



# SUBMISSION FOR LOCAL GOVERNMENT REVIEW PANEL

**March 2013**

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# SUBMISSION FOR LOCAL GOVERNMENT PANEL REVIEW

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## EXECUTIVE SUMMARY

Coolamon Shire Council is of the view that the structure around Local Government needs to change. Local Government can and should play a greater role in regional issues but needs the appropriate structure and recognition to enable this to occur.

Local Government in its current state is very good at what it does – create communities and provide services to those communities. There may be issues with individual Councils, however, the industry should not be judged on the lowest denominator. Local Government needs to recognise its regional role and to carry out those responsibilities in an environment where there are no borders and where an independent body representative of those Councils can come together to manage those particular issues.

This report evaluates what Coolamon Shire Council does to create and work with its own communities. It then explores Local Government finances as they relate to Coolamon Shire Council. It reviews the work being undertaken by REROC on advocacy, shared services and regional issues and make suggestions on how that can be improved.

Coolamon Shire Council favours the retention of effective Local Government units and for them to participate in a formal regime for Regional Planning purposes. The REROC model is tackling the right issues but needs its structure strengthening.

Council also believes that Regional Planning should be reviewed as a bottoms up approach rather than a planning imposed by a State bureaucracy that has downward pressure. It is local representatives working with local people that know what is needed on local issues.

Council believes that Coolamon Shire Council and other Councils within this region do have an involvement in Regional Planning and Regional Shared Service Delivery. It does also believe however, that this can be done better, it needs to be more formalised, structured and funded. Whilst it is of the view that it should be mandatory to participate it also believes that Councils should have the ability to choose how they participate in such programmes. This is particularly relevant in terms of shared services where Councils should be able to make the choice as to which services and which Councils best suit their own operations.

## **1. INTRODUCTION**

NSW Local Government has since 1906 made significant differences to people's way of life and to communities. It is a diverse industry which is governed by the same set of statutes, rules and regulations. It is the diversity that at times makes commentary on Local Government difficult to grasp and unfortunately it does not reflect well on the system of Local Government nor the achievements and operational efficiencies that many Councils have implemented over many years and are continuing to do so.

It must be understood when commenting on Local Government that there are various types of Local Government, (ie. Metropolitan, Coastal, Regional Councils, Rural/Urban Councils, Western Area Councils. All of these have true meaning to their communities, however, vary in their representative nature, staff, communities and levels of service and types of services.

Comments on this report will be based on the following premises:

- Local Government creates communities. It partners with its communities and works with that community to improve and develop a community feel.
- The operations and commitment by Coolamon Shire Council to its community(s) and the wider community, which is taken to be the Councils within the Riverina Eastern Regional Organisation of Councils and the Riverina generally.
- Commentary will be provided on the financing of Local Government in general and in respect of Coolamon Shire Council and its involvement and other Council's involvement in regional issues.

## **2. INDEPENDENT PANEL, NOVEMBER 2012 REPORT**

### **2.1 PREAMBLE**

Council agrees that a more consultative/collaborative approach is needed in respect of State, Regional, Local development. The reality is that local priorities are not seriously considered in State and Regional Planning. There is a serious disconnect between the three levels and whilst there is a consultative relationship between Regional Development Boards and Local Government, this is generally restricted to a one day consultative commentary on the State Plan. A system whereby the State Plan in respect of regional development is developed from the ground up with Local Government having a meaningful seat at the table is a more appropriate way of dealing with real issues. Obviously this has got to blend in with State expectations and needs, but surely Local Government is more in tune with community requirements than are State Government Departments and Community representatives that have little or no affiliation with Local Government.

### **2.1.1 Rate Pegging**

Coolamon Shire Council has never had an issue with ratepegging. This has not stopped Council undertaking Capital Works or expanding its service provision. Council is conscious that ratepayers are not a milking cow and that our community cannot afford excessive compounding increases. Council does not have any issues with the system for adjusting rates over ratepegging where primarily the responsibility lies with the community, but it has not seen the need to do so.

### **2.1.2 Constitutional Recognition**

Constitutional Recognition has been an issue in Local Government forever. At times the question can be asked as to whether it is more symbolic than practical and whether too much money and intellectual assets have been devoted to it.

### **2.1.3 Local Government System**

Council recognizes Local Government is not an island and therefore has very important responsibilities on many fronts. These are the creation of communities and the provision of assets and services to those communities. Importantly however, Councils are part of a region and therefore have a responsibility in working with other Councils in order to develop that region and to ensure that there is minimal duplication as well as capability of transfer of responsibilities across Local Government borders. A healthy region is one where there is diversity in the region and where there is individuality of communities. It is in effect a two way street, a healthy region is one that has good communities and in turn good communities make a healthy region. A region does not consist of one dominant city.

Coolamon Shire Council has been active in regional development issues and this report will indicate areas where Council has taken responsibility in that respect very seriously. This Council was one of the leaders in promoting the concept to REROC of "Local Government Without Borders".

## **2.2 ESSENTIAL VALUES AND QUALITIES OF LOCAL GOVERNMENT**

Council would like to comment on the views expressed in 2.3 of the Panel's recent report. Council would like to applaud the Panel for the commentary expressed in these two paragraphs. They encapsulate all that is good about Rural Local Government.

Council would like to enlighten the Panel as to the relationship that Coolamon Shire Council enjoys with its community(s) and how that relationship has developed and the services that it has provided.

### 3. COOLAMON SHIRE COUNCIL AND ITS COMMUNITY

The logo that the Coolamon Shire Council use “Big Enough to Serve, Small Enough to Care” embraces the best aspect of Rural Local Government. An analysis of the statement is a worthwhile exercise.

#### 3.1 BIG ENOUGH TO SERVE

Coolamon Shire Council is of sufficient size to provide a full range of services to its communities. The definition of full range of services is a matter of question but it is one that allows for the full maintenance of existing assets and expansion of assets and services through a regular Capital Works Programme. The other side of the question is “what is sufficient size”. Council does not believe there is a set answer to this question but rather it needs an analysis of existing Councils and their communities. Are the communities valuable enough to have a desire to determine their own future? Can the Council if appropriately managed and funded provide maintenance and asset and service improvements. If the answer is yes, then obviously a Council for those communities is vital.

Coolamon Shire Council is big enough to serve. Over the past few years Council has undertaken a considerable Capital Works Programme throughout all its towns. By Capital Works, I mean improvements to our communities that are over and above the normal roads, gutter, drainage etc. Some of these major projects have been:

- A **Health Complex** comprising:
  - 28 independent retirement living units
  - 33 bed Hostel, including a 11 bed Dementia Ward
  - Community Health Centre – Delivery of Meals on Wheels, Home Maintenance & Modification, Community Transport, HACC Services and Community Health Services co-located.
  - Doctors Surgery - Coolamon
  - Dental Surgery - Coolamon
  - Provision of funds to the State Government to provide more beds at the Coolamon-Ganmain Hospital
  - Doctors Surgery – Ganmain

Council was assisted with significant contributions from the community for this development. A common theme from all the donors was that it was a local asset; it was owned locally and managed by the community’s own Council.

- **Main Street Upgrades** to Coolamon, Ganmain and Ardlethan which cost in the order of \$3Million.
- **Construction of Aged Care Units** to complement the Health Care complex mentioned earlier in Ardlethan and Ganmain.
- **Development of a modern Cultural Centre** in Coolamon incorporating a Library, Heritage Exhibition area and two Museums. Council has also formed a

partnership with the RSL where a local War Museum has been developed and this now forms part of the Cultural Centre.

