

## Answers provided by General Manager, Russ Pigg

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### CHAIR:

*“Our time for questioning is all but finished. I would like to put a couple of questions on notice. I note that one of the issues is cost-shifting. Do you have a solution for that, particularly focusing on the section 94 issue?”*

This is extremely complex. The current IPART inquiry on the burden of compliance & reporting is relevant & should quantify cost shifting impact. Similarly the LGNSW has surveyed & collected much data from local councils in NSW to quantify the financial impacts of cost shifting.

In some circumstances the State Government has no regard to its decisions on ratepayers. The continual increasing of the s88 Waste levy at approx. 10% per annum now equates to almost \$8M from Shoalhaven ratepayers alone, with little returned. This is a drain on ratepayers' capacity to actually afford additional payments to Council for the services it provides. Councils must be compensated when State or Commonwealth decisions or legislation impose financial burdens at the local level and far greater attention via “local government impact assessments” must be made before those decisions are finalised.

In respect to s94 there needs to be recognition that infrastructure must be provided to sustain the proposed new development. It is a cost passed on to the eventual purchasers but it is not reasonable to expect ratepayers in general to meet a disproportionate cost towards infrastructure that is specifically needed as a consequence of new development. The apportionment methodology is a sound system and artificially capping s94 payments is not supported unless the State Govt itself compensates & makes up the differential to the real cost rather than imposing that cost onto ratepayers.

*“Do you have a solution for addressing the definition of "depreciation" and getting that a bit more stable in relation to local government so that the State Government method is consistent with the State application?”*

There needs to be wider application of “stepped” depreciation methodology to recognise that in the life of an asset it does not deteriorate in a consistent “straight line”. Assets typically do not depreciate in condition very much initially but accelerate later in its life IF proper renewal is delayed from the optimum timing. The OLG could work with the industry to provide further guidelines on depreciation methodology which may reduce the non-cash depreciation expense that hits the Operating Statement.

*“If you could present your debt service ratio figures, that would be handy too.”*

From the 2013/14 audited Financial Statements it was 3.52 in respect to General Fund.

Preliminary calculations for 2014/15 is 4.32.