Wyong Shire Council

Special Rate Variation

Application to IPART, 2013.

Submission

by Brian Morgan

This submission is made on behalf of a group of residents
and ratepayers associated with the website
http://www.wyongrates.com/,
which is mentioned in the WSC submission.
These residents requested a submission to IPART
in both website comments and emails
and some offered their input.

Dated: 7th April 2013.

Submitted to IPART by email.

This submission follows the format of the five criteria IPART uses to assess applications, with a summary at the end.

> **Criterion 1.** The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the council's financial sustainability conducted by the NSW Treasury Corporation.

1.1 Which was the true story?

We believe there is no need for a different revenue path - and we believe this partly because of what the General Manager, Michael Whittaker, told the Premier and Cabinet (Division of Local Government).

There is a vast difference between what the council told residents (under the GM's signature) in brochures and media materials and what the General Manager told the Premier and Cabinet (DLG) in a letter dated February 24, 2012.

Here is selected wording used by council in its latest brochure to the community, which included a covering letter by General Manager Michael Whittaker:

> *Council has to make some tough decisions about whether to increase its general rates income, or reduce asset repairs and cut some associated services.*
>
> *If we do neither and continue to provide current levels of service while also improving assets, financial models show we will run out of cash by 2016-17.*
>
> *Council's business analysis shows we need $121m of extra funds to bring assets up to a satisfactory standard across the shire* [This figure rose to $125m and then $130m in a matter of weeks].
>
> *Put simply, we cannot fund this work from our current income. Since 2010, council has been advising the community that it does not have enough income to maintain existing assets, let alone build new ones.*
>
> *We would need a total 9.5% increase in rates (including the Rate Peg) over seven years to fund that work.*
>
> *Option 1 means council would not be able to bring its older assets up to a satisfactory standard or fund work on natural assets such as the lakes.*

In practical terms, it would mean some of the following:

• When a playground breaks, it would not be able to be fixed, and may need to be closed for safety reasons.

• New sub-soil drainage would not be installed to fix waterlogged sports fields, reducing playing hours in extended wet weather.

• Wharves and jetties may deteriorate. Public access to our waterways is likely to reduce.

• Road upgrades would be very limited and many planned road projects would not go ahead. The overall condition and safety of the roads is likely to decline.

• Maintenance and upgrades of community buildings, such as halls and community centres, would be very limited. Some facilities may need to be closed, others will have limited use.

• More jobs would be lost at council.

• Few environmental works would go ahead to protect our lakes and natural areas.

• Planned town centre upgrades may not go ahead, possibly leading to less tourism, less new development and fewer local jobs.

Now, here are the very different words of General Manager Michael Whittaker extracted from a letter to the Premier and Cabinet 's Division of Local Government, dated February 24, 2012. There is no talk here of a need for a Special Rate Variation:

The new Strategic Business Plan for 2011-12 was established based on an organisation-wide Service Delivery Review which pursued major cost-structure improvements and set up a pathway to fiscal sustainability by 2015.

The 2009-10 ($30m) deficit was reduced to $17.4m in 2010-11 and a target of $14.2m in 2011-12 as the first steps in a staged improvement to "break-even operational surplus" by the end of 2014-2015 and is on target as reported to council in the 2011-12 Annual Plan and Budget Review Report.

Wyong Shire Council (WSC) will move into an operational surplus in the financial year 2014-15.

WSC will have produced a recurrent $20m turnaround on council's 2012-13 Profit and Loss Statement.

While it is noted council had a capital backlog of $193m in 2010-11, this will be reduced to $163m in 2011-12 and $111m in 2012-13 by council investing a significant component of capital expenditure into its existing infrastructure.

The Long Term Financial Strategy (LTFS) was amended (2011-12) and formulated to provide a robust pathway to long-term financial sustainability to ensure WSC: Has an ongoing ability for the next five years to fund its current level and/or its chosen level of services; Can maintain its assets at optimal conditions given the service levels required by community; Has the ability to meet the financial impact of any likely significant unplanned event (eg major flooding).

Council's new LTFS provides for a 2014-15 break-even operating surplus achieved via new revenue streams... ensuring an equitable rating structure.

Council strategies include considering a range of asset rationalisation options. A review of council's asset portfolio will be undertaken in conjunction with community engagement activities in 2012.

WSC will spend $28.6m in total asset renewal work during 2011-12, which is a significant increase on $16.4m in 2010-11.

Council's draft 2012-13 budget includes $29.1m allocated to asset renewals and $19.7m to upgrade works... It is estimated that council's Asset Renewal Rate in 2012-13 will be 86%, which is a significant improvement from previous years. Council will continue to work towards its target of 100%... Council [has a] sound target that will soon overcome its maintenance funding shortfall. Further, as the increased renewal expenditure improves the condition of its assets, the associated required maintenance expenditure is expected to fall. Council has now opted for a higher level of service in roads; it will be able to soon report an improved condition of this key component of its asset portfolio.

Council's external auditors, in their management letter, have noted the improved financial position on a number of fronts, especially the Operating Result. They further conclude that council's financial position is sound and safe.

The progress made since 2010 toward restoring financial performance is both dramatic and sustainable... We are confident the management steps taken since the beginning of the 2010-11 year are a robust and prudent pathway to restoring financial stability, while still delivering an acceptable level of service to the community of Wyong.

This material was presented to councillors with the meeting Business Papers in December 2012. The February 2012 letter to the DLG was based on the council's draft budget for 2012-13, which was drawn up based on a proposed pegged rate rise. It was not based on a possible Special Rate Variation, which is clearly not seen as necessary.

1.2 The community was clear and unequivocal.

The community has given a clear and unequivocal message to the council: We do not want to give any more money to a council that has demonstrated an inability to manage what it has been given.

WSC ran up a deficit of $30 million in recent years, and then went on what the NSW Treasury saw as a capital expenditure spending spree, to the point where it created its own liquidity problem and was able to cry poor and ask for more money.

