Submission No 50

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

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Inquiry into the ability of local governments to fund infrastructure and services

(a) the level of income councils require to adequately meet the needs of their communities

Prior to being able to adequately ascertain *"the level of income councils* require *to adequately meet the needs of their communities"* it is first necessary to analyse exactly what the respective communities/ratepayers needs are as opposed to what has been forced upon them by senior council staff members and subsequently approved by elected members with little or no regard to the financial obligations contained within the *Local Government Act 1993*.

Chapter 2 of the *Local Government Act 1993* outlines the purposes of this *Act* and part 7 (e) states it is *"to provide for a system of local government that is accountable to the community and that is sustainable, flexible and effective."* Chapter 3, part 8B provides the "*Principles of sound financial management"* that apply to councils. Which are as follows: -

> *"(a) Council spending should be responsible and sustainable, aligning general revenue and expenses.*
>
> *(b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.*
>
> *(c) Councils should have effective financial and asset management, including sound policies and processes for the following-*
> - *(i) performance management and reporting,*
> - *(ii) asset maintenance and enhancement,*
> - *(iii) funding decisions,*
> - *(iv) risk management practices.*
>
> *(d) Councils should have regard to achieving intergenerational equity, including ensuring the following-*
> - *(i) policy decisions are made after considering their financial effects on future generations,*
> - *(ii) the current generation funds the cost of its services."*

An analysis of Goulburn Mulwaree Council (GMC) can be used to portray the conundrum within this "*Inquiry into the ability of local governments to fund infrastructure and services"* and the insights gleaned may not be too far removed from other NSW councils that are also now crying poor and singing from the same hymn sheet blaming rate pegging, cost-shifting and even asset revaluations along with the resulting depreciation expense as the reasons they are currently finding themselves with insufficient funds. GMC is currently seeking approval for a cumulative 51.2% permanent Special Rate Variation (SRV) over a 3-year period from IPART which equates to approximately $100 million in additional rates revenue for the next 10 years. GMC have sited asset renewal and maintenance along with the rehabilitation of its waste management centre as the predominant reasons for the need of this approximate $10 million plus per year permanent rate increase.

Commencing around 2011 there were financial reviews undertaken pertaining to the financial sustainability of NSW local councils. In 2015 the results from the Fit for the Future (FFTF) reviews undertaken by T-Corp for all NSW councils were released and have been available on IPART's website since 20 October 2015. At this time these reviews were undertaken as part of validating the amalgamation of certain NSW local councils and to make available low interest rate loans from T-Corp for deemed sustainable NSW local councils. The overall result for GMC was "*NOT FIT*" predominantly because *"We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FFTF) councils should meet"* and further based on the assessment summary as follows: -

»Sustainability.- .Does.not.satisfy.overall‹ due to GMC's current and forecasted *"operating performance ratio"* not meeting the benchmark along with GMC's *"building and infrastructure asset renewal ratio was 41.4% in 2014-15 and is* forecast *to improve to 70.4% by 2019-20, which remains below the benchmark"*, the benchmark being 100%. Interestingly, council knew well prior to 20 October 2015 that it would be required to apply for an

SRV as *"The council has indicated it is not sure when the proposed special variation would commence although this* will.be *included as part of the 2016-17 budget preparations. It has indicated a preference to* see.the.benefits. of.its.other.reforms *before proceeding with an application."*

»Infrastructure.and.service.management.-.Satisfies‹ based on financial projections provided by GMC to show it *"satisfies the criterion for infrastructure and service management based on meeting the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20."* Along with *"Improvements in these ratios reflect the council's updated approach to asset maintenance and renewal, in which the council plans to increase its expenditure on asset maintenance in line with risks, revenue and community expectations of service levels."*

»Efficiency.-.Satisfies‹ .again based on financial projections provided by GMC they showed *"The Council meets the efficiency criterion based on a decrease in real operating expenditure per capita from $1,220 in 2014-15 to $1,040 in 2019-20."*

The following provides for what GMC has actually done since being deemed financially unsustainable but chose to omit from their *"productivity improvements"* and *"cost containment strategies"* analysis as provided in their SRV submission to IPART. However, the implications of which are evidenced in the balance of GMC's financial data and the resultant ratios which can be accessed from IPART's website.