- **Residential Subdivisions** – Over the past few years Council has recognised that it is the only body capable of undertaking significant residential subdivision works. Council has constructed three separate subdivisions that have provided a total of 106 residential allotments. All allotments have been sold and all have new modern homes with an influx of new people participating in community activities. In addition Council has purchased more land and over the next 2-3 years will undertake a new subdivision featuring 20 allotments.

### 3.2 SMALL ENOUGH TO CARE

An analysis of this phrase is also important. In fact this is possibly one of the best aspects of New South Wales Rural Local Government. The words “Small Enough to Care” entails a lot of meanings including access to Councillors, access to Staff, and a Staff and Council that are concerned about their communities that live and work in those communities, and understand their needs.

Councils that are part of their community have the capacity to respond quickly to community demands. Coolamon Shire proves this in a number of ways:

- In 2007 the **Coolamon Early Learning Centre in Coolamon** closed. Within a matter of two months Council were able to galvanise local tradesmen and transform a building previously used for a licensed Club into a fully functioning Childcare Centre. Without the Centre a number of families within the community would have experienced severe difficulties.

The Childcare Centre is now fully functional and provides childcare to 30 families. In addition Council has been able to incorporate Before and After School Care into the Complex, which again has enhanced the lifestyle of younger residents.

- **Banking Services** – When the Banks commenced their withdrawal from Country towns, Coolamon Shire formed a relationship with Wagga Mutual Credit Union. The Council entered into a Subordinated Debt arrangement and Wagga Mutual Credit Union was able to open branches in Ganmain, Coolamon, as well as two ATM's. In addition to banking services this arrangement has significantly benefited the community. Wagga Mutual Credit Union has supplied over \$500,000 in sponsorship to a multitude of community groups and organisations.
- **Community Benefit Fund** – Council has established the Coolamon Shire Community Benefit Fund which is run independently of Council by Council appointed Trustees. This Benefit Fund allows the Trustees to make grants to individuals and families that are suffering personal or financial disadvantage. In past years funds have been provided to families who have suffered illnesses and required to attend Metropolitan Hospitals, house fires and various family tragedies. The Benefit Fund receives income through a Community Sponsorship Account established at Wagga Mutual Credit Union and supported by local businesses.



- **New Year's Eve Party** – Council runs a New Year's Eve Party in Coolamon for all residents throughout the Shire. This is a family based activity with fireworks, children's activities and is run by the Shire for the Shire communities.
- **Festivals, Events etc** - Council works closely with all community organisations and allows Council Staff and the Officers to become a resource for citizens that are conducting festivals, sporting events, cultural activities, thus making it significantly easier for those events to take place.
- Council utilizes **Section 355** of the Local Government Act quite extensively. This allows it to assist many community bodies to continue to function without the burden of administrative and other expenditures.
- Formation of a **Coolamon Shire Better Business Group** whereby all business throughout the Shire come together to discuss needs and activities in order to enhance and encourage further commercialism.
- **School Holiday Programmes** – Council's Youth & Community Development Officer works with all Schools throughout the Shire and encourages all students to actively participate in the School Holiday Programmes that are run every School Vacation period.
- During its **Budgetary Processes**, Council meets with representatives of all community ratepayer groups to discuss its budget programmes. Following that meeting Council then takes those representatives on a bus tour of the Shire and on the tour are the Mayor, General Manager and Senior Staff. Ratepayers through their organisations have direct contact with the Councillors, the Mayor and the Senior Management Team during the formation of the Budget.

All points raised in the above tour are then brought back to Council and a further tour is arranged within the next few days to enable the full Council to be aware of the concerns expressed by ratepayers. Those reports and issues raised are then brought to Council during the course of the budget discussions.

- **Mobile Phone Services** - Council recognised that Mobile Phone Services are an essential part of everyday life. Not only from a social aspect but from an agricultural business necessity, it was incumbent that communities within this Shire have mobile phone service. In negotiating with Telstra Council became bogged down in bureaucratic quagmire and made the decision to construct a 60 metre high tower that would cater for this service. This immediately provided mobile phone service to the majority of residents throughout the Shire. Where there were black holes Council were able to continue negotiation and provide assistance in the attainment of land for towers.

The tower in Coolamon now provides additional services with the current tenants of the tower being Telstra, Optus, Police, State Emergency Service, Rural Fire Service, Ambulance Service, Goldenfields Water County Council and the NBN. Not only has this decision been beneficial in terms of Mobile Phone Service but is now providing a return to Council by way of additional income.

- **Mullins Centre/Childcare Ardlethan** – Around 2007 Council received advice from the Catholic School in Ardlethan that the Primary School was about to close. Council negotiated with the Catholic Diocese to take over the School and utilise it for community purposes. Council was able to attract a grant for its redevelopment and have since turned the School into a Childcare Centre and a Community Centre. Ardlethan is a somewhat isolated community and the ability to have the Preschool Services available and managed by Council is a distinct asset to the community.

Our communities are important, they are independent and they need nurturing. The communities of the Coolamon Shire are vibrant because there is what Council likes to refer to “concentration of effort”. This concentration of effort is a group of Councillors and a group of Senior Staff that live and work within the communities and have their interest at heart. One of the main aspects therefore, that Coolamon Shire considers the best aspect of New South Wales Local Government is its ability to be accessible and to be sufficiently capable of responding to its community demands.

### **3.3 COMMUNITY OPINION**

Council, late last year, commissioned IRIS Research to undertake a review of the Community to determine the level of community satisfaction with Council’s services. This is the second time Council has utilised IRIS with the first review carried out some four years ago and it obviously became the benchmark for the current processes. It is noted that the first Iris Report had Coolamon Shire Council as the highest performing Council in the Iris Database. It is relevant that Council did not rest on its laurels and in the second report it is pleasing to note that Council has further improved its performance. **(Appendix 1)**

The review indicated a high level (81.8%) of satisfaction with Council services and has given Council direction as to where it should concentrate its efforts in coming years.

### **3.4 COMMUNITY RELATIONSHIPS/CONSULTATION**

The current requirements for the development of a Community Strategic Plan in terms of consulting with the community are not new to the Coolamon Shire Council.

#### **3.4.1 Council Tours**

Reference is made to the Council Tours referred to under Budgetary processes on page 9. These tours strengthen the relationships between Council and its community and the informal nature of the tours allows for general discussion and for both parties to become more aware of each other’s position.

#### **3.4.2 Section 355 Committees**

Council has used the power available under Section 355 of the Local Government Act to tighten its relationship with communities. Council has structured a series of Committees in each Community that enable it to communicate with those

Committees and to manage Councils assets also located in each Community. The process of Section 355 governance is that all these Committees meet and their Minutes are made available to Council. These are in effect the Progress Associations from each Community and as such they have a direct link to Council Staff and Planning processes.

The close relationship between Council and these Committees allows for a balanced approach to the Budgeting process. Rather than working with a “wish list” from each of the communities, these are subject to discussions and as such the balancing of priorities. The communities themselves are asked to prioritise their issues and to take into account Council’s budgetary limitations.

