

## **Some local councils may face bankruptcy: LGA**

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The global economic crisis is financially hurting up to 25 local councils in NSW and some face possible bankruptcy, says the Local Government Association (LGA).

LGA president Genia McCaffery says both metropolitan and rural councils are exposed to the collapse of US investment house Lehman Brothers.

Many Australian councils had bought triple-A rated collateralised debt obligations (CDOs) backed by US subprime mortgages from Grange Securities, which was later bought by Lehman Brothers.

Ms McCaffery said up to 25 of the 152 local councils in NSW were exposed, but metropolitan councils had stronger survival mechanisms in place.

“When you look at the raw figures there’s quite a large exposure, but they’ve got a strong rate base and good capital reserves so they could probably weather the storm,” Ms McCaffery told AAP from the LGA’s conference in Broken Hill.

She said some rural local governments faced the possibility of bankruptcy.

“We know that there are a couple of small rural shires that are quite exposed and those councils don’t have a great rate (payers) base anyway and they don’t have very large capital reserves.”

NSW Local Government Minister Barbara Perry, who also attended the LGA conference, called on councils to seek independent advice on their exposure to the Lehman Brothers collapse and report their losses to the state government.

“Some councils have advised that it is difficult to ascertain their total exposure because the fate of Lehman Brothers is still being determined with legal proceedings underway,” Ms Perry said in a statement.

“Ultimately, councils are responsible for their own investment decisions, and the need to obtain independent financial advice has been stressed repeatedly over the years.”

During the conference, Ms McCaffery was returned as president of the LGA after defeating Queanbeyan mayor Tim Overall in a vote by member councils.

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