



Department of Local Government
5 O'Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541

FF:
OUR REFERENCE DTS:
YOUR REFERENCE
CONTACT

Mr Steven Reynolds
Director
General Purpose Standing Committee No. 5
Parliament House
Macquarie Street
SYDNEY NSW 2000

Legislative Council
GENERAL PURPOSE
STANDING COMMITTEES

- 5 MAR 2004

RECEIVED

Dear Mr Reynolds

Following my appearance on 26 February 2004 I am able to provide the further information sought by the Committee.

The fees for the Boundaries Commission members are as follows:

- \$15,000 per annum to the Chairperson and
- \$6,000 per annum to each of the two members selected from the Local Government and Shires Associations.
- No remuneration to the Departmental representative.

The amount paid to Professor Sproats was \$7500. Professor Sproats provided his own support and secretarial assistance.

The fees paid to Facilitators of Regional Reviews is \$1250 per day, plus travel and expenses.

Please find attached a copy of the notes taken by Mr Bulford at the regional review meeting held at Merriwa.

Concerning the request for a breakdown of those councils on the Government's financial watch list, the following is provided:-

Murrurundi Shire Council

Council was notified at a meeting with the General Manager on 17 June 2002 that it was to be placed on the financial monitoring list. This was determined after an analysis of 2000/01 financial reports until further notice.

Initial Concerns-	High level of outstanding rates and annual charges (13.94% as at 30/06/01)
	Operating losses incurred (\$1.001M operating deficit before capital items for 2000/01)
	Deteriorated condition of roads infrastructure, and low level of funds set aside for infrastructure replacement

Concerns at 30/6/02-Deteriorated condition of roads infrastructure, and low level of funds set aside for infrastructure replacement
 High level of outstanding rates and annual charges (15.57% as at 30/06/02)
 Operating losses incurred (\$219k operating deficit before capital items for 2000/01/02)

Following analysis of 2002/03 financial statements, council will be notified of the department's intentions.

Harden Shire Council

Council was written to in relation to their financial position in July 2001 and was placed on the financial monitoring list at that time. DLG staff met with council's managers in Aug 2001 and Apr 2002 to discuss financial concerns.

Initial Concerns- Operating losses incurred (operating deficits before capital items for period 1996/97-1999/00)
 High level of outstanding rates and annual charges (10.90% as at 30/06/00)
 Deteriorated condition of roads, water and sewer infrastructure, and low level of funds set aside for infrastructure replacement

Concerns at 30/6/02-Deteriorated condition of water and sewer infrastructure, and low level of funds set aside for infrastructure replacement
 Operating losses (before capital items) incurred for 2000/01 (\$3.2M) and 2001/02 (\$1.2M)
 High level of outstanding rates and annual charges (12.02% as at 30/06/02)

Following analysis of 2002/03 financial statements, council will be notified of the department's intentions.

Young Shire Council

Young was placed on the list in April 2002 due to continued incurrence of operating deficits and low level of its asset base. DLG staff met with council's managers in April 2002 to discuss these conditions.

Initial Concerns- Low level of liquidity (1.26 unrestricted current ratio as at 30/06/01)
 Operating losses incurred (\$3.667M operating deficit before capital items for 2000/01)

Concerns at 30/6/02- Council has displayed improvements in its liquidity and profitability...

- Unrestricted current ratio of 2.33 as at 30/06/02
- \$153k operating surplus before capital items for 2001/02

Following analysis of 2002/03 financial statements, council will be notified of the department's intentions.

Merriwa Shire Council

Council was written to in relation to its financial position in November 2000. Included on list in 2001 due to late lodgment of its financial reports, weak internal controls and poor liquidity position following analysis of their 1999, 2000, 2001, 2002 financial reports and detection of fraudulent activities in July 2001. This was further confirmed by correspondence on 8 July 2002. There has been numerous letters to the council regarding their financial position and that they are still being monitored.

Initial Concerns- Breach of Section 409 - use of externally restricted funds to finance general fund operations
 Low liquidity (1.17 unrestricted current ratio and negative unrestricted reserves as at 30/06/00)
 Operating losses incurred (\$948k operating deficit before capital items for 1998/99)

Concerns at 30/6/02-Deteriorated condition of water and sewer infrastructure, and low level of funds set aside for infrastructure replacement
 Operating losses (before capital items) incurred for 2000/01 (\$421k) and 2001/02 (\$972k)
 High level of outstanding rates and annual charges (10.34% as at 30/06/02)
 Poor liquidity (1.42 unrestricted current ratio and \$57k unrestricted reserves as at 30/06/02)

Following analysis of 2002/03 financial statements, council will be notified of the department's intentions.

Finally, please find copies of letters engaging the Facilitators and corrections to the transcript of committee proceedings attached overpage.

Yours sincerely



Garry Payne
Director General