WSC tried every conceivable way to get the survey result it wanted for an SRV- but failed. The spin on the December report to councillors put more weight on *small positive numbers* at workshops and in phone calls than on the *big negative numbers* in survey voting. Somehow the numbers did not count if they were *against* the SRV, but did count if they were *for* it.

The voting in the December survey, when very few in the community even knew what was afoot, was clear enough. 1170 voted for Option 1 (nothing more than the normal rate peg); and 670 voted for the combined Option 2 (9.5% for 7 years) and Option 3 (12.5% for 7 years). Option 1 won on everything except workshops (including staff workshops) and phone calls, where people no doubt felt some intimidation to vote in accordance with council wishes.

By the February survey, when the majority still were either unaware of any attempt to boost rates or did not understand it, the difference was even more marked.

This time around? Option 1 was the winner by a much bigger margin. The numbers? 6840 people voted and 5920 (87%) voted for Option 1 (nothing above the pegged amount). Take out the phone calls, where intimidation is a factor, and the figures for Option 1 were even greater.

Even for a lesser amount (people did not know it would be as high as 6.9% and did not know their comments were to be considered as votes by WSC), the majority wanted no charge at all above the pegged amount. This figure was also skewed in council's favour by not counting the people who chose not to tick this box on the survey (it was not compulsory).

On www.wyongrates.com, which had no budget and only two months to attract visitors by word of mouth, we were asked to put up a simple petition where people could register a vote against any rise at all above the pegged amount. We stopped the petition after just five days, because the objective was to give it to the councillors before their February 27 decision on rates. On just word of mouth, we collected more than 500 people who were very much opposed to any rate rise above the pegged amount.

Not one person ever suggested on the site or in emails to us, that perhaps WSC had a real need for extra money. In media letters to the editor, we saw no letter suggesting that perhaps the council had a case for extra money, except for one letter from the mayor.

1.3 Grand vision of empire.

In the council surveys, in letters to the editor, in our petition, in the public forums organised by the council, the people were very clear in spelling out what we wanted.

We said we wanted council to cut back on its spending and live within its means - and ours - as the NSW Treasury told it to do. We wanted simple, basic services; council wanted a grand vision of empire - yet could not articulate how our money would be used to build that empire.

We said council could not be trusted with more money. It had managed to create a deficit of $30m in recent years and yet we could see no evidence in the shire of even basic services being provided. Roads, for example, are in a deplorable, unsafe and illegal state. Where had the money gone? At forums, council staff could only speak of rising costs forced on it by the State Government, of ageing assets, and a vague admission that WSC hadn't even thought of asset life costs in the past, but now realised it should do so.

We told the council what our priorities were (of the list it provided) and WSC promised to rationalise its assets according to what we wanted. That promise (made also to the DLG in the GM's letter) has now been forgotten. Where is the asset rationalisation? Council was asked that at one of the forums, and it could not answer. The mayor had to jump up and tell us what a great job council was doing in the face of State Government obstacles.

In its SRV application, WSC says "council is not required to complete any capital expenditure reviews or make a submission to the DLG at this time." Perhaps, technically, this is legally true, but the NSW Treasury clearly had the impression that council was aware of its capital expenditure problems and was going to fix the problem. So what happened? Is it OK for councils to mislead the State Government?

We want simple, basic services first, and nothing else if there is no more money. We have our feet firmly planted on the ground, and want WSC to do the same. That, we believe, is council's job.

1.4 The NSW Treasury Report.

Here are excerpts from the NSW Treasury in *WSC's Financial Assessment and Benchmarking Report*, dated September 12, 2012:

> *Council has conducted a review of how it delivers its services, an organisational restructure and a review of its budgeting and depreciation methods, which all led to improvements in the operating results in 2011... Council has sufficient capacity to meet day-to-day expenses.*
>
> *Council is forecasting surplus operating results and its Own Source Operating Revenue Ratio is forecast to continue to be well above benchmark.*
>
> *Debt servicing levels are strong... substantially above benchmark.*
>
> *Cash and investments are forecast to be exhausted by 2016, which is not a sustainable position. A revision of the capital expenditure forecast to an affordable level should resolve this liquidity issue. Capital expenditure levels incorporated into the forecast are well above benchmark.*
>
> *Council's annual revenue (2011) is $207.8 million, including $119m in rates and annual charges, and $53.7m in user charges and fees. Rates and annual charges, and user fees and charges made up 68.7% of the council's revenue in 2011. Largest costs were employees $74.9m.*
>
> *Rates and annual charges increased by 10.8% in 2010 and 5.1% in 2011. The increase in 2010 was mainly due to a drainage service charge, which generated an additional $5.3m of revenue in 2010. The 2011 increase was mainly due to a 9.6% increase in the domestic waste management annual charge and 18.0% increase in the water supply annual charge.*
>
> *Materials and contract expenses decreased by 4.3% in 2010 and 7.3% in 2011, due to a reduction in contract and consultancy costs by 8.8% and a reduction in legal expenses. A review of council's roads assets useful life found that depreciation expense was overstated.*
>
> *Council received specific purpose grants of $12.8m in 2010 and $27.7m in 2011 for its water supply services.*
>
> *The community expects the existing level of services to continue at a reasonable quality. Through its community consultation process, asset management planning and long-tern financial planning, the council needs to prioritise its service provisions with its limited resources.*

Council's Operating Ratio is generally forecast to be in surplus positions over the next ten years. The increase from 2012 to 2013 is mainly attributed to a forecast increase of rates and annual charges revenue of $5.4m, which represents a 6.1% year on year increase. This is mainly due to an increase in domestic and non-domestic waste charges. Depreciation expense is also forecast to decrease by 9.7% ($2.6m) from 2012 to 2013 as a large proportion of assets will be fully depreciated by this year.

