

19 December 2018

North Sydney Council
Have Your Say

Special Rate Variation Application

I object to the Special Rate variation proposed for 5 years commencing in July 2019 for a number of reasons set out below:

Summary:

The proposal for a Special Rate Variation is explained and supported by what is a classic snow job that I have experienced in my long period as CEO of a public company subsidiary where management clouds the details to confuse the reader. Typically, they suppress the top line and exaggerate the cost line to show a soft budget that can be easily beaten and then management comes out looking like champions.

There is however a consequential problem: Management becomes lazy and the business performance lags because there is not enough “stretch” imposed on management to perform better. The job of the board is to test management by questioning every line in the budgets and to ensure it is fully satisfied with the forecasts. In this regard it is important that Councillors do the job of any responsible board by questioning all key staff. There is no suggestion this has been done.

This proposal if it were to be approved would be a travesty imposed on residents by Councillors who campaigned on a platform of ensuring responsible management and “no rate increases”. Those promises have been forgotten by most Councillors.

Instead, Council, led by management has put the proposal out for public comment without one word of evidence that they have fully examined the details nor is there any explanation why they have changed their position on “no rate increases” in such a short period of time. All we have is threats of reduced services if Option 3 is not approved.

Background:

Council has just completed a Special Rate Variation that was initiated in order to fix a structural issue with North Sydney Council rates. The SRV was granted by IPART in 2011 and commenced on 1 July 2012 and finished on 30 June 2018. It was a 5.5% increase including the rate peg. Council is now in a position to be sustainable with the rate peg increase into the future. More importantly, North Sydney Council has a very low reliance on rates compared to other councils. Rates are 38% of total revenue with 22% from user charges and fees and the rest from a mix of interest and investments and other charges. The last SRV was sold to the community (and accepted) as a “one off” to fix a structural issue.

Against this background, another SRV (particularly 7% pa for 5 years) is not justified. It will certainly raise eyebrows at IPART.

Financial Statements 2017/18:

North Sydney Council financial report states that Council meets or exceeds all six financial benchmarks set by the Office of Local Government, is running large surpluses and holds significant investment funds and assets. Such a statement should raise doubts by Councillors about the need for an SRV so close to the completion of a 5-year SRV just completed in 2018.

Income:

The proposal conveniently groups residential rates, commercial rates and user charges into one line. This has the effect of lowering the forecast compound "rate" increase from 40% over the five-year period to 36%.

The modelling undertaken by Council to justify the rate increase fails to include:

- the significant projected increase in new rateable residential and business properties as a result of current construction and State government policies set to deliver significant increases in residential and worker population (more rateable dwellings and commercial buildings);
- existing and future s94 development contributions and community benefits and infrastructure to be delivered via Voluntary Planning Agreements;
- detail on Council's existing and projected investments and interest and actual grant revenue; and
- detail on the Valuer-General's revaluations expected over the next 10 years.

Threats:

Scenarios 1 and 2 are accompanied by implied threats that if Scenario 3 is not adopted Council will have to cut services. I would not accept cuts to services such as included in the explanatory and supporting documents. Such statements deserve close scrutiny by Councillors and IPART.

Personal:

Since fully retiring in 2013 I have been a self-funded retiree without any other taxable income. I suspect that I am not unlike hundreds or even thousands of North Sydney residents in similar circumstances. In the five years since retiring my income has been fixed and three years ago, I took a \$6k pa cut in distribution from my pension fund in order to conserve capital to fund the balance of life expectation. Like other people in similar circumstances I object to paying extra costs that are not justified.