### **3.4.3 Council/the Community/Photographic Database**

Some time back Council made available to its Communities a number of cameras. The Community was asked to take pictures of issues that caused them concern and issues that they were quite proud of. These were throw away cameras and the submissions were completely anonymous. From this programme Council were able to determine the majority of issues that the Community like and those that were disliked. The general consensus was that the Community wanted their town entrances and main streets upgraded. Since that time Council has undergone a programme of town entrance and main street upgrades.

## **4. STRATEGIC CAPACITY**

The Panel has referred on a number of occasions to Strategic Capacity. Council would like to comment on this topic from two aspects, ie. Local Strategic Capacity and Regional Strategic Capacity.

### **4.1 COOLAMON SHIRE LOCAL GOVERNMENT AREA – LOCAL STRATEGIC CAPACITY**

Council would like to believe that in terms of local issues relevant to the Coolamon Shire Local Government Area it has an extremely good strategic capacity and approach to its responsibilities.

#### **4.1.1 Finance/Planning**

I note the following documents/plans:

- 1) Coolamon – the Town – Beyond 2006 (Contents Page) - **(Appendix 2)**
- 2) Local Environmental Study and Planning Strategy 2010 – **(Appendix 3)**
- 3) Coolamon Shire Strategic Plan (LEP purposes) – **(Appendix 4)**
- 4) In addition I note that Council has had a 10 Year Financial Plan extending back many years before the current requirements IPNR. This plan was aligned to an Asset Management Schedule, details of which are listed below.

#### **4.1.2 Asset Management**

Council has been dealing with its assets in a structured manner for a significant number of years. The manner in which this is done suits this Council's needs but is perhaps not to the expectation of current trends in Asset Management where gold plating appears to be the ultimate outcome.

Council has on a regular basis reviewed its complete Schedule of Assets. This review takes the format of a designated Workshop facilitated by Council's Auditor. Each and every asset is reviewed in terms of its usage, condition, community need and future expenditure requirements. These needs are then transferred into the 10 Year Financial Plan. In addition, Council has following these Workshops undertaken asset sales where community assets have not been deemed needed for future purposes. The major asset base that this Council maintains includes roads, swimming pools (3), sewerage and drainage, buildings and plant. These will be dealt with separately.

#### **4.1.3 Swimming Pools**

Council has three swimming pools under its control and these were built at various times during the 50's, 60's and 70's. Generally they were constructed by volunteer labour and have realistically outlived their economic purpose. Council has been able to manage their decline and have undertaken a staged programme of refurbishment and rehabilitation of the three pools. This is work in progress with an expected end date being around 2015. Council has been able to replace buildings where needed and completely modernize the water delivery systems and filtration units. These programmes were managed by Council staff with Council accepting that funds need to be provided over a 5-10 year period to enable the works to be completed.

The end result of the Swimming Pool Rehabilitation Programme at this point is that Council has expended \$1Million in asset improvement with no reliance on State Government Grants. This is the result of Council's Asset Management approach where this expenditure was anticipated some years back and Council commenced making provision at that point in time.

#### **4.1.4 Roads**

Council has a Road Hierarchical Structure that delineates every road within the Shire according to its classification. Classifications are based on needs and usage with the construction standard being determined for each classification. All roads receive inspections, depending on their classification with such inspections ranging from weekly through to monthly through to annual where required, remedial works are undertaken or construction works programmed. Council is able to maintain the Road Network in accordance with this classification with funds being provided on an annual basis. **(Appendix 5)**

#### **4.1.5 Sewerage System**

Council operates two separate Sewerage Systems in Coolamon and Ganmain. Council has undertaken Strategic Financial and Maintenance programmes to ensure that they operate within budget for the ongoing life of the assets. (2004, 2013).

Over the past 15 years Council has financed the Ganmain Scheme and significant additions to the Coolamon Scheme.

Future works programmes include opening new areas of land release in accordance with the new LEP and the possibility of providing sewer to Ardlethan.

#### **4.1.6 Waste Management**

Council operates four waste facilities, providing access to all communities. Council developed Waste Management Strategies in 1999, 2006 and 2009. This has seen Council change the structure of Waste Management to meet legislative requirements, budget constraints, community needs and environmental concerns.

Council has now provided a cost effective waste, recycling and organic (Coolamon only) kerbside collection service throughout six towns and villages. This is seen as a service provided to a disperse and diverse population across a wide area.

#### **4.1.7 Buildings**

All Council buildings receive an annual inspection from both a Risk Management and Asset maintenance aspect. A full report detailing Asset Maintenance needs is provided to Council in the pre Budget period. Where works are of a substantive nature and cannot be included in an annual budget, then a decision is taken as to the future use of that particular building or whether the works can be staged over a period of years.

#### **4.1.8 Future Works**

Council is in the process of preparing a detailed plan of all its communities as well as the expansive rural area. A Consultant Engineer has been engaged on this process for the past twelve months. This plan will indicate to Council the potential development over the next 25 years in terms of footpaths, street lighting, sewerage, sealed Road Network, earth formed Network, and kerb and gutter. This plan will be integrated with Council's Local Environmental Plan and discussions will then be held with the County Council as regards the expansion of water and lighting services to those areas. It is anticipated that the plan will be completed within the next six months.

#### **4.1.9 Plant Management**

Council has a modern fleet. Council works on a rolling 10 Year Plant Replacement Programme which is entirely self funded. Council does not need to resort to loan finance to sustain this programme. All items of plant are subject to regular

replacement according to a predetermined schedule. This allows Council to maintain an adequate Works Programme free of potential breakdowns and without the need of having to expend significant amounts on plant maintenance.

**(Appendix 6)**

## **4.2 STRATEGIC CAPACITY – REGIONAL PLANNING**

Coolamon Shire Council has played a significant role in regional activities:

- Coolamon Shire Council is the Treasurer and Financial Manager of REROC.
- Coolamon Shire Council is the Financial Manager of the North East Riverina Counselling Service.
- Coolamon Shire Council is the Financial Manager and Administrator of the Rural Fire Service Riverina Zone comprising 5 other Councils.

In addition the General Manager is on the Executive of REROC, Executive of the Riverina Regional Library and the Chairman of Statewide Mutual Insurance.

Furthermore the General Manager is also the Chairman of the Transport and Infrastructure Theme Group of REROC and as well as the Chairman of the REROC Administration and Finance Group.

The Deputy General Manager, Planning & Environmental Services is the Chairman of the REROC Regional Waste Strategy Group.

Council is also the managing Council for the REROC Internal Audit Group comprising six other Councils.

In terms of the above, Coolamon Shire Council plays a role in ensuring shared services and regional planning are able to be undertaken by the Councils in REROC.

## **4.3 REROC REGIONAL PLANNING GROUPS**

Councils within the REROC Group work well together. There is a long history of established relationships and the structure of REROC which is inclusive of the Mayors and General Managers provides for a good working relationship between members.

REROC is undertaking regional planning across a number of aspects in a programme entitled “Local Government Without Borders”, ie:

- Transport and Infrastructure
- Workforce Development
- Community Planning and Culture
- Environment
- Economic Development

Whilst there a number of other groups operating under this banner, I will talk specifically concerning the Transport and Infrastructure Group given it is the one that the General Manager is the Chairman of and Coolamon Shire Council is the Managing Council.

#### **4.3.1 Transport and Infrastructure Group**

This group comprises the Engineers from all REROC Councils as well as the President of the National Transport Owners Association and the Regional Manager of the Roads & Maritime Services. The Committee has been quite active in collating data and arranging storage of that data on an electronic basis. Listed below is the summary of data collected to date.