Council forecasts it will face serious liquidity issues and by 2016 its cash and investments [will be] exhausted. This is mainly attributed to a level of forecast capital expenditure well above benchmarks. In discussions with council management, it is clear that they are aware of this issue. Following our discussions, management have run a number of scenarios, each of which forecast a lower (but still acceptable) level of capital expenditure.

As expected, by reducing the forecast capital expenditure... positive cash results and no liquidity issues would be achieved. Consequently, we do not believe that council has any particular financial issue, provided, of course, they recognise the need to revisit and reschedule their capital expenditure program.

We consider council to be in a reasonably sound financial position if the liquidity issues in the forecast medium term are resolved.

Key point: Council has a high level of Own Sourced Income and is not heavily reliant in grants and contributions compared to most councils.

We don't need to comment on this assessment. We agree with it. We accept that WSC is financially sustainable, provided it reduces its capital expenditure and rationalises its assets. We say, and we have told WSC, that council should reduce its capital expenditure, thus wiping out its liquidity problem, and get on with the job of managing our money wisely and conservatively.

Criterion 2. Evidence that the community is aware of the need for and extent of a rate rise. This should be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate level of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates.

2.1 Where is the need for a rate rise?

We agree with the NSW Treasury assessment of WSC's financial position, and therefore do not see a need for any rate rise above the pegged amount (as set out in 1.4 above).

Furthermore, the GM does not appear to believe there is a real need to pour extra money into the assets. Here are his words extracted from the letter to the DLG dated February 24, 2012. These words suggest that the extra expenditure, at great cost to ratepayers, is not necessary (nor is an additional rate increase):

> *Asset maintenance: Council has a capital backlog of $193m (2010-11). This will be reduced to $163m in 2011-12 and $111m in 2012-13 by council investing a significant component of its capital expenditure into its existing infrastructure.*
>
> *The Long Term Financial Strategy was amended and formulated to provide a robust pathway to long-term financial sustainability to ensure that WSC can maintain its assets at optimal condition given the service levels required by community... and ensure an equitable rating structure.*
>
> *WSC has a strategy to review its asset portfolio to ensure the assets provide an appropriate benefit to the community and for the purpose of considering a range of asset rationalisation options. A review of land classification has been completed and a review of council's asset portfolio will be undertaken in 2012.*
>
> *Council's 2011-2015 Strategic Plan increased investment in asset renewal works as exampled by its increased investment in road renewal works by $5m a year up to $11m in 2011-12. WSC will spend $28.6m in total asset renewal work during 2011-12, which is a significant increase on $16.4m in 2010-11. The draft 2012-13 budget includes $29.1m for asset renewals and $19.7m to upgrade works. It is estimated that the Asset Renewal Rate in 2012-13 will be 85%, which is a significant improvement from previous years. Council will continue to work towards the target of 100%.*
>
> *WSC has, over the last two years, moved a long way forward in Asset Management and made the appropriate resource investment.*
>
> *Council's draft budget for 2012-13 involves a significant increase in maintenance expenditure. It now plans to spend 53% of the current replacement value of its assets on maintenance work - a sound target that will soon overcome its maintenance funding shortfall.*
>
> *As the increased renewal expenditure improves the condition of its assets, maintenance expenditure is expected to fall.*

> *In the past, WSC has adopted a conscious position of a basic level of service. Council has now opted for a higher level of service in roads, and will be able to soon report an improved condition of this key component of its asset portfolio.*
>
> *The progress made since 2010 toward restoring financial performance is both dramatic and sustainable. We are confident management steps are a robust and prudent pathway to restoring financial viability, while still delivering on acceptable levels of service to the community.*

There is no mention here of the crying need for a Special Rate Variation. Everything's just fine in the shire of Wyong - the GM said so. But how does this gel with his claim now that council has been telling the community since 2010 that it did not have enough money to fix assets?

As mentioned here, roads are a key component of assets needing renewal. In its report to councillors in December 2012, council said it had made substantial ongoing savings in road maintenance to the extent that it could now do six times the amount of repair as previously with the same expenditure.

In the SRV application, WSC said it has a "need for urgent rehabilitation of a major lake system and a vast stretch of coastline impacted by erosion and storm surges" It neglected to say that most of the money for lake and coastline work comes from other levels of government.

So, where is the need for a rates rise above the pegged amount?

In its SRV application, WSC repeated its mantra that "doing nothing is not an option". Doing nothing? Is spending our money (increasing year after year by the pegged amount) doing nothing? If so, we don't need a council. We'll keep our money and do nothing ourselves.

Of course, Option 1, sticking to the pegged rise and no more, is NOT doing nothing, and it's an insult to the intelligence of our residents to say so.

What we want is simple: We want Option 1, the pegged rate rise and no more; we want WSC to reduce its capital spending (as the NSW Treasury told it to do); we want council to rationalise its (our) assets as it promised; we want WSC to live within its means, and ours; and, if it cannot do this, we want it out and an administrator appointed.

2.2 Other revenue avenues.

We do not accept that council has exhausted all other avenues of revenue-raising. In particular, we are concerned that WSC, in its publicity brochures and at its public forums, discounts the worth of Section 94 contributions from developers. The Chief Finance Officer told one meeting that Section 94 contributions were pretty much useless because of the cost of extra services council had to provide. There was clearly no cost-benefit analysis here.

Council continually points out its "problem" of an anticipated growth rate of 70,000 people in coming years (We believe that number is now 100,000). Yet these extra residents will bring with them additional rate revenue and low initial costs to council, because of where the growth will occur. There has been no analysis of the costs and benefits growth will bring.

Local media has extensively covered council's plans for that extra growth, and where it will be located. Much of it will come in new developments that will attract Section 94 contributions. For example, a new major suburb or town will be developed at Warnervale; the suburb of Wadalba is about to triple in size through development because it's on the State Government fast-track list (and one of the stipulations is that landowners pay for infrastructure); and high rise developments at The Entrance are about to happen. Yet there is no mention of developer contributions from these developments, or of the increased ratio of developer contributions to other rate revenue.