New assets are allowed according to the *Local Government Act 1993* if they are purchased/built, maintained and operated (lifecycle costing) within the sound financial management principles and objectives. A quick tour around the Goulburn Mulwaree Local Government Area (LGA) identifies some of the new and/or upgraded assets associated with GMC's General Fund which have a conservative estimated acquisition cost of $80 million that are now also adding to the ongoing running costs of GMC even after being assessed as "Not Fit" aka "Not Financially Sustainable" since at least 2014/15. It also needs to be noted that none of these have been forced upon council via cost-shifting, all of these have been undertaken with no regard to the consequence imposed by rate-pegging and all of these will further negatively impact asset revaluations along with the resulting depreciation expense: -

- The Performing Arts Centre including the Old Town Hall Restoration Works – Opened in May 2021
- The Goulburn Aquatic and Leisure Centre (massive) upgrade Stage One– Opened in April 2022
- The 20+ kilometres of Walking Track network alongside Goulburn rivers – Commenced 2015
- Wollondilly River Walkway Bridge – Opened in December 2019
- The Adventure Playground in Victoria Park – Opened in May 2018
- The Riverside Park – Opened in May 2021
- The Japanese Garden in Victoria Park – Commenced 2019 and is still ongoing
- The St Clair Restoration Works (even though the building is still closed) – still ongoing
- The Rocky Hill War Memorial Museum – Opened in June 2020
- The Big Read Bus – Opened in October 2016 – Subsequently ceased operations due to being unviable
- 'Vickie' Mobile Visitors Bus – Opened in January 2017 – Subsequently ceased operations due to being unviable
- The Veolia Centre – Opened in March 2014
- The Grace Milsom Centre – Opened in February 2014
- The Cricket Club at Seiffert Oval – Opened in October 2019
- The Soccer Amenities at Cookbundoon – Opened in October 2021
- The Football Amenities at North Park – Opened in June 2023
- The Lighting Upgrade at Seiffert Oval (visible from space) – Opened in July 2016
- The Goulburn Regional Hockey Fields (massive) Upgrade – Opened in March 2022
- The CBD Paving – Commenced 2015 (estimated)
- The replaced Median Strip and Fake Grass in Auburn St – Completed March 2021
- The Council Workshop Upgrade – Commenced 2020/2021 (estimated)
- The New Council Stores and Archive Facility – Opened 2017/18 (estimated)

- The New Council Hetherington St Depot (that was supposed to be funded by the sale of the Bourke St Depot) – Opened 2018/19
- The numerous Toilet Blocks – Various dates
- The numerous Gym Parks – Various dates
- The numerous Dog Parks – Various dates
- The numerous New Footpaths – Various dates
- The May St Bridge Upgrade – Opened October 2020
- The New Pump Track – Opened September 2023
- The BMX Track Upgrade – August 2023

The above estimated $80 million worth of asset acquisitions were funded by internal and external loan proceeds, government grants, contributions, proceeds from the sale of council assets, internal and external reserve funds, and unrestricted cash quite literally until GMC ran out of funds and assets to sell. This was portrayed by the mayor as council has made the decision to not continue with the *“Carr Confoy Pavillion”* until the outcome of the SRV is known. This shows GMC’s councillors have not learnt from their past financially unsustainable habits which are not going to cease but merely be paused until GMC can extract more funds from the local ratepayers so GMC can continue to make the same decisions again and again. In GMC’s 2023/2024 Capital Works Program this facility is estimated to cost almost $7.5 million of which loan proceeds of $4 million and grant funding of almost $3.5 million have been budgeted. Furthermore, this project constitutes a new asset so will not be in keeping with the reasons put forward to provide legitimacy for its SRV proposal. This project has not been forced upon council via cost-shifting, will again be undertaken with no regard to the consequence imposed by rate-pegging and will further negatively impact asset revaluations and depreciation expense.

It must be highlighted that during the whole time the above assets were being acquired senior council staff, the mayor and councillors were all spruiking how much money GMC had in the bank. The next thing the community is slapped with the news of a permanent 51.2% SRV.

