

**Submission: Wyong Shire Council – Application for Special Rate Increase of 6.9%/annum for seven years.**

The application by Wyong Shire Council [WSC] for a special rate increase as presented during the public consultation process was of concern to a majority of WSC residents. As a WSC ratepayer I am of the opinion that WSC has not met some of the criteria on which IPART will be making a determination, and that the council's submission in the current form might not be in the best interests of the community.

While the final application is for a lesser increase than put to the public, there is a case for a review of the level of the proposed increase and the term of the proposed increases is not considered to be appropriate given that the timeframe extends beyond the term of the Strategic plan which identifies needs.

**Demonstration of the need for a rate increase.**

It is recognised that there are some genuine reasons for an increase such as the need to fund cost shifting, and that the Council has made some progress in addressing a liquidity problem. The presumption that ratepayers need, and are prepared to fund identified service levels is however questioned. The need for funds to maintain assets must be considered in conjunction with the ratepayer's willingness to and capacity to pay.

The current process has been developed around a premise of upgrading existing assets and providing additional assets without seriously addressing the rationalisation of the asset base to meet the capacity of ratepayers to fund the works. The Council appears to be in its current position because it has established an unsustainable asset base yet proposes that additional assets be provided without rationalisation of the existing asset base.

The fact that the Council has pulled back from a proposal for a 12.5% increase to much lower increases clearly indicates that there is room to adjust the wish list and for the organisation to remain viable.

The Council has not as yet demonstrated that the expenditure proposals are rationally supported by the community. There has been no indication of which services would be impacted by any lesser increase.

### ***Engagement with the community.***

While the engagement by the Council with the community is documented in the submission by WSC the accuracy of information presented is questioned. Clearly the organisation is attempting to show how low it's rates are compared to other local government areas when in fact it is in fact near the average but conveniently omits to indicate that after the increases sought it will be one of the more expensive local government areas in the state.

When questioned by a member of the community at the February information session as to what increases were other councils seeking the response was one of "do not know" despite the fact that at the time this information was available in the IPART web site. Only selective information supportive of the increase sort was presented. Every effort by the council seemed to focus on how low the current rates are compared to others, and no focus on where they might be after the proposed increases. This focus continues on to the application letter to IPART where only the increase above rate pegging is acknowledged, not the total increase residents would face.

The accuracy of information presented by the council is questioned. At the public information session held on 7/2/2013 WSC provided additional information which included the following:-

"As at June 2012 of the \$197M debt held by Council \$195M relates to Water and Sewer which equates to 98.7% of the debt." However page 66 of the Council's submission to IPART states that "General Fund Borrowing Costs only equate to \$3.0M annually." Surely a borrowing cost of \$3M/a for a debt of \$2M can not be correct.

The list of capital works presented by the council in some respects appeared to be a wish list. As a resident of Bateau Bay I was intrigued as to what location constituted the Bateau Bay "Town Centre", given that to my knowledge there is no such generally recognised location. Enquiries of the Council resulted in advice that there was not one and that one was to be developed.

How accurate is the information presented by the council? The two items referred to above hardly install confidence in the engagement undertaken.

The entire theme of information presented seemed to be of what we must do to retain the current services rather than provide any comprehensive options including which services may be impacted and which assets might be rationalised, if additional revenue is not provided. The reaction of the public information session on 7<sup>th</sup> Feb 2013 clearly indicated that there was not support for the increase the council was seeking.

### ***Willingness and Capacity to Pay***

The conclusion reached by the Council that the increases applied for are reasonable and acceptable to the community is hardly supported by fact.

The submission to the Tribunal draws the conclusion of willingness to pay from the results of the community consultation activities where 43% of respondents indicated that they were prepared to pay for some increase above rate pegging. However a greater percentage, 53% indicated that they were not prepared to pay for any increase above rate pegging.

What proportion of the community that is prepared to pay for a 6.9% increase is unknown as such a scenario has not been presented. No attempt has been made to determine how much residents are prepared to pay, other than the number prepared to pay the proposed 9.5% increase. In simplistic terms if half of those who indicated a willingness to pay some increase were to agree to the applied for 6.9% increase, then only some 20% of residents would be supportive of such an increase.

The capacity to pay is highlighted in the Council's submission by the SEIFA Index, the median Weekly Household Income, and the highest level of unemployment of comparative Group 7 Councils.

Given the level of socio-disadvantage any excessive increase has the potential to cause problems through defaults and further increase revenue pressures.

### ***Conclusion***

The fact that WSC initially proposed an increase of 12.5% which would have resulted in the rates being one of the highest in the state, suggests that revenue is being sought to fund a dream that was simply not affordable or acceptable.

While the submission before the Tribunal has wound back the revenue sought the processes that have been pursued to arrive at the submission are of concern.

Until such time as meaningful options of additional revenue vs service reduction/asset rationalisation are put to the community and identification of willingness to pay is explored, the Tribunal might seriously consider the level of increase it is prepared to approve. If the tribunal is able then consideration might be given to not approving funding for new assets at this time.

The term for the proposed increases is considered to be too long given the fact that asset management assessments appear to be a work in progress and potential rationalisation is possible. The tribunal is requested to limit any approval to a smaller time frame of say three years maximum. This would encourage WSC to look seriously at all the options raised by the State Government to restore financial viability, and not just a reactive response to a limiting revenue option.