Nor is there any information forthcoming from WSC on money it intends to raise from land sales. We do know, from an *Express-Advocate* report, that it will sell land for a Chinese theme park for $10 million. However, WSC has recently completed a major reclassification of its land and property ready for a sell-off. But it will not answer questions as to how much it wants to sell, and which parcels it wishes to sell. Residents are very uneasy indeed, and protests have begun, as local media and letters to the editor attest.

2.3 What is the extent of the rate rise?

Residents, those who know that something is happening with rates, are very confused, and we think the confusion is deliberate on council's part.

The figure to update its assets has risen in a matter of weeks from $121m to $125m to $130m. What is the true figure? No-one knows, because all of the council's figures in this propaganda blitz are unaudited. Staff were continually asked about this at forums, and answered with vague stories of scenarios, models and assessments, but no audit reassurance or promise.

Council documents (presented with the business papers for the December 2012 meeting and elsewhere) reveal that this SRV was planned as far back as 2010, but it was kept secret. Council saw what happened to neighbouring Lake Macquarie council's bid for an SRV and copied the format, but increased the numbers to try to slip the increase through IPART. See the *Lakes Mail* stories:

Wyong floats familiar rates rise options and

Wyong shoots for big rates rise plan.

The percentages in the stories appear to be different from the final numbers chosen by Wyong, partly because council muddied the waters by mixing up percentages. Council's first real scenario, Option 3, for 12.5% for 7 years, was, in retrospect, possibly an ambit claim and was dropped in the uproar in December 2012. The second scenario, Option 2, for 9.5% for 7 years was the one pushed for by council staff until the end.

The final option, let's call it Option 4 though it was *never* an option, was set up in a mayoral minute one day before months of community consultation ended. There was no community consultation whatever on this scenario, nor could there be.

Was this the plan from the beginning - to push for huge increases then lull the community into a false sense of ease before dropping in a lesser amount? This appears to be the case. In its SRV application, council said: "Stage 3 focussed on providing the community with three options to increase their general ordinary rates: rate peg, 9.5% or somewhere in between."

"Somewhere in between" was *never* presented as an option. It was not even in some of the voting forms, though the variation in voting forms was denied at a community forum, to the bemusement of the crowd. It was in some surveys just as other questions were there - not as voting options, but as information council presumably wanted. This was not a compulsory question. There is a great deal of anger in Wyong shire (we see it directly on our wyongrates site and in emails, at forums and in letters to the editor). People believe we were tricked.

What is the extent of the rise? If you listen to Mayor Doug Eaton, it's less than a packet of cigarettes a year (Page 3 *Express-Advocate* Wyong online edition March 8, 2013 - sorry I can't find a link for *Express-Advocate* stories). See also the ABC story. These and similar stories are appearing because council is calling this a rise of eight cents a day - see council media release.

In fact, if you accept council's figure for average rates of $868 per annum (and many do not - see *Express-Advocate* March 15, 2013), it's more than double that, in the first year. Then it rises each year until we are paying 60% more after seven years. Council acts as if the pegged (3.4%) won't happen, just the extra bit. This is extremely deceptive and we believe this is not permitted by IPART.

A few realise that this is a cumulative and permanent rise, but most are still not aware of the rise at all and many others don't understand the data-dump of figures.

The WSC application to you continues to talk about a $30 a year increase and $312 after seven years. It calls this "negligible" and "seen as affordable". Well, it's not seen this way by residents and most of our school children who studied percentages could probably tell council what the real increase will be.

Council makes it very difficult to understand what's happening. It continually mixes up percentages. For example, they might call the SRV proposal 6.9%, or they might call it just 3.5% above the cap to make it seem smaller. See, for example, the Lakes Mail story and the Business Insider story.

No, most of us are not aware of the extent of the increase, but it appears that WSC is not sure either, because it is unsure of the rates base in 2012-13 that the 6.9% will apply to.

On its website, on the rates page, council says it will spend $324m in 2012-13, and that rates (excluding other charges and fees and user charges) make up 25% of that figure, which is $81m. But then, if you look at the business paper for the February 27, 2013 meeting, councillors are told the 6.9% increase will give council an extra $15m a year to spend on asset renewal. I will speak more of this figure later, but $15m, at a rate of 6.9%, would need a rates base of $217m, would it not? So I asked council directly for the rates base billed in 2012-13 upon which the 6.9% increase would be used, and was finally told $63.6m. But that seems to be wrong, too. In the SRV application, council talks of $65.2m and says this is 42% (not 25%) of general fund income.

But wait, there's more. In its application, WSC says the SRV will give it "the incremental revenue generated of $78m." It says it has a "capital expenditure plan to spend $15m on asset backlog each year for seven years", which would leave $25m in asset backlog. When you look deeper, it seems that the $15m might be made up of $11m from the SRV and $4m from "ongoing productivity savings and constraints on expenditure for new assets". $11m from a 6.9% rate would require a base of $160m.

So, is it $63.6m, $65.2m, $81m, $160m or $217m? I think we can be excused for being confused. We acknowledge that we have insufficient knowledge and skills to know what the correct figure is. However, we believe council should have the expertise to know what the real figures are, and how to properly inform the public and the councillors without causing this confusion. We will rely on IPART experts to establish the truth of these and other figures presented by council.

Most people here do not realise that they will cop a rates rise that will increase what they are paying now by 60% within seven years and take many millions of dollars out of the disposable income of a struggling community. This will be a big hit on local businesses that are also struggling in a low socio-economic area, and it will raise rents as landlords need to recoup the increase. No-one will escape.

2.4 Capacity and willingness to pay.

We are astonished that WSC would dare tell you that the "community consistently showed a willingness to pay a modest increase to close this [asset] gap and secure these assets".

