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Submission: From: Barbara DeGraff [REDACTED]

Sent: Tuesday, 12 March 2019 2:53 PM

To: John Madden

Cc: IPART

Subject: OBJECTION: North Sydney Council Special Rate Variation Application 2019

Dear Mr Madden,

I am writing to:

1. ENDORSE the OBJECTION submitted by North Sydney Councillors Carr, Baker and Beregi with regard to the proposed special rate variation for North Sydney.
2. Strongly urge you to REJECT the application for a Special Rate Variation for North Sydney.

Kind regards,

Barbara DeGraff
[REDACTED]

Councillor Zoe Baker
Councillor MaryAnn Beregi
Councillor Tony Carr

c/o 200 Miller Street
NORTH SYDNEY NSW 2060

Independent Pricing and Regulatory Tribunal (IPART)
Level 15, 2-24 Rawson Place
SYDNEY NSW 2000

Attention: Mr John Madden

8 March 2019

By Email: ipart@ipart.nsw.gov.au;
John_Madden@ipart.nsw.gov.au

Objection: North Sydney Council Special Rate Variation application 2019

We are independent councillors on North Sydney Council and write to express our strong concerns in relation to Council's application for a Special Rate Variation (SRV).

We ask IPART to reject North Sydney Council's application for a 7%pa increase in rates for five 5 years, starting in 2019/2020. We outline our reasoning below.

Background

The decision to make this application was not unanimous. Four of the ten councillors voted not to apply for a SRV. We are three of those four who opposed the application.

Cr Baker was elected to North Sydney Council in 2008. Crs Beregi and Carr were elected to North Sydney Council in 2012.

Cr Baker has served as a Director of Local Government NSW and was part of the previous SRV application by North Sydney Council. Cr Baker has also served as Deputy Mayor.

Cr Beregi and Cr Baker have both served on Council's Audit and Risk Committee and Cr Carr has been the Co-Chair of Council's Finance Workshop since its establishment in 2014.

Cr Beregi has formal qualifications in mathematics and statistics, holds a Master of Science from Oxford University, managed the Chartered Accountants' Professional

Program as well as having worked in the finance sector. Cr Beregi has also served as Deputy Mayor.

Cr Carr has an extensive management background in the banking and finance sectors and holds a Master of Business (Applied Finance).

Both Cr Beregi and Cr Baker hold an Executive Certificate for Elected Members in Local Government (UTS).

The majority of those councillors who voted to make this application for a SRV had only been recently elected to the Council in September 2017.

In our experience, the first 12 months as a first time elected councillor are challenging and provide a steep learning curve in order to understand local government generally and the intricacies and unique characteristics of local government accounting and finances.

We therefore make this submission based on our experience and in-depth knowledge of Council's financial position and workings.

In short, we urge IPART to reject the application to increase rates by 7% over the next 5 years for the following reasons:

No financial justification

North Sydney Council recently concluded a SRV which was approved by IPART and ran from 1 July 2012 to 30 June 2018. The purpose of that SRV was initiated to address structural issues as a result of rate freezes in the 1980s and historically low rates at the commencement of the rate pegging regime.

The last SRV was promoted to the community (and accepted) as a "one off" rate increase (SRV) to address a structural issue. This structural issue has now been fixed.

There is no evidence put forward by Council to suggest that the recently concluded SRV was unsuccessful. Further, there is no evidence to suggest that a further, even higher, SRV is necessary or justified.

Indeed, there is significant evidence to the contrary - North Sydney Council is in sound financial shape. For example,

- Council continues to run and project surpluses (unusual in local government),
- Council has significant reserves (more than \$37 million) notwithstanding a deliberate policy over the last 5 years to reduce the infrastructure backlog by utilising reserves for that purpose,
- Council meets and exceeds Office of Local Government financial benchmarks.

Flawed modelling used to justify the requested increase

The North Sydney Council modelling for the rate variation is flawed.

The “planning assumptions” set out in the Resourcing Strategy publicly exhibited in May and December 2018 does not 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 s7.11 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 Valuer-General’s revaluations expected over the next 10 years.

Council also attaches the TCorp Financial Assessment Report dated April 2013 to the SRV application. The TCorp financial reports were prepared for the State Government in order to justify the forced amalgamations of councils across NSW.