Of particular note for ratepayers is the significant impact from loan proceeds accessed especially by councils that were already deemed financially unsustainable as a council can’t simply decommission an asset and/or cease the operation of a service to stop future costs from being incurred as the loan principal and interest along with any fees and charges will still need to be repaid regardless. GMC borrowed $24.2 million between 2019 and 2021 despite already being deemed financially unsustainable. These borrowings contributed to funding the Rocky Hill War Memorial Museum (raised internal borrowings of $1 million on 30 June 2019 from GMC’s Sewer Fund with the Ministers Approval being granted on 8 July 2019 for a term of 15 years with a 2.00% interest rate), the Performing Arts Centre (raised internal borrowings of $6.3 million on 30 June 2021 from GMC’s Water & Sewer Funds with the Ministers Approval being granted on 8 June 2021 for a term of 15 years with a variable interest rate. A further $2 million was borrowed from T-Corp in 2021 for a term of 15 years with a variable interest rate) and the Goulburn Aquatic & Leisure Centre (raised external borrowings of $14.9 million from T-Corp in 2021 for a term of 20 years with a variable interest rate). It is further anticipated that council is borrowing at least an additional $4.28 million in the current 2023/2024 financial year to contribute towards funding the Recycling Facility at the Goulburn Waste Management Centre as this was deferred in the 2022/2023 financial year and whilst not in the 2023/2024 adopted budget it is anticipated to re-enter the budget via the quarterly review/carryover process.

According to the Morrison Low report (a report Morrison Low wrote on behalf of GMC specifically for GMC’s SRV process, which is available on IPART’s and GMC’s websites)*»All new infrastructure generally carries*.hidden. costs¡.*The rate cap does not allow for the new costs associated with the operation, maintenance, renewal and depreciation of new assets, and Council has to fund these additional costs through its existing budget. Over time these costs eat into Council’s sustainability as it funds more and more new asset costs from its*.existing. budget‹ . This comment was provided by Morrison Low despite Morrison Low also pointing out *“The Local Government Act sets out the following principles which are the foundation for sound financial management: -*

- *Spend* responsibly *and* sustainably?

- *Invest in* responsible *and* sustainable *infrastructure,*
- *Have* effective.financial *and* asset.management?
- *Have regard to achieving* intergenerational.equity¡‹

Of which, also according to Morrison Low, these sound financial management principles »are.not.negotiable*”*.

GMC also failed to quantify the annual impact of these now known to GMC *“hidden costs”* to the local community and to IPART which are estimated to be at a minimum as follows regarding the new assets listed above: -

- Loan repayments extra - $3m per year
- Depreciation expense extra - $2m per year
- Salaries and wages extra - $2m per year
- Insurance premiums extra - $300k per year
- Electricity and St Lighting extra - $1m per year
- Maintenance extra - $1.2m per year

However, as part of the SRV process to inform the local community for the need for this 51.2% rate rise GMC instead chose to blame the increase for these expenses purely on inflation, interest rate hikes, and the now mandatory annual revaluation of infrastructure assets.

A quick analysis of GMC’s consolidated electricity expenses over the years reveals the following: -

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2
Electricity (Consolidated)	791	882	986	1,070	1,224	1,316	1,230	1,119	966	1,087	1,050	1,413	1,419	1,302	1,354	2,2
		12%	12%	9%	14%	8%	-7%	-9%	-14%	13%	-3%	35%	0%	-8%	4%	6

What can be seen from the above figures is the significant increase in electricity expense in 2019 (35% or $363,000) and 2023 (64% or $860,000). Coincidentally or not in 2019 this increase coincides with the opening of councils new Works Depot along with the new Stores and Archive Facilities, in Hetherington St Goulburn, without the proposed savings from the required and approved sale of the Bourke St Depot in Goulburn. Again, coincidence or not but the massive 64% increase realised in 2023 coincides with full year operations of both the Performing Arts and the Upgraded Aquatic and Leisure Centres in Goulburn.