The SRV application then said that the "community has indicated support for an increase less than 9.5%".

These are outrageous statements and bear no resemblance to the truth as indicated in survey results.

Even in council's own telephone survey, as reported to councillors, it asked people whether they were willing to pay extra amounts of rates, ranging from $1 to $2 a week, down to nothing at all, and "nothing at all" won in all categories, despite the intimidation such a "survey" adds to the process.

I think by now you will realise that we are not willing to pay a Special Rate Variation. We believe this shire cannot afford it and we have made our feelings known to council in no uncertain terms.

That's the cry from the multitude in letters to the editor, Internet comments, emails to us, voices from the floor at council forums and the council surveys, our own petition - anywhere and everywhere people get a chance to speak.

Even Mayor Eaton said this was his biggest concern in a comment on wyongrates.com. My reply was: "This should be a no-brainer for you then, Mr Mayor". The mayor was later loudly booed by the 300-strong meeting forum at Wyong, when he belittled a man who eloquently tried to point out the financial plight of the many self-funded retirees in the shire.

General Manager Michael Whittaker told the Premier and Cabinet (Division of Local Government) in his February 2012 letter that council's high outstanding rates figures were "intimately connected with the socio-economic characteristics of a community and its ability to pay."

Mr Whittaker pointed out demographics like: • Wyong has one of the lowest labour force participation rates of all regions in NSW. • The Shire's unemployment rate has historically been 2.5% above the NSW and Australian unemployment rates. • The 2006 census quotes unemployment at 8.2%. • High youth unemployment - 16%. • Very high population of people over 65 - 18.5%. • Household income level (average) the lowest of comparable councils at 25% less than the State average. • Wyong residents pay 30% more of their household income on mortgage repayments. (Source 2006 census).

These are ABS and council figures, not ours. The latest census figures trend even lower, so there should be no need for us to tell you things are tough here. Unemployment is climbing, now above 8.4%; there are almost 22,000 people on the age pension; over 7600 on the disability pension; more than 5300 on Newstart. Almost 40% of workers have to travel out of the area for work, increasing their cost burden. The average wage earned in this shire is hardly more than the minimum basic wage. ABS figures. They are all part of families that are struggling.

The *Express-Advocate* (March 13, 2013), quoting the latest ABS census figures, says more than 10,000 people aged over 55 moved to the coast [Wyong and Gosford] in the past five years and there were now about 98,000 people over 55 now living on the coast (about one third of the population).

However, in the report councillors received for the February 27 council meeting, the census figures were conveniently dropped when affordability was discussed - and extraneous and irrelevant matter added. The material council staff gave councillors has been very selective and very different from what the DLG was given. Deception and duplicity again.

The DLG has pointed out the high level of unpaid rates in Wyong. It's so high council hired debt collectors to harass the most disadvantaged in our community, despite what the GM gave as reasons for the unpaid rates.

Now, in the SRV application, council says it projects no increase in outstanding rates as a result of the SRV. Is it kidding? Will residents suddenly become richer? Will the debt collectors suddenly perform better? We shudder to think what that might mean, based on what happens to ratepayers now.

Many of those who are struggling, even those with multiple properties, have complained to us about council's unwillingness to help and about the debt-collectors' rough practices. Some, including people who have lived here for generations, are talking of leaving the area they love. There is already a council-acknowledged exodus of the young from the area to seek work.

2.5 Forums were a farce.

Council forums were conducted by an "independent facilitator" and there were many complaints from residents.

The number of participants grew as more people began to realise that they were about to have a big rates rise foisted upon them. For example, a meeting last year had seven staff members plus councillors present, but only three residents. The meeting hall at Wyong council was standing room only for the February 2013 meeting. Council staff and residents told me this was the biggest turnout in memory.

Unfortunately, more than four-fifths of the Wyong meeting, for example, was devoted to a staff filibuster, in which various staff members presented a data-dump via seemingly endless Powerpoint presentations of information they had already given us, over and over. There was far too much extraneous information presented via such devices as spread sheets, graphs and charts that simply could not be read by participants. Handouts were impossible for most to read without magnifying glasses.

People were not given sufficient time for questions and the facilitator grabbed the microphone back from a questioner whenever the question was considered too tough or delivered with too much emotion. There was no chance to follow up a question when answers were unacceptable. If a question did get asked that was apparently on a "watch" list, the facilitator took it upon herself to say time was short and that the question should be written. She vaguely pointed to a wall partition in the room where the written questions could be pinned for an answer "later". No question was actually pinned there, and "later" never came.

At least two participants at the Wyong meeting, myself and Kevin Armstrong, president of the Wyong Shire Residents and Ratepayers Association, were sidelined and not allowed to ask questions. We had not met and didn't know what each other looked like, but council staff and councillors knew Kevin very well and they knew me from the meeting signing in process and from my photo on our website.

(I entered on a walking stick and was singled out and directed to a chair a little apart from the rest. I was naive enough to think this was an act of kindness, but soon realised the facilitator needed to know where I was.)

The facilitator went to extraordinary lengths to avoid Kevin's and my raised hands, despite making eye contact with each of us several times. We only discovered our shared plight by email exchange some days after the event. We were both very disappointed, but not surprised, because, apart from anything else, we had both given council advanced notice of questions we wanted to ask.

In the first part of my career, I was an accountant for national and international companies, but later, in my 30 years of covering all levels of government as a journalist and editor, I have never experienced such blatant discrimination and such distasteful treatment.

Very often, staff could not answer the questions from the floor, or struggled to answer, and the mayor had to jump to his feet and try to answer or deflect the question. At times he humiliated questioners and gave answers that distressed participants. They criticised him for pushing for projects they didn't think necessary or urgent, like another arts centre and a regional airport. The mayor was roundly booed and jeered for more and more of his answers as the evening wore on.