##### Roads

- Local Roads – All Councils have supplied
- B Double Routes – All Councils completed
- High Vehicle Routes – All Councils completed
- Strategic Routes – Have been supplied from most councils, but may need to go into a bit more detail
- Future Strategic Routes – for example Junee Shire new ethanol plant with new route connections
- Road Constraints – some information has been supplied but need a lot more info from each council on blockages in their own network or connections between a neighbouring council
- Bridges – Information required from each Council mainly concentrating on the bridges on strategic routes
- Visy – Material Sourced routes have been mapped, waiting for maps of outgoing routes

##### Rail

- Open Railway Lines mapped
- Closed Railway Lines mapped
- Railway Stations mapped
- Railway Crossings mapped and colour coded for various crossing types
  - Underpass
  - Overpass
  - Flashing Lights
  - Flashing Lights with Boom
  - Passive (Stop Sign/Give Way Sign)

##### Modal Points

- Modal Points (Silos, Feed Lots, Timber Mills, etc) – all councils have supplied something except for Wagga City Council

##### Other

- Mobile Phone Black Spots – have been mapped for Coolamon, Greater Hume and Tumbarumba only, no further work in this required yet, just concentrating on road issues.

This data has been collected and managed by Coolamon Shire Council. An Engineer from Council's Design Section has compiled this information and has made it available to the REROC, the Roads & Maritime Services and the National Transport Association. Whilst the group still has to determine the most appropriate means of utilizing the data, the intention is to ensure that all blockages in the system, ie., different Council policies on road construction, road limits, bridge works, access to grain terminals etc., are eliminated and that Council borders are not seen as an inhibitor to the movement of freight or other transport.

The comment was made by Mr Crouch, President of the Transport Owners Association that in his view this is the first time he has come across a group of Councils that are willing to work with the Transport Industry to solve these problems.

### SUMMARY

The intent of Councils to work on regional issues that transgress borders is evident. What becomes difficult is that Councils do not necessarily see this as part of their core functions and therefore as work pressure builds up, these issues get pushed to one side. Councils need the resources and the compulsion to ensure that participation and achievement takes place.

## **5. REROC SHARED SERVICES**

REROC is endeavouring to build on its past record of shared services by the creation of a specific shared services division. This Council is managing the Administration and Finance area and commentary will be made on the direction that the group is taking shortly.

One of the more successful models that was experienced in REROC was the Road Safety Officer Programme. This involved a Road Safety Officer being shared by three/four Councils thus allowing for four Road Safety Officer to be employed across the REROC Region. That was an extremely successful programme, however it was wound down by the then RTA on the basis that it must deal with individuals or groups of Councils and would not deal with the REROC Organisation as a body. The clustering of the Councils is now done individually without the four Road Safety Officers coming together to undertake regional programmes. The programmes are only undertaken within the cluster group of Councils. The lesson to be learnt from the Road Safety Officer operation is that where groupings of Councils deal with State Departments, those departments should understand that sometimes the best result is achieved by working with the co-ordinating body of the group rather than individual groupings of Councils.

Clustering of Councils can work effectively, however, it is suggested that there be no mandation for clusters to occur. Clusters will occur naturally where there is a need and a demand. This has occurred with Junee, Coolamon and Temora in respect of noxious weeds where they are all adjoining and the weeds quite obviously know borders don't exist.



Where borders are completely irrelevant however, it can be done on a wider bracket, ie. with the Internal Audit Group that has been established. This encompasses six Councils where borders are not seen as consequential.

The REROC Shared Services Model is looking at the following areas of concern:

- **Engineering:** design, water and wastewater, asset management valuations, draughting.
- **Administration and Finance:** payroll, financial statements, rates, procurement, works compensation/return to work, financial software.
- **Planning:** LEPs, DCPs, Strategic Planning, Community Planning, monitoring and evaluation.
- **Environment:** health and building, food shop inspections, waste management, heritage, building inspections.
- **Community Services:** human services, youth, seniors.
- **Arts, Culture and Recreation:** museums, art galleries, sporting facilities.
- **Governance:** internal audit, regulatory and administration updates, GIPA/privacy, ombudsman services.

Coolamon Shire Council is managing the Finance and Administration area and that particular group has met on a number of occasions and is quite enthusiastic concerning the future. The last meeting involved discussions with Civica Software and Hardware Suppliers in terms of how group activities could be undertaken. This Committee has resolved the following:

- 1) That a Working Party be empowered to meet with Civica to determine how “back room activities” could be undertaken and what are the pros and cons of such a proposal.
- 2) The Committee recognise that there are a number of activities relevant to Local Government Finance and Administration that were not being done well. It is proposed that these would be done on a clustering arrangement or REROC in its entirety between Councils.
  - HR/Workers Compensation Claims Management/Return to Work/Injury Management/Salary Systems/Performance Management
  - Risk Management/Work, Health & Safety/Public Liability
  - Records Management
  - GIPPA/Privacy Compliance
  - Website/Social Media
  - Fleet Management
  - Community Services – Child Services, HACC Services

## 6. FINANCING – LOCAL GOVERNMENT

Prior to commenting specifically on this Council's financial position, I would like to make comment on Local Government Financing in general. This particular topic has been subject to many enquiries over the years and essentially it has become a matter of shuffling the deck chairs with differing points of view being proffered in respect of rates, grants and validity of loan financing in Local Government. I am reminded of some of the thoughts coming out of the book entitled *"Funding Local Government – The Third Tier"* by Allan Morse in 1982.

Morse quoted from the first Charter for a Greater Local Government which was presented to the Shires Conference in 1945 which stated:

*"It urged the delegation of more powers to Local Government, with adequate financial resources and a structure capable of undertaking all tasks rightly belonging to Local Government. These extended from purely local services covered by Municipal and Shire Councils to major services for which a County Council or a Regional Authority would be needed". (Emphasis added).*

Morse went on to say:

*"That where co-ordination of Local Government Services became necessary, this co-ordination should be given by Local Government. The opinion was expressed that it was not consistent with democratic principles that Local Government should shed its powers to Boards or ad hoc authorities composed of non neglected people appointed by and responsible to the State".*

In commenting on Federalism Morse used the United States as attitude which stated,

*"The financial relationships between Federal, State and Local Government in the United States which are responsible for the steadily diminishing influence that taxes on property have exerted and the financial structure of Local Government. These changes occurred not only because of the need for additional revenue but in the main because of an increasing recognition of the fact that all economic sectors of communities should contribute a share to the local coffers ..... decentralization of government in not one when decentralized to the State, but only when as many powers and financial resources as possible are returned to Local Government".*

Morse went on to review the adequacy of rates and the use of loan financing in Local Government. Morse noted the review by Albert Mainerd of the 1946 Summer School on Finance,

*"The land rating system, the main source of revenue for Local Government was designed for the provision and maintenance of roads, footpaths, gutters and bridges. It has no regards to the demands existent today in the Municipal world for social services of kinds such as Community Centres, Baby Health Centres, facilities for recreation, physical fitness, nurseries and kindergartens, Libraries and cultural activities generally. Services which are shared by the whole community. Nor does*

*the system cater for the growing Shires' obligations by way of increasing costs in the maintenance of land productivity, noxious weed elimination, bush fire prevention and control and soil conservation activities. As regards the use of loan funds, Morse in again quoting from Mainerd was quite clear.....*

*"Borrowing is clearly entirely sound where the asset will be reproductive or will give an immediate saving on maintenance costs. It can be justified also for permanent works (such as bridges) the construction of which must be completed in the minimum time. Extensive borrowing is however, a doubtful proposition where the money is to be used for works which can be carried out progressively year by year. Unless rates are increased to meet the capital charges as they accrue each year, a proportion of the rate revenue – which would otherwise be available for more construction work – must of necessity be absorbed in meeting loan costs and there must come a time – unless a halt is called when no money for works will be available. All of it being absorbed in the payment of loan charges".*

The wisdom of Morse is still relevant in today's environment. Debate is still being held as to the validity of rates as a source of income and what services that income should be responsible for. As Local Government continues to take on a greater level of service, no doubt this debate will continue. Quite obviously though, Local Government exists in a Federal system of governance and as such grants should not be seen as the good graces of the higher levels of government but a right to a share of taxation revenue.