Further to counteract this argument put forward by GMC there is a direct comparison within the financial statements pertaining to the cost of electricity. Street lighting pertains to 100% electricity expense therefore if what the public are being told by councillors and executive staff one would expect this cost to have increased by this same 64% in 2023. Street lighting is an expense of the General Fund so there is no need for these amounts to be broken up by Fund to analyse this expense item. In councils 2023 Financial Statements the street lighting expense for 2023 was $602,000 and the comparative figure for 2022 was $542,000 this being only an increase of 11% some 53% less than councils’ electricity expense increase. Just using the consolidated data, we already have at hand to do a quick calculation this means approximately 11% of the $860,000 (being $94,600) relates to inflation/CPI and some $765,400 relates to increased services approved by councillors.” Which is one of those “hidden costs” put forward by Morison Low in their report to justify the need for this SRV. Granted the actual figures relating just to the General Fund may not result in the amount stated above (which may indeed be more or less depending on the increases or decreases of electricity expense regarding the water and sewer funds of GMC over these years) however GMC’s CEO refused to provide the community with the actual electricity figures relating just to the General Fund.

In relation to the information provided thus far being: -

- the results from the 2014/15 FFTF review,
- the forecasts provided by GMC and the actions GMC proposed to undertake to become financially sustainable as a result of the FFTF review,
- the new/upgraded assets and services GMC has undertaken since 2014/15,

- the monumental loan proceeds GMC has and is intending to be in receipt of without regard to GMC's financially unsustainable position not to mention without regard to intergenerational equity especially for the current generation,
- GMC's SRV proposal,
- coupled with the lame excuses being put forward re cost shifting, rate pegging, revaluations, inflation, and increased borrowing costs,

GMC's annual financial statement results should be run through the T-Corp model to provide answers for the decisions that have been made by GMC since 2014/15. This will assist in identifying a baseline for which this analysis can start. This should also assist in identifying the true reason why at least GMC is asking for more funding, this analysis will find the reasons put forward by GMC pale in comparison to the added costs incurred as a direct result of GMC's own decision-making practices. It may then be seen as a necessary step in this process to undertake this review for all NSW councils in order to find the councils that have always made decisions in the best interests of their communities and apply the results from these councils re rate pegging requirements to the rest of NSW councils that haven't.

(f) review the operation of the special rate variation process and its effectiveness in providing the level of income Councils require to adequately meet the needs of their communities

As mentioned previously Goulburn Mulwaree Council is currently seeking a cumulative 51.2% SRV over a 3-year period from IPART and at the time of writing this the outcome was not known.

However, what is known at this time is: -

- that more than 12,000 signatures have been collected on a petition opposing GMC's SRV however, in the document dated 23 October 2023 *"Engaging with IPART about variation applications from 2024-25"* at item 4.3 "Misconception: If the community doesn't support the SV, it can't be approved" IPART makes it abundantly clear that *"Community support is not required for us to approve an SV application"*.
- the information provided by councils runs into hundreds of pages yet a single submission by the community can only be 5,000 characters not even 5,000 words,
- IPART gets to determine if they will even read a submission let alone consider it in their decision,
- it is stated that it is not within the purview of IPART to *"assess the merits of council spending decisions",*
- it is also stated that it is not within the purview of IPART to perform an *"audit"* of the council,
- it is therefore deduced from the above two statements that council's determination of the "needs of their communities" is the sole opinion to be taken into consideration by IPART,
- it is further deduced that therefore the adequate level of income required by council is what council says it needs,
- it is even further deduced that council does not need to follow the requirements of *The Local Government Act 1993's* principles which are the foundation for sound financial management because this does not need to be assessed,
- which ultimately means if this SRV is approved, and council chooses to continue to spend funds and borrow even more funds to spend on new assets and new services then council can repeat the SRV process again and again with complete disregard to the real needs of their communities.

