

COUNCIL'S UNSUSTAINABLE POSITION

The Resourcing Strategy demonstrates that Council's current position is unsustainable, i.e. that Council cannot continue to deliver the services it currently does to current standards, let alone achieve new objectives over and above these.

This situation is not uncommon across local government, not only in New South Wales but Australia and around the world.

There are two key factors, common to most local government, which certainly are the key contributors to our unsustainable situation:

- a widening gap between expenditure and revenues
- a deterioration of infrastructure

The widening gap between expenditure and revenues contributing to Council's unsustainable position is highlighted in the LTFP. Council's revenue base is limited (due largely to rate pegging legislation) and is not keeping pace with increases in costs to deliver the services Council currently delivers, and in addition to this costs arising from responsibilities shifted to Council that were previously the responsibility of the NSW State Government.

It is estimated that, in total, this gap in between revenue and expenditure is around \$1.8M per year. This figure has been included in the LTFP in the "Sustainable Model" to achieve a financially sustainable position.

The deterioration of the infrastructure for which Council is responsible is highlighted in the AMS. Council is custodian and trustee of around \$1.8 Billion in public assets. Over the years, funding to maintain and renew this infrastructure has been reduced and funds diverted to other areas to address the shortfalls in revenue relative to expenditure noted above. At the same time, costs of infrastructure-related works have increased beyond CPI.

This has led to substantial deterioration of infrastructure. Currently, around \$122.6M is required to renew assets that have technically reached the end of their useful life.

It is acknowledged that given Council's financial challenges, it would be very difficult to address this backlog, and so it is proposed in the AMS to increase spending on asset maintenance and renewal so as to stem further deterioration of Council's assets overall.

It is estimated that an additional \$6.2M is required in asset maintenance, renewal and management in order to hold the overall condition of Council's assets at current state i.e. with a backlog of assets requiring renewal of around \$122.6M.

The specific breakdown of these funds related to individual asset classes is set out in the AMS. The figure of \$6.2M has been included in the LTFP in the "Sustainable Model" to achieve a financially sustainable position.

In summary, Council needs an additional \$8M to enable it to continue to deliver the services it does currently into the future at the current levels of service (standard).