The T Corp analysis of Coolamon Shire Council indicated that Council was financially sound, however, it did make criticism of the fact that Councils rate revenue as compared to total revenue was exceedingly low and that Council was looking at maintaining an operating deficit over the next 2-3 years. In addition, the analysis indicated that Council had the capacity to borrow a substantial amount of funds to carry out future works.

Council has not seen the need to utilise external borrowing for a number of years. Where projects are an income generation mode, Council has used an internal system of borrowing that enables those particular projects to repay the funds to Council. In terms of external borrowing for major projects, and reference is made specifically to the capital works carried out on pools, main street upgrades and Ganmain sewerage works, Council has been able to finance these on a staged basis using recurrent income. Or alternatively, it has put funds aside on a regular basis to allow for the large one or fixed expenditure where it can't be completed on a staged basis. Council's current financial basis structure gives it flexibility during its budgetary processes. In looking at major projects it obviously has a number of financial options as to which manner those are completed.

Morse's comments concerning utilization of rate revenue for basic Local Government Services is correct. Whilst this Council has been able to undertake a number of other services utilizing its current income base, this will become more difficult as we move into a Regional Planning stage. The commentary coming out of the 1940 Reports indicates that Local Government can and should be involved in Regional Planning.

Included as an Appendix to this report is a copy of Council's Auditor's reply to the T Corp statement. **(Appendix 7).** The commentary concerning Council's rate base which is in the order of 28% to 29% of total revenue warrants commentary. It is noted that a percentage analysis such as this can be warped depending on other revenue sources. Council carries out significant community services by way of Community Transport, Meals on Wheels, Childcare Services, Aged Care Services, Hostels etc. the attract significant grant funding and as such, the percentage of rate revenue to total revenue is perhaps not a true analysis when compared to other Councils.

Councils are largely financed by their share of grants coming from the Federal Government in an untied manner (i.e. Financial Assistance Grants). This is entirely consistent with the federalism nature of the Government system under which Australia operates. Whilst it is accepted that the size of a cake may not vary, it is perhaps the dissection of the cake where further analysis is needed. It must be accepted that the rate base in Councils like Coolamon Shire Council and most other rural and regional Councils will not alter significantly. Nor is it a simple solution whereby it can be said that rates should be increased. In rural areas such as the Coolamon Shire Council rates are a significant expense and having a look at the rate base which comprises the agricultural community; it is not possible to use this community as a milking cow. The majority of farmers in the current generation have just come out of a ten year drought and there are simply not the funds that allow for compounding increases in rates.

The dissection of the Federal Assistance Grants between metropolitan and rural Councils needs examination. Metropolitan Councils have at their disposal an array of revenue raising functions, i.e. Section 94 contributions, Parking meters and an ever expanding rate base. These are not available to country Councils. If Rural Local Government is to re-invent itself (as it should) then it is quite obvious that there needs to be additional financial resources made available to it. Council is not suggesting that these resources should be made available to under-performing Councils, nor should they be made available to Councils purely to carry out the normal functions that are expected of a Local Government Authority. They should be made available to Councils that are willing to participate in a newly structured form of Local Government and one that is prepared to take on a wider regional role in terms of planning and development of communities in an atmosphere where Local Government borders do not exist.

## **7. FUTURE OPTIONS**

The REROC Model covering Regional Planning, Shared Services and Advocacy and Lobbying is a direction favoured by Coolamon Shire Council. Council also sees the membership of REROC being the Mayor and General Manager as an appropriate structure for effective Regional Local Government. This allows the professional and representative views to be brought to the same table and provides for a closer affiliation between the Councils themselves and Staff at those Councils. The issues that Council sees as the stumbling block with this model in going forward are the following:

- 1) The voluntary nature of participation in programmes.
- 2) The Legal Structure of REROC
- 3) Financial Assistance.

### **7.1 VOLUNTARY NATURE OF REROC**

At the moment participation in REROC activities is of a voluntary nature. Whilst this has been successful in the past it is obvious there are some Councils that need to have the compulsory participation hanging over their heads. The structure of how compulsion to participate is brought into REROC administration is a matter for future discussion. However, it is considered necessary if Local government is to move into the future and to take a more involved role in regional planning and to deliver services in a more effective manner where borders are not an inhibitor. Having said that, there still needs to be some form of voluntary approach to the formation of clusters and partnerships for the delivery of services.

### **7.2 LEGAL STRUCTURE**

Currently REROC has a loose legal structure. The employment is generally done through the Coolamon Shire Council which has on a number of occasions employed staff to carry out specific REROC projects. If Regional Planning is to be taken to the next level, there needs to be some formality and substance given to the structure of REROC as an independent body.

### **7.3 FINANCIAL ASSISTANCE**

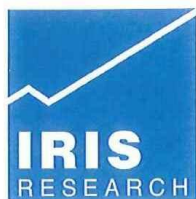
The availability of finance to implement the structure proposed is an issue. Experience has shown that Councils commence these programmes but after a few meetings the staff enthusiasm and Council enthusiasm declines. This is perfectly natural given that the staff have their own day to day activities to undertake and are unable to devote the necessary time to participate in regional activities. Whilst compulsion would certainly assist in this regard, it must be understood that staff in Councils within the REROC catchment are at a premium and do not have the time to devote to these activities.

Council assistance or State Government assistance in terms of financing these activities is necessary to ensure they can be undertaken.

The REROC Model allows Councils to remain as an Independent Organisation managing their own communities, employing their own staff, being governed by their own Council, whilst still participating formally in a Regional Planning process. Services that transgress borders (ie. transport, bridges, roads, environment etc) can be dealt with regionally and anomalies undertaken by a group of Councils. It will also allow for a ground up approach to be undertaken from local planning to regional planning to state planning as opposed to the problems outlined earlier whereby the State Plan is imposed downwards rather than working their way up from the needs of individual communities.

# **Appendix 1**

## **Iris Research Report**



Insight for  
Business & Government

---

# Coolamon Shire Council Community Survey 2012

## Management Report - Final

Prepared for



Prepared by  
IRIS Research Ltd

**July 2012**

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**IRIS Research** ABN 16 002 278 793

Level 1, IC Central, University of Wollongong Innovation Campus, Squires Way, North Wollongong  
Postal address: Northfields Ave, Wollongong, NSW 2522 Telephone: (02) 4285 4446 Fax: (02) 4285 4448  
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## EXECUTIVE SUMMARY

This report presents the results of the Coolamon Shire Council Community Survey 2012. IRIS Research was commissioned by Council to conduct a comprehensive telephone-based survey among the area's residents. The survey sought a range of resident attitudes and opinions as input to Council's ongoing strategic planning and quality improvement process.