Interestingly though councils do have an obligation to highlight to the external auditors if they are struggling as a going concern, but this appears not to have been done in 2023 re GMC because the focus re the audit was regarding the consolidated financial statements and not that of the General Fund specifically. However, the inability of GMC's General Fund remaining a going concern was being communicated to the local community and IPART during the exact same period in 2023 as the external audit was being undertaken. The shortfall of this being proposed at $10 plus million per year. It also needs to be noted here that the annual audit function does not cover auditing the budget nor does it consider if a council has conducted its business in an efficient and effective manner. Can anybody else see the blatant disconnect here begging the question who is ultimately responsible for overseeing the actions of councils are within the confines of the requirements of the Local

Government Act 1993? It is a copout to say the local community, so is it the external auditors, the Office of Local Government, the Minister for Local Government or Parliament itself?

(g) any other related matters

- Loan Proceeds/Borrowings
  As mentioned previously the FFTF reviews were undertaken in part to allow T-Corp to offer financially sustainable local councils low interest rate loans. It is therefore imperative as part of this review that the assessment undertaken by T-Corp including the business cases provided by GMC to T-Corp and the Office of Local Government, at least for the Performing Arts Centre and Aquatic & Leisure Centre, to lend funds to GMC being deemed a financially unsustainable council be thoroughly analysed to fully appreciate the impact these decisions have had and are going to have on the current and future ratepayers of GMC especially if the 51.2% SRV is approved by IPART.
  Further, in relation to loan proceeds of councils, especially already deemed financially unsustainable councils such as GMC, investigations should be undertaken to see if expenditure has been incurred due to decisions that have been made that did not comply with the various requirements within the Local Government Act 1993 for NSW. If it is found that a council such as GMC has incurred loan borrowings to fund expenditure that does not comply with the responsible financial requirements of the Local Government Act 1993 then serious consideration should be given to seeking any remedy available for those that were responsible to be held accountable within the NSW Local Government Act 1993. In hindsight consideration should be given to making a specific provision within the Local Government ACT 1993 for NSW councillor's similar to that held in the Local Government Act 2009 for QLD re Part 4 *"Councillors liable for improper borrowings"* clause 112 which holds councillors jointly and severally liable for the amount borrowed, along with all interest, fees and charges incurred. This would go a long way to curtailing any further unaffordable borrowings coming to fruition for all NSW local councils and provide not only peace of mind but a recourse for ratepayers into the future.

- Grant Funding
  The T-Corp financial review was very good in providing a snapshot of a council's financial sustainability position and quite clearly showed where an individual council was deficient. This review should be incorporated into the Integrated Planning & Reporting Framework and the results included in the information made publicly available both on an actuals basis which should be fully audited and published as part of a council's annual report and on a budget forecast basis and published as part of the Long-Term Financial Plan, Delivery Plan and Operational Plan process.
  Furthermore, the updated T-Corp ratios should be included in any application made for grant funding (and loan funding applications) for new and upgraded assets and/or services so the government can be clearly informed if the awarding of such grant funding will have an adverse impact on a council's financial position and ultimately an adverse impact on ratepayers as at some stage a council will need to apply for a SRV and when a council does all of this data must be provided to IPART.

- Statutory Fees
  Consideration needs to be given to reviewing all the statutory fees placed on councils as the vast majority of these remained the same for many years at a time without being indexed. It would be prudent to ascertain if these fees were insufficient in funding the related expenditure they were meant to cover and if subsequently these added costs have been borne by council's rates income and if so the government body responsible for making these decisions on behalf of councils should have their budget cut and the funds redirected to reimburse local councils. As these statutory fees are for a specific purpose at least full cost recovery should be achieved to ensure the cost is completely borne by the user that gets the direct benefit and to ensure these fees are not being subsidised by a council's other ratepayers.

- Financial Assistance Grant

Councils need to be re-educated in what the Financial Assistance Grant (FAG) funding covers even though this grant is untied, and councils can spend these funds as they see fit, as these funds are provided and calculated and granted to councils according to certain criteria. To a degree these individualised grant amounts are also calculated based on the information provided annually within councils Financial Data Returns (FDR) so if councils aren't receiving an amount, they believe they should be compensated for a particular expense, then maybe councils need to ensure the correct figures are in their councils return. Furthermore, the NSW Local Government Grants Commission invites submissions annually from all local councils so if a council believes they are incurring expenses re cost-shifting, etc that are outside the councils control then this should have been advised already. The submissions already provided to the NSW Local Government Grants Commission, or indeed lack thereof, should be considered in conjunction with the other material being considered re cost shifting as councils should have put all of this to the NSW Local Government Grants Commission already. The amount of these grant funds received by individual councils also need to be considered when assessing the level of rate pegging and the impact of cost shifting on councils so as not to create a circumstance for double dipping as Morrison Low wrote in a report for GMC to inform the local community rate pegging does not take into account a council's location which is rightly so because the FAG does however, this part of the fact was omitted from Morrison Lows report.

