

KJH/db

Local Government Study  
Productivity Commission  
Locked Bag 2  
Collins Street East  
MELBOURNE 8003

24th July, 2007

Dear Sir / Madam,

**Assessing Local Government Revenue Raising Capacity**

Strathbogie Shire has prepared detailed analysis of its infrastructure needs. The Shire has considered what funding is currently affordable (the budget) and what is necessary to maintain infrastructure in an appropriate service condition (the target). Strathbogie Shire estimates the difference between the budget and target expenditures, the estimate of the infrastructure gap, is approximately \$20.7 million over the next twenty years.

The Shire has also assessed the financial ability to fund current and future investment requirements.

Similar to many rural Councils, Strathbogie has a significant challenge to provide the services, and the associated infrastructure, expected by its community. As such, Strathbogie Shire Council commissioned Ernst and Young to undertake a "financing capacity review" (Attachment 1) and the Shire has also undertaken analysis of all opportunities to eliminate inappropriate services, consider alternative service delivery models, identify efficiency improvements and a range of other funding opportunities (Attachment 2).

Both of these documents will provide a good case example of a small rural Council struggling to provide appropriate service levels to its community, with no ability to provide appropriate revenue raising capacity. As such, we submit this example to the Productivity Commission for consideration.

Please note that the report prepared by Ernst & Young was for the Shire Council and Executive and is, therefore, not available to be reproduced for the purpose of posting on the public website. However, the report concludes that the Strathbogie Shire faces significant challenges to provide the services (and therefore the required infrastructure) expected by its community.

Further, the ability of the Shire to obtain third party funding to assist in the procurement of infrastructure to deliver the required services is limited due to the Shire's likely inability to generate sufficient cash flow to service any funding obligations.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Kevin J Hannagan', with a stylized flourish at the end.

Kevin J Hannagan  
**CHIEF EXECUTIVE OFFICER**