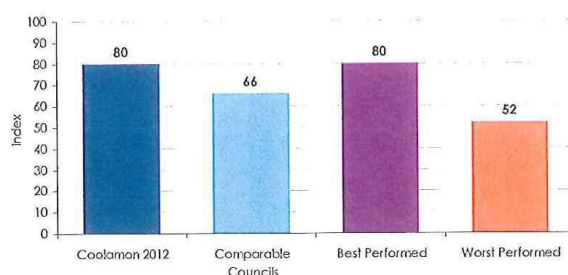
The survey was conducted on the IRIS Computer-Assisted Telephone Interviewing (CATI) system during 4<sup>th</sup> to 7<sup>th</sup> June 2012. A total of 501 interviews were conducted with residents from the Coolamon Local Government Area (LGA). To qualify for an interview, respondents had to have been a resident in the Council area for at least the last 6 months and aged 18 or older. The survey achieved a completion rate of 61.9%, which is considered a good response for a telephone survey.

The main findings of the 2012 survey are summarised under the key report headings over the next few pages.

### OVERALL SATISFACTION [PGS. 12-15]

Four in five Coolamon Shire residents (81.8%) were satisfied with Council's overall performance in the delivery of services and facilities, while just 3.5% were dissatisfied. This resulted in a high level mean satisfaction score of 4.08 out of 5. This score is on par with the result from the 2007 Community Survey. Coolamon is the new best performing Council according to the IRIS Local Government database.

Figure E-1 Benchmark Comparisons for Overall Satisfaction



# **Appendix 2**

## **Coolamon – The Town – Beyond 2006**





## ***Coolamon Beyond 2006***

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Prepared by:  
Creeping Growth P/L  
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Toronto, NSW 2283  
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# **Appendix 3**

## **Local Environmental Study and Planning Strategy 2010**



Shire of Coolamon  
New South Wales

Local Environmental Study  
and Planning Strategy  
2010



Stack Building - Maureen Wall, Ganmain.

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# **Appendix 4**

## **Coolamon Shire Strategic Plan (LEP Purposes)**



**Shire of Coolamon**

**New South Wales**

## **Strategic Plan**

**2010**





Coolamon Shire Council  
PO Box 101  
Coolamon NSW 2701  
Telephone: (02) 6927 3206  
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email: [council@coolamon.nsw.gov.au](mailto:council@coolamon.nsw.gov.au)  
website: [www.coolamon.nsw.gov.au](http://www.coolamon.nsw.gov.au)

## **Strategic Plan 2007**

**Shire of Coolamon**

**New South Wales**

---

**In association with**

**James Colman, FPIA FRAIA MISoCaRP**

**Planning Consultant**

**2 Delta Road Lane Cove NSW 2066**

# OUTLINE PLANNING STRATEGY for the SHIRE OF COOLAMON , NEW SOUTH WALES

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## ***Basis of the Strategy***

In 2002 the Council of the Shire of Coolamon decided to prepare a new Local Environmental Plan, or LEP. Three major tasks lay ahead: undertaking a detailed study to establish the social, environmental and economic context for the new plan; formulating a strategic framework which would govern development in the Shire over the next couple of decades; and preparing the official plan (or 'statutory planning instrument') which would be used as the basis for controlling day-to-day development in rural and urban locations in the short-to-medium term.

This document presents the results of the local environmental study and strategic planning exercise. It reflects the aspirations, expectations and intentions of the Shire Council and the Shire community as they were at the time the plan was prepared. It is not an officially gazetted or legally enforceable plan. Rather it is a statement of local strategic intent, setting a broadly based policy context for the statutory local environmental plan (LEP) whose form and content are largely determined by the standard environmental planning instrument which applies to all LEPs in NSW.

The study (separately published), the strategy and the LEP are complementary documents, and ideally will be read together. The single most important distinction between the latter two is that the strategy is the outcome of an intensive period of community consultation and participatory effort whilst the LEP is a creature of NSW law.

The strategy is a people's plan rather than a document shaped by the laws of NSW. It has no legal force. However, it provides much of the rationale for the LEP. If at some future time a strategic review generates a need for change to the LEP it (the LEP) would be amended accordingly, in line with the statutory requirements of the day.

## ***Elements of the Strategy***

The strategy contains four key elements, the detailed background for which will be found in the separate Environmental Study.

- \* It presents a vision and supporting principles for sustainable development within the Shire; the towns of Coolamon, Ganmain and Ardlethan; and the Villages of Marrar, Matong and Beckom.
- \* It offers objectives for development in urban areas and the rural hinterland during the next 10-15 year period.
- \* It identifies the necessary compliances with relevant State policies, plans, directions and other requirements.
- \* Where relevant and necessary it is consistent with the Objectives of Council's current Management Plan and Social Plan.

# **Appendix 5**

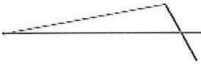
## **Road Hierarchy Designation**

ROAD HIERARCHY DESIGNATION (As at 24/11/2011)


SEALED

UNSEALED

CLASSIFIED		RURAL / LOCAL				RURAL / LOCAL	
STATE HIGHWAYS		CLASS A (SIGNIFICANT TRAFFIC)				1	GRAVEL PAVEMENT
Newell Highway (HWY 17)	B7 to J1	Bygone Road (56)	D1 to D3				Gravel Minimum Depth 80mm
STATE ROADS		CLASS B (MEDIUM TRAFFIC)				2	GRAVEL PAVEMENT
Burley Griffin Way (SR84) East	B3 to D3	Dullah Road (119)	H18 to I14				Gravel Minimum Depth 50mm
Burley Griffin Way (SR84) West	J3 to K3	Dyces Lane (231) (MR543-Tip)	M20 to M20				LIGHT GRAVEL
REGIONAL ROADS		CLASS C (LOW TRAFFIC)				3	
Ardlethan Road (MR240)	D5 to M19	Marrar South Road (180)	R20 to Q23				Light Trafficked Road
Canola Way (MR243)	C17 to S20	Rannock Road (262)	M19 to O10				EARTH FORMED
Coolamon Road (MR240)	M20 to O23	Beckom Road (19)	F1 to F2				Minor Gravel Maintenance
Mary Gilmore Way (MR398)	K16 to L10	Brushwood South (238)	J19 to J21				MINOR ROAD
Millwood Road (MR543)	M20 to M22	Chards Road (20)	D3 to E3				Limited Harvest Maintenance
		Deepwater Road (258)	E18 to D20				UNFORMED ROAD
		Marrar North Road (180)	R20 to R14				Emergency Maintenance Only
		Methul Road (78)	I14 to K8				UNCLASSIFIED ROAD
		Murrumbidgee Road (178)	S17 to T18				No Maintenance
		Sebenys Lane (54) (44-Quarry)	I8 to I8				BOUNDARY ROAD
		Springwood Road (104)	O14 to R14				Road controlled by adjoining Shire
		Yarranjerry Exchange Road (36)	J8 to H5				
		Wallerroobie Road (44)	F7 to K8				
		CLASS C (LOW TRAFFIC)					
		Ashbridge Road (123)	H18 to G15				
		Beckom South Road (55)	F5 to G2				
		Carlisle Park Road (156)	L17 to L17				
		Kockibiboo Road (246)	G18 to G20				
		London Hill Road (34)	D5 to H5				
		Lonsdales Lane (150)	M19 to M19				
		Matong North Road (120)	E18 to F9				
		Mirrool South Road (28)	H5 to I3				
		Roping Pole Road (259)	H19 to H20				
		Tin Mines Road (3)	D2 to C2				



