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NSW

# Sydney councils shift \$1 billion repair bill with accounting 'fiction' in Fit for the Future scramble

June 22, 2015

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James Robertson, Sam Buckingham-Jones

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## EXCLUSIVE



Liverpool mayor Ned Mannoun. Liverpool Council shaved \$200 million off its \$260 million liability.

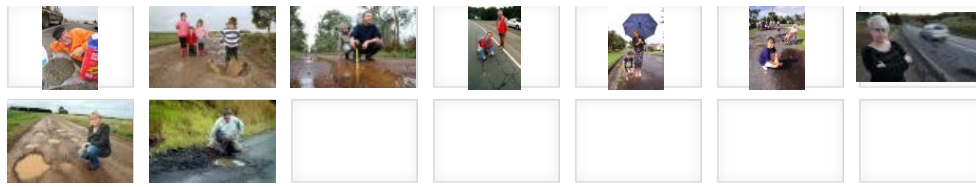
You might not have noticed, but Sydney's roads are getting better even without being fixed.

That's according to the city's councils, which have recently wiped from their balance sheets a billion dollars of liabilities such as run-down old roads, often without spending a cent.

### Residents exasperated by rundown roads

New data shows councils' infrastructure backlogs are disappearing fast. Nothing leaves a ratepayer so exasperated, or so potentially exposed to danger, as a rundown road. Here's a retrospective of some of the reportage of ratepayer concerns by Fairfax Media local papers.

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The new determination by councils to reclassify roads as being up to standard comes at a

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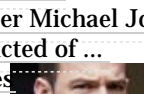
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crucial time for Sydney's local governments.

They have until the end of this month to prove to the state government that their finances are in good shape or they face being merged.

The Baird government has repeatedly warned that NSW has too many councils and that mergers will make them run more efficiently.

And some councils appear to be making their balance sheets look healthier with a few changes to accounting systems.

In 2012, Liverpool Council was saddled with about \$260 million in liabilities to bring its ageing roads, footpaths and buildings up to standard.

But by late last year \$200 million had been shaved off that figure – all without the council so much as needing to fill a pothole.

"The difference ... is not a result of additional spending," a spokeswoman for mayor Ned Mannoun said.

The council has instead twice hired consultants to revalue which of its assets need repair.

Until recently, councils have used their infrastructure backlogs to appeal to the state government – and residents – for the right to raise their rates. Liverpool cited its large repair bill when raising rates by 10 per cent for the past five years.

But last year, the state government changed their incentives. Keeping such backlogs down has become a key measure of a council's financial fitness.

## Sydney councils' disappearing repair backlog

Cost to bring councils' infrastructure up to standard, (\$ millions)

Created with Raphaël 2.1.2



Fairfax Media graphic

Source: T-Corp Council Sustainability Reports (2013) and Council Annual Reports 2013/14.

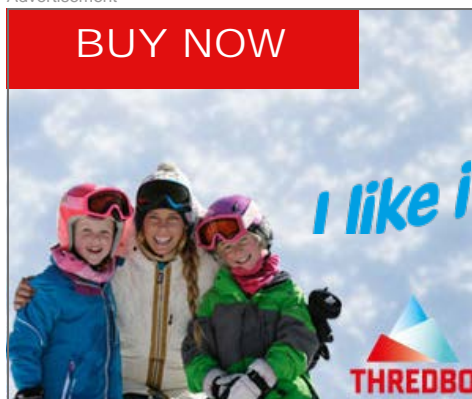
The government has warned councils whose financial performance is judged "unfit" from August may face the threat of being merged with others.

Brian Dollery, a professor of local government at University of New England who specialises in council finances, said the figures were an "accounting fiction" designed to make councils appear more financially viable.

"This raises significant concerns about [the state government] basing [its merger] policy decisions on financial sustainability," he said. "The Office of Local Government would thus be prudent to suspend [the council merger] process until it has accurate measures."

Local Government Minister Paul Toole said he was "concerned by any suggestion councils had not been scrupulous, honest and transparent in the information they are

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providing [the state government]".

Burwood Council's liabilities have dropped eightfold in the past two years, by nearly \$150 million; the most, proportionally, by any Sydney council.

The revised figure comes from , Mayor John Faker said, "a more standardised measure of assessment" that better matches that used by the state government.

Morrison Low, a management consultancy, was engaged by both Burwood and Liverpool and many other Sydney councils to evaluate their assets. Councils say the provider's approach is in line with the state government's.

The company referred questions on the valuations to councils.


A handful of councils' backlogs have risen as a result of these new estimates: Leichhardt's has tripled to reach \$30 million.

But liabilities have dropped at about 80 per cent of Sydney's 41 councils, by an average of four times.

Ku-ring-gai Council – which in April dropped its liabilities by \$150 million – has moved from using a survey of residents to determine whether infrastructure was up to standard, to having this estimated by consultants.

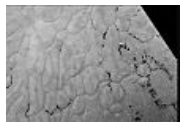
Councils have until June 30 to make their submissions to the Independent Pricing and Regulatory Tribunal.

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“

Good to see that consultants are adding such value! [Please read sarcastically]

Ben n mike consulting | Sun Jun 21 20:13:02 UTC 2015

“

And the esteemed Professor of Local Government suggests stalling planned mergers and amalgamations until some vague future time when the Government has an improved measure of Council financial viability. He must be ex-local Government suggesting rewarding Councils for their financial slight of hand. Sure a better option is an analysis of the financials much like the SMH has done?

Bernie | HV Sun Jun 21 20:56:18 UTC 2015

“

Maybe the councillors (as distinct from politicians) have stopped taking expensive first class junkets overseas and bringing back "world class" solutions to non-existent problems, that need multi-miloin dollar funding.

peter | Sun Jun 21 21:05:40 UTC 2015

“

Oh I do Ben and Mike consultant.

It'd be funny if it wasn't so serious. Anyone noticed the rapid decline in our living standards in recent times?

kanga | Sun Jun 21 21:05:43 UTC 2015

“

There's so much creative accounting around at the moment, and so little real work actually being done.

Chris | Mon Jun 22 01:00:26 UTC 2015

“

Precisely. What is the council engineer doing? Councils should not need consultants at all. We would be better off without councils altogether.

The Genuine Article | Mon Jun 22 03:12:37 UTC 2015

“

Must be a great comfort to those of us who live in LGAs where the council have seen fit to burn large chunks of ratepayers' money on "no forced amalgamations" campaigns.

Way to go to get us supporting the state government's push. Any council that thinks it is entitled to do such a thing deserves to be forced into oblivion

pjh | Sun Jun 21 20:20:36 UTC 2015

“

These self-interested fiefdoms can't be amalgamated fast enough.

JP | Mon Jun 22 03:58:29 UTC 2015



“  
Fancy Councils doing the right thing by themselves - who would have thunk it possible that they would look after their jobs over the community - genuinely shocked , NOT .

MERGE MONITOR - MAKE COMMERCIAL

gman | nsw Sun Jun 21 20:24:02 UTC 2015

“  
Yet again - consultants justify their fees without producing a thing :)

Mike the consultant | Sun Jun 21 20:35:16 UTC 2015

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**...without missing a beat in all conditions...**  
**I swear by these tyres."**

*by: Tony B*






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