People began to leave the meeting in disgust when the filibuster continued and questions were not adequately answered. I was near the exit door and heard their complaints and spoke directly to some. There were a large number of elderly people clearly upset and distressed as they left the meeting. You would have to include me in that number.

A major complaint about the February meetings is that a number of matters were raised at the same time and same place. At the same time that residents were asked to make this vital decision about rates, WSC put on public exhibition the Draft Wyong LEP 2012, the Draft Wyong Development Control Plan 2012 and the Draft Settlement Strategy. Mixed up in all of this was council's application for a huge increase in water and sewerage rates and its reclassification of land, which had sections of the community, that were aware of them, very upset. At the final two forums, the three draft plans were put on first, at 6.30pm, followed by the SRV at 7.30pm. People complained that there was too little time to absorb all of this. Nearly

7000 people responded to the SRV survey (87% against the SRV). This matter was more than enough for people to absorb when bombarded with data-dumps for all four matters.

In the *Express-Advocate* of March 22, 2013, Mayor Eaton complained that only 501 people had responded to the three plans, compared with 1500 people at neighbouring Gosford. Is it any wonder, when council ignored the will of the people in applying for an SRV? Why bother responding to council again?

> **Criterion 3.** The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.

3.1 The shire cannot afford it.

We believe the ABS figures and the arguments in 2.4 above demonstrate clearly that this shire cannot afford a rates rise above the pegged amount. In his letter to the DLG, the GM seemed to agree with this assessment. Councillors also seem to agree, but the majority appear powerless to oppose council officers' push for more money.

The Mayor, Doug Eaton, spoke of his concerns about affordability on our website, at public forums and in other media, and another councillor told the *Lakes Mail* he was gravely concerned about the community's ability to pay. Two other councillors were so concerned that they voted *against* applying for an SRV. One was absent for the vote.

The community was very outspoken at council forums, in the media and on our website, but cries of this magnitude were not heard, or were ignored, in the corridors of power. Thousands said NO; seven councillors said YES.

The council report to councillors for the February 27 meeting downplayed the shire's inability to pay and followed with a data dump of extraneous and irrelevant argument. It didn't matter in the end; what the people thought did not count.

But facts, and ABS census figures, do not lie.

3.2 What is the purpose?

The council says the purpose of the SRV is to upgrade ageing assets to the tune of $121m, $125m, or $130m. It claims the 6.9% increase will give it an extra $15m to spend on assets each year, leaving, at most, $25m in backlog. We have already shown that the $15m figure is rubbery, but assume for the moment it is correct.

The current rates base is $63.6m, $65.2m, $81m, $160m or $217m, depending on where you read it. Let's assume it's the lowest figure, $63.6m. At the end of seven years, that will climb to $101.5m a year, and rising. That's an extra $37.9m a year.

Council, and its spokesman, the mayor, have bombarded the residents with wave after wave of data dump that has, for most of us, merely muddied the waters.

But the facts are very simple. When the assets backlog - be it $121m, $125m or $130m - is cleared, what is council going to do with the extra $37.9m *plus* each year?

If you believe the council predictions above, or in various brochures and website posts, the backlog will be cleared very soon after the seven years. What will it do with the extra money then? More than one wag suggested that it will help with future financial mismanagement. It's a simple question we have asked for three months, and council has simply refused to answer. We believe WSC should, and must, answer to IPART.

So, what is the purpose? The real purpose? It's clear to us that the assets excuse is a furphy. So it must be something else and we'll say what we believe in section 5.2 of this submission.

Criterion 4. The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.

4.1 Assumptions not realistic.

We believe Wyong Council has shown an inability to make realistic assumptions as a base for financial planning. It demonstrated this in the recent push for a massive increase in water and sewerage rates.

But it has also shown a disregard for accuracy with figures. Witness the increasing funding figure for upgrading assets and other figures mentioned in 3.2 above.

Witness the General Manager telling the *Lakes Mail* that the 9.5% option would increase rates by 66.5% over the seven years, whereas the true figure is 89%.

Witness the Chief Finance Officer telling the 300-plus crowd at the Wyong forum the same 66.5% figure. When challenged from the floor, he said he got mixed up and the 66.5% was the difference between the pegged 3.4% rate and the 9.5%.

The Mayor continually mixes up the same figures in telling us how much the 6.9% will cost us. If council cannot get this simple story correct, how can we assume its assumptions are correct? And is council not required by IPART to promote the full SRV rate rise, not just the "extra" bit?

4.2 Figures not audited.

The history of this council is such that there is very little trust in the community. After council presided over a $30m deficit and then massively overspent on capital expenditure to create its own liquidity problem (see the NSW Treasury report), residents asked, in letters to the editor, in phone calls to the council, at the forums, on the Internet and in emails to wyongrates: Why should we trust WSC? People just shook their heads at public forums when staff could not adequately answer that question.

However, the other question that staff did not want to answer at forums was whether council assumptions and forecasts were audited. All they would say was the name of the firm that audited council's normal accounts. When pushed, they admitted that none of the figures used by the council were audited; that they were worked up by computer modelling.

Other figures given to the State Government were also not subject to audit, as the NSW Treasury noted. Where there is so little trust, external examination of council figures would be very desirable, to say the least, especially when asking the community to pay an extra 60% in rates after seven years.

4.3 What are we to believe?

On the wyongrates website, we have two posts, called *Which Story is True?* and *The Wyong Assets Story*. Both of them show the difference in council's figures, depending on the audience. We invited the council to respond to these posts, but they failed to do so, despite repeating many times during the forums that every question, oral or written, would be answered. Other people also complained that questions went unanswered.

(We also had a list of questions on our website that we wanted answered, but no answer was forthcoming in three months.)

How can assumptions be realistic when they can be varied according to the spin of the day?

> **Criterion 5.** An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

5.1 Have the savings disappeared?

WSC reported, to both the DLG and the councillors, significant improvements to productivity and cost savings since 2010. In that period, council has almost wiped out its deficit of $30 million and massively overspent on capital expenditure (see NSW Treasury report).