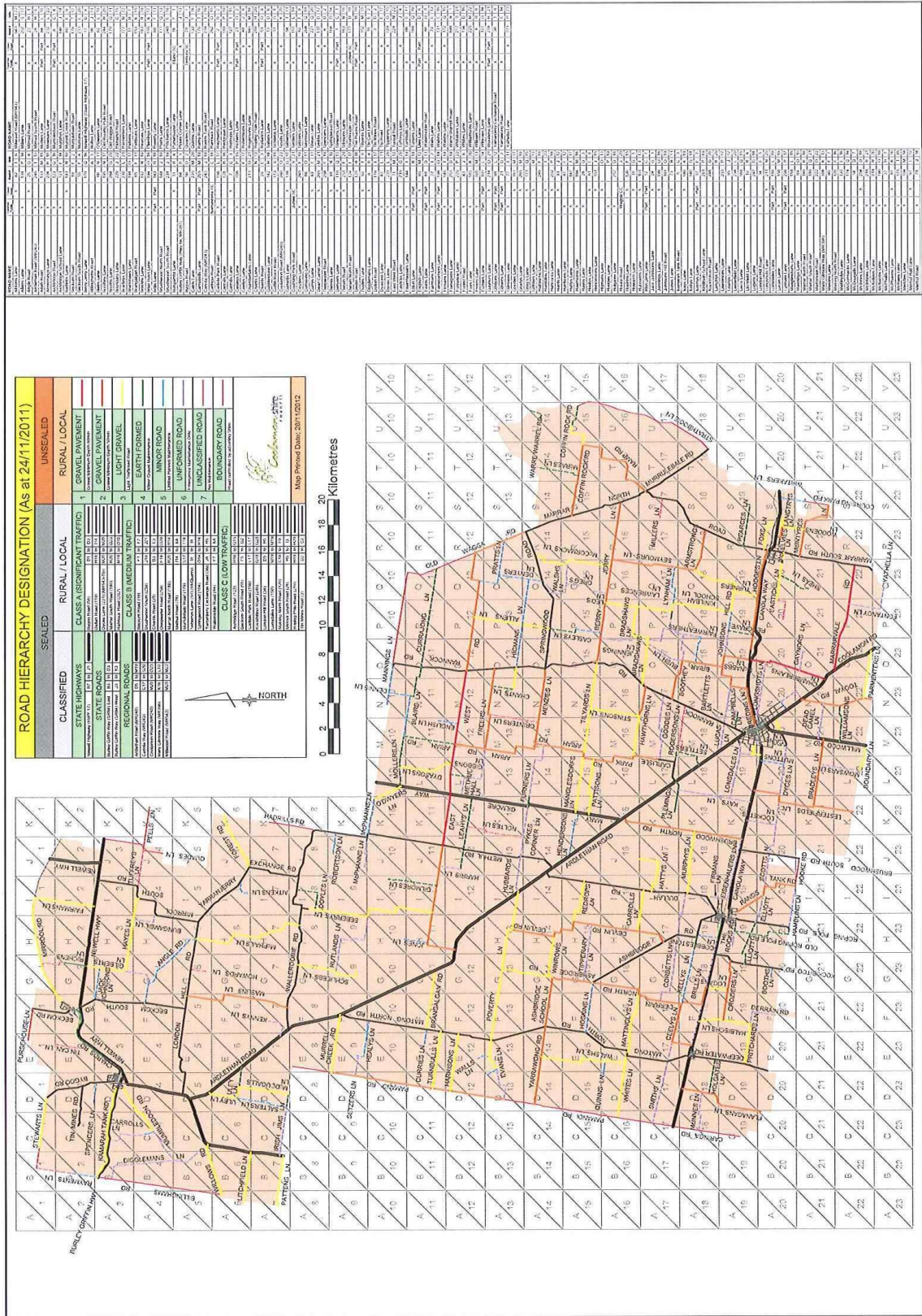
NORTH



Coolamon shire  
council

Map Printed Date: 28/11/2012





# **Appendix 6**

## **Plant Replacement Policy**





## COOLAMON SHIRE COUNCIL

### PLANT REPLACEMENT POLICY

#### OBJECTIVE

- 1) To maintain a modern, reliable and efficient plant fleet within the limits of Council's funds available.
- 2) To purchase and replace plant and vehicles in a cost effective manner in accordance with the guidelines detailed hereunder:

*SEE FOLLOWING TABLE*

- 3) The cycles may be varied if monitoring indicates that earlier/later replacement is warranted.
- 4) The Operational Plan will list the current year Replacement Programme and the funds to be provided for that purpose.

		PLANT TARGET REPLACEMENT CYCLE					
CURRENT REPLACEMENT CATEGORY		CATEGORY A- REPLACE NEW			CATEGORY B- REPLACE SECOND HAND		
		MINIMUM (YEARS)	MAXIMUM (YEARS)	ADOPT (YEARS)	MINIMUM (YEARS)	MAXIMUM (YEARS)	ADOPT (YEARS)
<b>HEAVY PLANT</b>							
Graders	Major Constr	10	12	10			
Loader	3.0M3	10	12	10			
Loader	1.5M3	10	15	15			
Trucks	10 M3 Heavy Duty	8	10	8			
Trucks	7 M3 Medium Duty				8	10	8
Trucks	W/Car				8	10	8
Pig Trailers		12	15	15			
<b>MEDIUM PLANT</b>							
Backhoe	No 1	12	15	12			
Backhoe	No 2				12	15	15
Tractors	Heavy Duty				5	10	7
Tractors	Medium Duty & Light				8	12	10
Trucks	4m3 Bitumen	10	15	10			
Trucks	4m4 Conc. Etc	10	15	12			
Trucks	2M3	10	15	12			
Rollers	Major Vibrating (new)	10	12	10			
Rollers	Major Vibrating (2 <sup>nd</sup> /hd)				10	12	10
Rollers	Other						
<b>LIGHT PLANT</b>							
Commuter Buses		2	OR 40000 KM				
Mowers	Major ride on	2	5	3			
Mowers	Medium Ride on	2	5	3			
<b>NEW &amp; MISCELLANEOUS PLANT</b>							
Small Plant		Small plant & equipment	ANNUAL REPLACEMENT ALLOWANCE				
Survey Equipment		Instrument & accessories	8 YEAR REPLACEMENT CYCLE				
Light Vehicles			ANNUAL REPLACEMENT ALLOWANCE				

# **Appendix 7**

## **Auswild & Co Reply to T-Corp Report**

6<sup>th</sup> February, 2013

Mr Terrey Kiss  
General Manager  
Coolamon Shire Council  
PO Box 101  
COOLAMON, NSW 2701

**COMMERCIAL-IN-CONFIDENCE**

**NSW Treasury Corporation Report**

Dear Terrey,

You have requested my comments on the report titled "Coolamon Shire Council – Financial Sustainability Assessment and Benchmarking Report".

The report was prepared by NSW Treasury Corp.(T Corp) for Coolamon Shire Council, the Division of Local Government and the Independent Local Government Review Panel.