- Local Government Financial Statements
  The watering down of council's financial statements also needs to be addressed because whilst very few people read them, or can understand them, they are really the only source of information publicly available portraying what a council has spent and received during a particular year. For example, as part of GMC's community awareness campaign for councils proposed SRV GMC highlighted losing Emergency Services funding as a reason for needing this SRV, but GMC failed to quantify the actual dollar amount this impact would have on the actual budget during this process. The following data has been compiled to show the changes to the information provided within the financial statements over the years and the watering down of these statements now means the local community cannot verify such a claim being made by council as from the below information it appears GMC made a profit of $93,000 re Emergency Services in 2023: -

Other Expenses	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Emergency Services: -	285	466	372	196	597	383	337	271	235	389	287					
- ESL			30	32		41	41	42	49	53	17	41	41	44	46	85
- NSW Fire Brigade			91	99		98	100	100	104	106	110	103	109	99	124	141
- NSW RFS Levy		303	199	205		252	264	266	289	301	309	327	301	401	394	526
Less: Operating Grant	-163	-364	-324	-296	-225	-245	-354	-246	-214	-192	-150	-181	-228	-260	-411	-620
ESL Subsidy																-225
	122	**405**	**368**	**236**	**372**	**529**	**388**	**433**	**463**	**657**	**573**	**290**	**223**	**284**	**153**	**- 93**

The exclusion of Special Schedule 1 – Net Cost of Services further takes away valuable information that could have been relied upon by the community to hold their council accountable for how it has utilised the ratepayers' funds. An example re GMC is provided below. This example is of particular importance to the local ratepayers as even though the reported income for the Aquatic & Leisure Centre has increased by almost $1 million since the upgrade in the current 2023-2024 budget the reported deficit has also increased to being almost $2.2 million. Again, GMC's CEO will not provide actual figures to the community and conveniently the Acting Director and Manager of this facility didn't know what the budget for this facility was when interviewed for an article that appeared in the *About Regional* publication on 11 March 2023.

Swimming Pools	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
User Fees & Charges - Swimming Centres	-316	-409	-386	-379	-329	-240	0	0	0	-404	-599	-537	-385	-168	-385	-1225
SS1 - Net Cost of Services																
Swimming Pools																
- Operating Expenses	875	1,368	1,271	1,311	1,329	1,253	884	829	954	1,556	1,645					
- Operating Income	-324	- 416	- 397	- 403	- 348	- 291	-	- 1	- 1	- 436	- 599					
- Capital Income																
	551	**952**	**874**	**908**	**981**	**962**	**884**	**828**	**953**	**1120**	**1046**	**0**	**0**	**0**	**0**	**0**

Consideration should also be given to providing a full set of financial statements just for the General Fund that also excludes the Domestic Waste Management Fund. This would allow the readers in particular the auditors, councillors, community members, lenders, and government bodies to be made fully aware of the exact position of a councils General Fund on an annual basis and would have an added benefit of allowing for easy analysis between councils because like for like information would be available especially within a councils relevant group of councils. Unlike other businesses that have consolidated financial statements it is of no benefit to local government as any profits, etc from the water, sewer or domestic waste funds cannot be used to offset the financial position of the general fund. The consolidated financial statements just add another level of complexity that just further confuses everybody who relies on the information within these statements.

