils; inadequate, inconsistent data; and poor long term planning. There is no point in seeking to

apportion blame: what is needed is a healthy dose of reality-testing and acceptance that there are no easy answers.

Addressing the issues will be uncomfortable for all concerned: politicians, senior managers, staff and ratepayers. As TCorp makes clear, a concerted, medium-long term strategy is required. The Panel believes that this will need to combine fiscal discipline with improved financial and asset planning, accelerated increases in rates and charges where required, redistribution of grant funding, and improved efficiency and productivity.

The Panel's proposals relating to financial management are set out in the next five sections. A valuable start has been made with the introduction of IPR, changes to the rate-pegging guidelines for 2013-14, and the State government's Local Infrastructure Renewal Scheme (which points to the need to make more use of borrowings where appropriate). There are signs of a growing awareness and understanding of the issues in some quarters, but there is also widespread resistance to taking the hard decisions involved. Only 23 councils have applied for a Special Rate Variation in 2013: the TCorp findings suggest that number is merely the tip of the iceberg. The Panel urges all concerned to take a fresh look at the facts.

Preferred Options for Consultation

- TCorp, the Division of Local Government and Local Government NSW should conduct a series of seminars with councils to explain the TCorp findings and their implications
- Adopt the TCorp recommendations and adjust policy-settings accordingly.

Table 3: Options for Smaller Rural 'Councils at Risk'

Note: 'Merger Potential' based on availability and proximity of a suitable partner (' / ' means and/or). *Indicates significant financial constraints to a merger that need to be addressed in the short term. # Review in 2016 if merger not completed or council has not converted to Local Board status. ^Review in 2020. †Without boundary changes or mergers. ‡As defined in the NIEIR cluster-factor analysis (see references). 'CC' means County Council.

Council	Current FSR	FSR Outlook	Population Change 2006-11	Population Change 2011-36	Projected Population 2036	Rate Base	Merger Potential	Options (preferred option in bold)
Bairnald#	Weak	Negative	Marginal	Decline	2,200	Low	Low	Part of Western Region Authority and Local Board in Lower Murray CC (see section 17)
Berrigan^	Moderate	Neutral	Marginal	Marginal	8,300	Low	High	Council in Murray CC; merge with Jerilderie/Urana/Corowa
Bland#	Weak	Neutral	Marginal	Decline	5,200	Low	Medium	Council in Central West CC; merge with Forbes/Weddin
Blayney^	Moderate	Negative	Marginal	Decline	7,700	Low	High	Council in Central West CC; merge with Orange
Bogan#	Moderate	Neutral	Marginal	Decline	2,000	Low	Medium	Local Board in Orana CC; merge with Warren
Bombala#	Moderate	Neutral	Marginal	Decline	2,000	Low	High	Local Board in Snowy-Monaro CC; merge with Snowy R/Cooma-M
Boorowa#	Moderate	Negative	Marginal	Decline	2,000	Low	High	Local Board in Central West CC; merge with Harden/Young
Bourke#	Weak	Negative	Marginal	Decline	2,600	Low	Low	Part of Western Region Authority (see section 17)
Brewarrina#	Weak	Negative	Marginal	Decline	1,400	Low	Low	Part of Western Region Authority (see section 17)
Carrathool#	Weak	Neutral	Marginal	Marginal	2,700	Low	Medium	Local Board in Murrumbidgee CC; merge with Griffith
Central Darling#	Very Weak	Negative	Marginal	Decline	1,200	Low	Low	Part of Western Region Authority (see section 17)
Cobar#	Weak	Negative	Marginal	Decline	4,000	Low	Low	Part of Western Region Authority (see section 17)
Conargo#	Sound	Neutral	Marginal	Decline	1,200	Low	High	Local Board in Murray CC; merge with Deniliquin/Murray
Coolamon#	Sound	Negative	Marginal	Marginal	4,400	Low	High	Local Board in Riverina CC; merge with Temora/Junee
Coonamble#	Sound	Negative	Marginal	Decline	2,900	Low	Medium	Local Board in Orana CC; merge with Gilgandra
Cootamundra^	Moderate	Neutral	Marginal	Decline	6,700	Low	High	Council in Riverina CC; merge with Junee/Temora
Deniliquin^	Moderate	Negative	Marginal	Marginal	7,500	Low	High	Council in Murray CC; merge with Conargo/Murray
Dungog#	Weak	Negative	Marginal	Decline	9,900	Low	High*	Council in Lower Hunter CC; merge with Maitland/Cessnock
Forbes^	Moderate	Neutral	Marginal	Decline	8,400	Low	High	Council in Central West CC; merge with Weddin/Bland
Gilgandra#	Weak	Neutral	Marginal	Decline	3,700	Low	Medium	Local Board in Orana CC; merge with Coonamble
Glen Innes Severn^	Moderate	Neutral	Marginal	Decline	8,000	Low	Medium	Council in New England-North CC; merge with Tenterfield
Gloucester#	Very Weak	Neutral	Marginal	Marginal	5,100	Low	Medium*	Council in Mid Coast CC; merge with Great Lakes/Greater Taree
Greater Hume^	Moderate	Negative	Marginal	Decline	8,600	Low	High	Council in Riverina CC; merge with Albury
Gundagai#	Moderate	Negative	Marginal	Decline	3,400	Low	High	Local Board in Riverina CC; merge with Tumut

