

Submission to IPART on Warringah Fit for Future Proposal

BHalstead BE BEc CPA

I believe that Warringah as a stand alone Council is Fit for the Future (FFF) as long as it implements the Special Rate Variation (SRV) approved by IPART especially the 9.4% increase in 17/18.

I do not support the plans for amalgamation in the submissions as the data presented to the community is not properly substantiated and thus could be considered misleading.

I have two serious issues with the submission

A Consolidation of Kimbriki Environmental Enterprises Pty Ltd

The belief that Warringah is FFF cannot be confirmed by the data supplied by the Council, as the Council continues to include in all the data Kimbriki Environmental Enterprises Pty Ltd (KEE). KEE is a corporation 51% owned by the Council but with its own independent board.

It is impossible for a resident like myself and I believe IPART to really understand how the continuing operations of the Council are tracking financially. The figures presented both in budgets and accounts consolidate KEE and are certainly not transparent and it could well be misleading.

IPART must require the Warringah Council to represent all the data (projections and ratios) without KEE in its FFF analysis,

I note that the Council has presented one ratio excluding KEE. When KEE expenses cause the operating expenditure per capita over time not to meet the FFF criteria the Council has decided to present IPART with the data excluding KEE and other items but it is unclear how this was done.

An example of the misleading nature of the inclusion of KEE is on data presented on page 12 Communities Report

The unrestricted cash shown is \$43.7 million in total and the point about KEE is that \$15 million of this so called unrestricted cash is in the balance sheet of KEE, under control of the independent board and cannot be freely used by the Council.

If you remove KEE cash and investments a different relative unrestricted situation is revealed.

KEE has an impact on all the other ratios as well but impossible for a resident to redo them and see the impact without access to the base data.

I emphasise again that IPART must require the Warringah Council to re-present all the data in its FFF analysis without KEE.

B The information provided to the Community on potential amalgamation

The Council has presented a document to IPART showing the Vision for the Northern Beaches. This document was never presented to the community as far as I can see and instead residents received a 10 page brochure which has not been shown to you.

However while the vision document is well presented it continues to quote a savings figure of \$200 million which it now proposes will be spent partially on a rate freeze for three years.

This rate freeze is totally irresponsible

The figure of \$200 million promoted heavily by the Council has no substance behind it.

There have been three reports into savings produced a) Dollery for Pittwater Council which showed no savings, b) KPMG for Manly and Pittwater which showed savings of \$45 million over ten years and c) the SGS Report which showed savings of over \$200 million

The SGS reports supplied by Warringah (Appendix 2.3) stated the following
“The analysis is an approximation only. The intent is to identify a preferred option and to provide a solid basis for future discussions.”

I have requested Warringah Council to engage with Manly and Pittwater to reconcile these three reports but the council have not done so. I also requested that the Council notify the residents of these other reports and the savings estimated. This was not done. The SGS report methodology is at a high level only and took costs per capita with no consideration of service levels in the various functions. As best I can see about 40 % of the reduced costs (ie savings claimed) come from different depreciation methodologies and thus have nothing to do with amalgamation. Depreciation savings do not generate cash which can be used to repay debt or freeze rates as is proposed.

IPART should look at the SGS methodology before putting any weight on the figures used in the Warringah publications.

To propose a rate freeze which causes a revenue reduction across all councils estimated at \$10 million in 17/18, rising to \$20 million in 19/20 and continuing at that figure per without presenting the supporting financial projections is irresponsible. Warringah on its own needs the 9.5% SRV in 17/18 to remain profitable as IPART noted in approving the SRV

In all the consultation on the amalgamation Warringah Council held no public meeting or gave no occasion for the community to engage together to hear other views on amalgamation.

IPART should not take into consideration the survey results as the residents have been provided with misleading information about savings and now about a potential rate freeze and have not been able to hear alternative views.