In essence, the report attempts to provide an independent assessment of Coolamon Shire Council's future sustainability and financial capacity to undertake additional borrowings.

The report's findings concluded:

- Council has the capacity to undertake borrowings of \$4.3 million in 2013 (page 5)
- No definitive statement re sustainability however the report stated that "...whilst Council is comparatively small, it is in a sound financial position" (page 24)

In determining these findings T Corp has studied and relied upon Council's:

- Consolidated financial results
- Long Term Financial Plan
- Benchmarking and ratios

**Comments**

1. *T Corp has embraced EBITDA (earnings before interest, taxes, depreciation and amortization) as a key performance indicator.*

**Response**

Council's EBITDA for 2011/2012 has been calculated as follows:

	\$
Operating Result before Capital Amounts	664,000
Add back: Depreciation expenses	2,744,000
Deduct: Profit on sale of Assets	( 229,000)
	\$3,179,000

Whilst I accept the logic of this calculation I believe that the following adjustments need to be made in order for this ratio to more accurately reflect the nuances of local government, namely depreciation and the financial assistance grant (FAG).

(i) *Depreciation*

The provision of assets/services and the maintenance and replacement of infrastructure are very much the core business of Local Government Councils -refer Coolamon Shire Financial Statements:

- Infrastructure, Property, Plant and Equipment accounts for \$140.06 million of total net assets of \$145.64 million.
- Depreciation (\$2.74 million) represents approx. 23% of Council's total operating expenses.
- Council's capital expenditure on the purchase/construction of infrastructure, property, plant & equipment in 2012 was \$4.18 million.

Depreciation, and in particular, depreciation applicable to roads, bridges and footpaths has long been a very contentious issue in local government. The major issue of contention is that if Council spends sufficient funds on road maintenance and repair then the roads network will not be depreciating and therefore Council would be "double dipping" by expensing both roads M & R and roads depreciation. Coolamon Shire Council considers that its M & R program is adequate and that roads within the Shire are not depreciating. I can accept this proposition however I believe that depreciation expenses attaching to the remaining infrastructure, property, plant and equipment assets of Council should be recognised.

Interestingly, the report does acknowledge the importance of depreciation when on page 11 it states "Whilst the non-cash nature of depreciation can favourably impact on ratios such as EBITDA that focus on cash, depreciation is an important expense as it represents the allocation of the value of an asset over its useful life".

Consequently, I believe the depreciation add back in the above EBITDA calculation should be \$1,858,000 NOT \$2,744,000 (adjustment of \$886,000).

(ii) *Financial Assistance Grant*

T Corp has erroneously calculated the advance instalment of the financial assistance grant in 2012 as \$1.5 million in lieu of \$705,000. The EBITDA should be adjusted downwards by \$705,000 to properly reflect the year's performance.

The abovementioned adjustments would impact on the T Corp EBITDA as follows:

2011/2012 EBITDA (as calculated by T Corp)	\$3,179,000
Less: Depreciation (refer above)	( \$ 886,000)
Advance Instalment of FAG	( \$ 705,000)
	\$1,588,000

2. *Based on the Debt Service Cover Ratio (DSCR) T Corp has determined that Council has the capacity to undertake borrowings of \$4.3 million in 2013*

Response

Council's DSCR for 2011/2012 has been calculated as follows:

EBITDA divided by principal repayments (from the statement of cash flow) plus borrowing interest costs (from the income statement).

The ratio attempts to measure the availability of cash to service debt including interest, principal and lease payments.

I make the following observations:

- The EBITDA needs to be adjusted (downwards) as detailed in point 1
- I was not supplied with the forward budgets and therefore I have not been able to accurately dissect and analyse the DSCR for the years 2013 – 2022 (refer page 23). I do however note that the EBITDA for these years would need to take into account whether the borrowed funds will be utilised for revenue positive or revenue negative projects. In most cases, Council's fund revenue negative projects and therefore borrowings as suggested by T Corp may significantly increase Council's operating expenditures (interest expenses, depreciation expenses and more than likely deficit funding for the project utilising the borrowed monies).

The impact of the abovementioned adjustment would in my opinion substantially diminish Council's stated capacity to borrow.

Additionally, with Council's LTFP indicating continuous operating deficits (excluding capital grants and contributions), reduced capital grants and anticipated financial strain in meeting its obligations to asset construction and replacement, it would in my opinion be very imprudent for Council to undertake a borrowing program which in all probability would severely restrict Council's ability to generate funds to sufficiently fund internal restrictions such as property, plant and equipment which in my opinion need to be significantly increased.

3. T Corp's report contained the following findings:

*"One area of concern was that approx.28.5% of Council's revenue is derived from own sourced revenue (ie annual charges, and user charges and fees) compared to a benchmark of 60.0%. The LGA is heavily dependent on external grant funding".(page 4)*

*"Council's long term sustainability would be aided by a diversification of its revenue sources in order to decrease its risk of relying on operating grants and contributions as its major revenue source". (page 5)*

#### Response

The average owned sourced revenue percentage amongst my 15 rural Council is 52% and such percentage is inextricably linked to the size of the Councils ie the smaller the Council the lower the percentage e.g. Conargo 39%, Murrumbidgee 43%, Lockhart 32% whilst large Councils such as Griffith 76%, Young 65% and Leeton 64% reported much higher percentages. I'm unsure as to the point T Corp is making but this is definitely not a financial performance indicator as some of my smallest Councils are the strongest financially.

This point is also acknowledged by the Local Government Shires Assoc. which has recently been reported as stating:

*".... many rural and regional Councils do not have the means to collect the same revenues as their urban and larger regional counterparts and are much more reliant on external funding sources.*

*Higher grant levels are absolutely critical to these authorities being able to function in the best interest of their constituents and to equalise services and infrastructure availability across the community."*

Unlike the metropolitan Councils, rural Councils do not have the capacity to increase revenue sources - eg Parking stations, parking fines etc are lucrative sources of revenue but are not relevant to rural Councils.

Also this ratio has been adversely impacted by the additional FAG instalment for which no adjustment has been made.

I therefore question the relevance of this ratio.

**In a nutshell**

The report is generally favourable and *"T Corp believes that whilst Council is comparatively small, it is in a sound financial position"* (page 24). The report however has fallen short of declaring whether Council is sustainable or not sustainable. In T Corp's opinion it appears as though sustainability is dependent on a number of factors including diversification of Council's revenue sources, reduced operating deficits and increased capital expenditure. I therefore find it most curious and somewhat contradictory that T-Corp has then declared that Council has the capacity to undertake borrowings of \$4.3 million in 2013. Surely increased borrowings will place further considerable strain on Council's limited resources and curtail its ability to be sustainable in the long term.

I don't believe the report accurately reflects the way forward for Coolamon Shire Council and I recommend that my concerns enunciated in this report be conveyed to T Corp for their consideration and amendment (if appropriate).

Please contact me if you require further information or explanations.

Yours faithfully,  
**AUSWILD & CO**

Graham Bradley  
Principal

"Overall it appears that Council will have sufficient liquidity throughout the next 10 year period to service all short term liabilities and currently scheduled capital expenditure" (page 5)

AND

"Council's current LTFP shows that the capital expenditure is forecast to decrease over time to levels below what is required to maintain and expand assets at acceptable sustainable standard."(page 5)

In all a very disappointing report that reflects an alarming lack of knowledge of local government.