Council	Current FSR	FSR Outlook	Population Change 2006-11	Population Change 2011-36	Projected Population 2036	Rate Base	Merger Potential	Options (preferred option in bold)
Guyra#	Moderate	Negative	Marginal	Decline	4,100		High	Local Board in New England-North CC; merge with Armidale Dumaresq
Gwydir#	Very Weak	Neutral	Marginal	Decline	4,500		Medium	Local Board in Namoi CC; merge with Moree Plains
Harden#	Moderate	Negative	Marginal	Decline	3,100	Low	High	Local Board in Central West C; merge with Boorowa/Young
Hay#	Moderate	Negative	Marginal	Decline	2,900	Low	Medium	Local Board in Murrumbidgee CC ; merge with Carrathool
Jerilderie#	Moderate	Negative	Marginal	Decline	1,100	Low	High	Local Board in Murray CC; merge with Berrigan/Urana/Corowa
Junee^	Moderate	Neutral	Marginal	Marginal	5,900	Low	High	Council in Riverina CC; merge with Cootamundra/Wagga Wagga
Kyogle^	Weak	Negative	Marginal	Decline	9,100		Medium*	Council in Northern Rivers CC; merge with Richmond Valley/Lismore
Lachlan#	Moderate	Negative	Marginal	Decline	5,400	Low	Medium	Council in Central West CC; merge with Parkes/Bland
Liverpool Plains^	Weak	Negative	Marginal	Decline	7,100		High	Council in Namoi CC ; merge with Gunnedah
Lockhart#	Sound	Neutral	Marginal	Decline	2,700	Low	High	Local Board in Riverina CC; merge with Wagga Wagga
Murrumbidgee#	Moderate	Neutral	Marginal	Decline	3,000	Low	High	Local Board in Murrumbidgee CC; merge with Griffith
Narrandera#	Sound	Negative	Marginal	Decline	5,000	Low	High	Local Board in Murrumbidgee CC; merge with Leeton
Narramine^	Moderate	Neutral	Marginal	Decline	6,000	Low	Medium	Council in Orana CC; merge with Dubbo
Oberon^	Sound	Negative	Marginal	Marginal	5,800		High	Council in Mid-West CC; merge with Bathurst Regional
Temora^	Sound	Neutral	Marginal	Decline	5,500	Low	High	Council in Riverina CC; merge with Coolamon/Junee
Tenterfield^	Weak	Negative	Marginal	Marginal	6,700	Low	Medium	Council in New England-North CC; merge with Glen Innes Severn
Tumbarumba#	Strong	Negative	Marginal	Decline	3,100	Low	High	Local Board in Riverina CC; merge with Tumut
Upper Lachlan^	Sound	Neutral	Marginal	Marginal	7,100		High	Council in Capital Region CC
Uralla^	Weak	Neutral	Marginal	Marginal	5,900	Low	High	Council in New England-North CC; merge with Armidale Dumaresq
Urana#	Weak	Neutral	Marginal	Decline	900	Low	High	Local Board in Murray CC; merge with Corowa/Jerilderie/Berrigan
Wakool#	Weak	Negative	Marginal	Decline	4,100	Low	Medium	Local Board in Murray CC; merge with Murray/Conargo/Deniliquin
Walcha#	Weak	Negative	Marginal	Decline	2,800		High	Local Board in New England-North CC; merge with Armidale Dumaresq
Walgett#	Moderate	Negative	Marginal	Decline	6,000	Low	Low	Part of Western Region Authority (see section 17)
Warren#	Moderate	Neutral	Marginal	Decline	1,900	Low	Medium	Local Board in Orana CC ; merge with Bogan/Coonamble
Warrumbungle^	Weak	Negative	Marginal	Decline	8,100		Medium	Council in Orana CC ; merge with Gilgandra/Coonamble
Weddin#	Moderate	Negative	Marginal	Decline	3,000	Low	High	Local Board in Central West CC; merge with Forbes/Bland
Wellington^	Weak	Neutral		Decline	7,500	Low	Medium	Local Board in Orana CC; merge with Dubbo
Wentworth^	Weak	Negative	Marginal	Marginal	6,900	Low	Low	Create new LGA; remainder part of Western Region Authority (see section 17)



