

17 September 2015

The Director
General Purpose Standing Committee No. 6
Legislative Council Committees
Parliament House
Macquarie St
SYDNEY NSW 2000

Our Ref: 2015/195211

Dear Sir/Madam

Post-hearing response - Parliamentary Inquiry on Local Government Reform

Thank you for allowing the Mayor and I to address the Inquiry into local government in New South Wales. The transcript of the hearing has been reviewed and minor corrections are contained in the attached document.

In relation to the question on notice the following comments are offered in reply

How do we deal with the issue of depreciation? How can we get a benchmark that works for NSW given the issues that we have to deal with? There must be a way of standardising this a little better

The article in the Sydney Morning Herald on 22 June 2015 by James Robertson and Sam Buckingham-Jones titled ["Sydney councils shift \\$1 billion repair bill with accounting 'fiction' in Fit for the Future scramble"](#) highlights the point Mayor Regan made at the Inquiry.

Since 2012 there has been a reported \$1 billion improvement in the balance sheets of councils across New South Wales. As a result, asset backlogs appear to have been reduced and more assets are now reported to be in a satisfactory condition. This improvement is not from increased expenditure on assets, but changes to methodology and underlying assumptions for assessing asset conditions (changes to valuation, cost to bring to satisfactory condition, expected service level of assets etc).

Some movement in the value/condition of assets is expected over time. However, the material movements reflected in the article do not build community confidence in the industry's ability to properly manage and account for assets.

The fundamental elements for a sound approach for accounting for assets are present. They include:





- Asset management planning being a key component of the Integrated Planning and Reporting Framework that all NSW councils must develop in consultation with its community. The Framework mandates amongst other items the development and maintenance of 10 year asset management strategy and plans to guide the decision making of Council.
- Best practice international and national codes and guidelines with support from peak industry bodies such as the Institute of Public Works Australia.

A continued focus on the Infrastructure Backlog Ratio as a key metric for councils will go some way to addressing this. We also believe the recent announcement by the Office of Local Government to independently audit the Report on Infrastructure Assets (Special Schedule 7) within the annual financial statements to verify the accuracy of the information in will over time result in a more consistent approach.

Another initiative recommended by the Independent Local Government Review Panel is to place local government audits firmly under the aegis of the Auditor General. This will ensure consistency of approach and provision of reliable data that can be used for sustainability assessments and benchmarking. We understand the NSW Government is considering this recommendation.

In relation to funding the renewal of assets Warringah Council has adopted a best practice [Financial Planning and Sustainability Policy](#). The purpose of this policy is to establish the strategic financial planning and sustainability framework to guide Council when developing the Annual Budget, Long Term Financial Plans, and when making decisions including the consideration of funding options for infrastructure projects which impact on the both the present and future financial position of Council. It contains key financial strategies for establishing the Long Term Financial Plan including *“Fully utilising depreciation for the renewal of assets and providing the appropriate level of funding for their scheduled and reactive maintenance”*.

This Policy has contributed to Warringah Council being rated one of the strongest councils in NSW in terms of both our financial and asset management in 2013 by TCorp and the Office of Local Government.

Yours faithfully

Rik Hart
General Manager

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