Council gave itself a glowing report on its financial future to the DLG, and part of this was a letter of praise from the external auditors. Some of the report covered restructuring and savings across the council.

In its SRV application, WSC says that, by 2015, it will have "improved our annual recurring operating performance by $30m". And this is before any SRV. If it's recurring, why does council need extra to clear that assets backlog? It doesn't make sense.

WSC told you it had reduced staff numbers by 100 full-time equivalent (8.7%). Of course, numbers built up by more than that during the outrageous period when council ran up a $30m deficit and then commenced its capital expenditure spending spree. People at forums called for bigger staff reductions.

It's clear that council can do so well it can wipe out a huge deficit in double quick time, and overspend where it wants to do so.

What happened to all that saving, all that productivity improvement, all that extra money poured into the deficit? Suddenly WSC is going broke? We don't think so. We think the NSW Treasury is right: that WSC needs to rein in its capital expenditure and live within its means - and ours.

We believe that WSC, with its new-found savings, its productivity improvements and its continually growing rates revenue through pegged increases, should and must manage our money wisely and within budget.

We believe that, if it cannot do so, it should be sacked and an administrator appointed.

5.2 Risky, Irresponsible Decisions.

Council documents, including those presented to councillors and the DLG, suggest that the plan to turn council's fortunes around was devised by General Manager Michael Whittaker soon after his appointment in 2010. We believe this plan, endorsed by a majority of the then councillors, lacked probity and due diligence. It was risky and irresponsible in the extreme.

It called for unseemly haste in wiping out the $30 million deficit in four years, but it didn't stop there. It called for overspending on capital expenditure on a massive scale (as revealed by NSW Treasury), to the point where council would be able to cry poor and seek the SRV.

Reckless and ill-advised overspending put council in a position where it created its own liquidity problem and could tell residents (and you) it would soon be broke and would have to cut services. This amounts to a dereliction of duty on the part of council officers and the seven councillors who supported the scheme.

We believe that this whole process (including the politics) needs to be tested by an appropriate arbiter (if not you, then whoever you think is appropriate). For example, the story, reported in the media, of how two councillors secretly paid for the registration and campaign of a new political party at the last council elections so that they would "have the numbers" in this council; and how one of the first decisions that new council made benefitted those two councillors.

(It involves massive Federal funding for an organisation, in which one councillor acts as chairman and another as CEO.)

That project had been attacked by the Member for Dobell and rejected by the previous council because of this conflict of interest. We believe those two councillors should not have voted on this project because of their interest in it. We believe that this suggests what the SRV is all about: to fund unnamed pet projects, not maintain assets.

We do *not* accept that the community at large should be milked primarily for the benefit of the few. We believe staff and councillors should be questioned under oath about the whole SRV process since 2010.

5.3 What of the future?

When council staff were asked at forums, in phone calls and other media, what it planned to do with the extra money it wanted, it could give no answer at all in December, according to a report in the *Express-Advocate*.

By February, it was giving a vague suggestion of continuing services it would otherwise have to cut, but it had no clear cut vision for the future - at least a vision it was willing to share with residents. Throughout this process, WSC was very big on data-dumping and very short on specifics.

Instead, it embarked on a disgraceful attempt to frighten residents into believing they were going to lose libraries, playgrounds, sporting fields, community buildings, wharves and jetties - the list goes on and on. For example, Mayor Doug Eaton told the children at Australia Day celebrations at Canton Beach, that, unless he got more money, they would lose parks, playgrounds and libraries, and the lakes would not be cleaned up.

Such comments were seen as inappropriate, at the very least, and people became very angry, as was seen in local media, at public forums and our website. At forums, they asked what was happening to the rates money they were struggling to pay right now, month after month? What is council doing with it? Why should we pay more, when council says it cannot provide basic services now?

The shire is angry. We have had to trash many comments on wyongrates.com in which people called for mutiny by not paying rates; made defamatory statements about councillors and council staff that were quite possibly true; accused certain councillors of vested interests (again, apparently true); and more.

Emotions are running very high both among those who are articulate enough to understand what is happening, and those who do not understand, but believe they are being tricked.

Is this belief in trickery and deceit well founded? Let's consider some of the things WSC told you in its application:

- In its SRV application, WSC said failure of IPART to grant an SRV would have an "immediate impact on public safety and amenity" and generate "health, safety and public liability risks." If council is not capable of recognising such risks and acting on them as priorities, then it is not fit to govern.

- The SRV application said failure to approve the SRV would result in litigation risks for councillors and staff. Again, if council officers cannot recognise and remove or mitigate such risks (especially having hired a staff lawyer at $300,000), then the State Government should intervene. Frankly, residents have had enough of incompetence at Wyong.

- In its SRV application, WSC said: "The community has strongly driven the final decision on the proposed revenue path, including the amount and duration of an SRV." This is a disgraceful and shameful misrepresentation. The truth was clear and unambiguous in the survey results in community forums, in letters to the editor, in our petition and elsewhere.

- It continued: "There is a level of community support for an SRV above the Rate Peg over seven years". The level of support was so low, as survey results demonstrated, that only snake-oil salesmen could get low enough to see it. The majority of the residents, in council's own survey, wanted nothing to do with any rise above the rate peg. This kind of council comment makes the level of community outrage and anger here very understandable.

There is a great deal about this campaign for an SRV that secretly started as far back as 2010 that should be investigated (including political processes). There was no mention of it until 2012, despite what council told you in its application, and certainly not as part of the council election campaigning. Councillors had no mandate to make this grab for our money.

We believe there should be an independent examination to test the complete council process for this SRV since 2010.

SUMMARY

Criterion 1. The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the council's financial sustainability conducted by the NSW Treasury Corporation.

● We believe there is no need for a different revenue path, because the stories the WSC General Manager told the people and the DLG were so dramatically different.