- National Competition Policy

  Council functions should be reassessed annually as part of the audit process in line with the requirements of the National Competition Policy so the local communities can see exactly which functions of councils are running at a profit or a loss. For example, GMC should be required to report on the profits being made within its Waste Management Centres (non-domestic) the same as it must for Water, Sewer, Domestic Waste, Commercial Waste and previously the Airport. A summary of the annual results of GMC's Waste Management Centres (non-domestic), Domestic Waste and Commercial Waste that used to be available to the public as taken from GMC's financial statements can be seen below: -

SS1 - Net Cost of Services	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Solid Waste Mgmt - Has to incl DWM & CWM at least from 2010 onwards																
- Operating Expenses	1,317	1,821	4,775	4,119	4,014	5,025	4,200	4,452	4,243	4,353	3,939					
- Operating Income	-1,899	-2,111	-4,297	-4,881	-4,876	-4,858	-5,198	-5,562	-5,783	-6,203	-7,244					
- Capital Income	- 19	- 95		- 15	- 4		-	- 11		- 27	- 26					
	- 601	**- 385**	**478**	**- 777**	**- 866**	**167**	**- 998**	**-1,121**	**-1,540**	**-1,877**	**-3,331**	**-**	**-**	**-**	**-**	**-**

After reviewing the separate financial statements re Domestic Waste and Commercial Waste and taking the resulting profits away from the totals in SS1 it reveals GMC has been making annual profits well in excess of $2 million from their Waste Management Centres (non-domestic) for a number of years now and this year being 2023/2024 the profit is projected to be $3.7 million as per GMC's budget. This profit has not been accounted for separately within the audited annual financial statements under the *National Competition Policy*. If this had been included it would have allowed for transparency to the community and councillors that this was and is occurring and wouldn't have made it as easy for GMC to use funding the rehabilitation of the Goulburn Tip in the amount of $1.25 million per year as a reason for GMC requiring a 51.2% SRV. First and foremost, these additional funds should have been allocated to future capital works pertaining to the Waste Management Centres to eradicate the need for borrowings (as mentioned earlier in part (a)) hence increased costs of facilities on ratepayers and the purported $1.25 million per year required to rehabilitate the tip should have been placed into the tip replacement reserve from these profits for when this expenditure falls due. A summary of the Tip Provisions and Tip Replacement Reserve balances over the years has been provided below: -

Asset remediation -	Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip														
Tip Provisions	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Goulburn Tip	1,634	1,795	4,545	4,607	7,005	6,132	6,275	5,293	5,386	5,467	5,549		5,687	11,702	11,878	12,074
- Estimated year of restoration	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2032***	***2035***	***2034***	***2035***
Marulan Tip	139	621	664	639	681	526	537	756	769	780	792		818	1,822	1,850	1,883
- Estimated year of restoration	***2011***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2050***	***2041***	***2052***	***2041***
Tip Replacement Reserve balance	-	-	-	-	-	-	130	243	243	188	188	263	263	263	200	131

From the above data even though the amounts and timeframes varied there was clearly information available to warrant council to set aside funds to rehabilitate the tips when the need arises. However, GMC chose to ignore this and spent these additional proceeds on funding other expenditure every year like contributing to the funding of the new and upgraded assets mentioned earlier and funding the ongoing increased running costs now being experienced due to the addition of around $80 million worth of additional assets that were all acquired outside the principles for sound financial management.

It should also be made mandatory that a council's facilities like GMC's Performing Arts Centre and Aquatic & Leisure Centre to have separate financial reports within the special purpose section of the financial statements to ensure transparency and accountability to the ratepayers.

- Developer Contributions
  An analysis of council's financial statements re *G3 Statement of developer contributions* should also be undertaken as part of this review to see if councils have been bank rolling developers with ratepayers money. An example of this can be seen in GMC's financial statements for 2023 on page 76 of 121 G3-2 CONTRIBUTION PLAN – Ducks Lane for Traffic facilities whereby GMC still has an outstanding amount due in relation to this development of $1.119 million because GMC councillors chose to defer the contributions of the developer until the developer sold the land and in the meantime GMC took out a loan and built all of the infrastructure on behalf of the developer. This development on behalf of the developer was undertaken by GMC prior to 2008 and subsequently the land due to these outstanding development fees is too expensive for anyone to purchase. This is but an example that portrays the longevity of an ill informed decision by individuals at the expense of the ratepayer's.