These TCorp reports have been widely discredited by LGNSW and various councils, including North Sydney Council. We find it somewhat incredible that Council would now seek to rely on this report as it strongly criticised the accuracy of the conclusions in other forums.

The TCorp report has been put forward by Council as part of Council’s case to justify the SRV on a confidential basis and is not available to the public. This is another example of Council failing to provide adequate information to ratepayers to properly understand the SRV application and should not be relied upon to inform a true understanding of Council’s financial position.

Furthermore, North Sydney Council has not explored alternatives to a rate increase such as alternative revenue streams, service levels, internal efficiencies nor considered the use of special levies tied to specific infrastructure projects such as the existing stormwater levy.

Over the past 12 months, Council has not demonstrated efficient or careful use of Council resources. For example, Council has re-designed and reconstructed a roundabout at MacPherson and Bannerman Streets, Cremorne Point **three (3) times**. Clearly, Council has not shown adequate care or diligence in the use and allocation of ratepayer funds. There are other examples of such waste and inefficiencies.

Cost of living pressures

In our strong submission, any increase in rates above the rate peg amount cannot be supported in the current economic climate with increased cost of living pressures, including large increases in the cost of utilities, at a time of historic low wages growth and low interest rates (impacting a significant number of fixed income ratepayers).

If approved, by 2024/25 rates will have increased an additional 40% over those paid by ratepayers today.

Inadequate “community consultation”

In May 2018, Council resolved to put three options on exhibition under the title “Resourcing Strategy” and “Delivery Plan”. Even the most assiduous reader of Council’s website and agenda papers may not have picked up that the exhibited documents related to a SRV to increase rates.

In October 2018 Council resolved to apply for a 7% increase for 5 years and to undertake community consultation over November – December and a late January 2019 Council meeting.

Indeed, on page 52 of the North Sydney Council Application-Part-, Council states:

“Feedback regarding the community’s willingness to pay for the proposed SRV was sought in two (2) stages. Firstly, during the exhibition of the draft IP&R document which occurred from 10 May to 7 June 2018, during which time a total of 32 submissions were received, with only one (1) specifically objecting to a financial scenario involving a SRV. The second occasion was the consultation specifically regarding the SRV and minimum rate increase proposal, which occurred from 1 November 2018 to 16 January 2019.”

This statement by Council to IPART is misleading and does not reflect the community’s preferences and willingness to pay.

It was clear that most residents did not understand that the initial “consultation” under the heading “Integrated Planning & Reporting framework” or “Delivery Plan” and “Resourcing Strategy” related to a proposed rate increase – the fact that only 1 submission referred to rate increases underscores this point.

The November-December 2018 consultation material was labelled on Council’s website as “Investing in Our Future”.

Again, a casual reader would not deduce that this would relate to a rate increase. In fact, all of the publicly exhibited documents, flyers, handouts at the public meetings and consultation material went under the tagline “Investing in Our Future”. In our submission, this was misleading.

Council’s application in relation to community engagement relies on four (4) public meetings held in November and December 2018. We attended three of the four meetings.

The first meeting held at Norths League Club on Wednesday 7 November 2018, was not attended by a single resident or ratepayer. The meeting was subsequently abandoned.

The next three meetings attracted 9, 13 and 14 residents excluding Council staff, councillors and the external facilitators of the meeting.

North Sydney Council has a flourishing and engaged Precinct Committee system. It is telling that most of the Precincts were not involved in the community consultation and did not meet (in order to be able to make a formal submission to Council) until after the exhibition period ended and the Extraordinary Council meeting had been held.

Furthermore, the SRV community consultation was **not** advertised in the North Shore Times – a local newspaper that covers a significant portion of the local government area. That is, areas that do not receive the Mosman Daily such as Waverton, Wollstonecraft, Crows Nest and St Leonards were not covered in the advertising undertaken by Council. These suburbs are amongst the most densely populated in the North Sydney Local Government Area.

The “community “consultation” cannot be relied upon as it was rushed, undertaken mostly over the Christmas/New Year period and the publicly exhibited documents do not provide sufficient detail to enable residents and ratepayers to make a fully informed decision.

Based on the above and after very careful consideration, we urge you to reject the application for a SRV for the reasons set out above.

Yours faithfully



Councillor Zoe Baker

Councillor MaryAnn Beregi

Councillor Tony Carr