● We accept the report from the NSW Treasury, which said that, if WSC cut back on capital expenditure, as it said it would, and rationalised assets, its liquidity problems would be solved.

● We accept the word (the only word in this process) from council's external auditors that noted council's improved financial position on a number of fronts, especially the Operating Result, and concluded that council's financial position was safe and sound.

● The community's message to council was clear and unequivocal. In large numbers we voted for no rates increase at all above the rate peg. WSC did not think the numbers counted if they were *against* an increase, but carried much weight if they were *for* an increase.

● We were not given a chance to vote for the final application of 6.9% for seven years (it was never given as an option), but some were tricked into saying a vague amount above the capped rate might be acceptable.

● WSC broke its promise to the DLG to reduce capital expenditure and rationalise assets. Instead, it chose to take extra money from ratepayers. We believe that we, and the DLG, have been duped and deceived.

● The council's vague vision of empire is not shared by residents. We said we wanted simple, basic services. We wanted WSC to cut back on capital expenditure, rationalise assets and live within is means, and ours.

Criterion 2. Evidence that the community is aware of the need for and extent of a rate rise. This should be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate level of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates.

• We do not need this SRV. We accept the NSW Treasury report which said that, if WSC curtailed its overspending on capital expenditure and rationalised assets, it would have no liquidity problem and be in a sound financial position.

• We accept the word of the General Manager to the DLG that "the LTFS was amended and formulated to provide a robust pathway to long-term financial sustainability to ensure that WSC can maintain its assets at optimal condition given the service levels required by community... and ensure an equitable rating structure."

• We accept the council report that it had developed a method of road repair (a key component of assets maintenance) that would produce six times the results with the same outlay. Hence, no need for an SRV.

• We believe WSC has not exhausted its other revenue options. In particular, it has not articulated the extent of expected land sales after its reclassification process and has downplayed its Section 94 developer contributions, which will play a significant part in coming growth.

• Those residents who are aware of the proposed rates rise (and they are a minority) are confused about the extent of the rise. Council cannot settle on a firm figure to bring its assets up to a "satisfactory" standard and continues to speak of the rise as if the pegged amount (3.4%) won't happen - just the "negligible" extra bit.

• The final option, for 6.9% for seven years, was set up in a mayoral minute on the evening before community consultation ended. It was never put up as an option for voting in council surveys.

• People do not understand that this is a cumulative and permanent increase to the rates base. The implications of this have not been spelled out by council in all its data-dumping. Hence people have no idea of the full extent of what it will cost them.

• Council cannot make up its mind on or clearly articulate the base figure that the 6.9% will be applied to, and hence the amount it will raise in extra revenue. How can we understand?

• The proposed SRV will take many millions of dollars (council doesn't seem to know just how much) out of the disposable income of a low socio-economic community. This will hurt business and increase rents. This hurts all residents, not just ratepayers.

• Despite what council said in its application, this community does not have the capacity to pay the extra impost, nor is it willing to do so. The council survey results alone confirm this, along with the ABS figures.

● In the GM's own words, council's high outstanding rates figures were "intimately connected with the socio-economic characteristics of a community and its willingness to pay." His own statistics, sourced from the ABS, confirm this opinion. Many of us cannot pay now; what will we do when rates rise by 60%?

> **Criterion 3.** The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.

● We believe that ABS figures show that this shire cannot afford a rates rise above the pegged amount. In his letter to the DLG, the GM agreed, did he not?

● The community was very outspoken at council forums, in the media and on our website, but the voices were ignored. In council's application, there was no mention of the anti-increase feeling, the frustration and the anger that clearly spilled out at forums.

● The stated purpose of the SRV is to pay for ageing asset renewals in amounts ranging from $121m to $130m. Council's application said that, with the SRV, there will be just $25m left of this asset backlog after seven years. But, by then, it says, it will still be raising $78m each year from the permanent nature of this increase. What will it do with the extra money? This SRV is obviously not necessary. We certainly should not have to keep paying after the asset backlog is cleared.

> **Criterion 4.** The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.

● We believe WSC has shown an inability to make realistic assumptions as a base for financial planning. It demonstrated this in the recent push for a massive increase in water and sewerage rates.

● WSC has shown a blatant disregard for accuracy with figures throughout this process. Witness the decreasing then increasing funding figure for upgrading assets. Witness the way it played with percentages to confuse people over the extent of the rates rise. Witness the confusion over its rates base.

● As noted by the NSW Treasury, WSC figures were not audited. None of the figures given to residents or IPART have been audited. Staff members were reluctant to answer questions about this at forums.

● There is a great discrepancy between what the council is telling residents and what it is telling the State Government through the DLG. Which story is true? Which is a lie? Are *we* being duped, or are *you*? Are we *all* being deceived?

• We believe this council ran up a deficit of $30m, then set out on a deliberate path to wipe it out within four years, while massively overspending on capital expenditure, so that it could cry poor, create a liquidity problem and plead for a Special Rate Variation. It was a plan for the long term and for reasons not disclosed. We believe this lacked probity and was a risky and reckless way to "manage" our money. It was an abuse of authority.

> **Criterion 5.** An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

• The GM and the council generally have boasted of the savings made and productivity improvements since 2010. In its application, WSC says that, by 2015, it will have "improved our annual recurring operating performance by $30m." And this is before any SRV. If it's recurring, why does council need extra to clear that assets backlog?

• Council can clearly wipe out a massive deficit and overspend when it wants to. When the deficit is gone and the capital expenditure cut back, as promised to the NSW Treasury, what will council do with its (our) money? With the asset backlog wiped out by the $30m recurring savings, what will WSC do with rates income then? Why does it want more?

• At community forums, council staff were unable to articulate specifically what it planned to do with the extra SRV money. In December 2012, it could give no answer at all, as the *Express-Advocate* reported. By the February 2013 forums, it was vague and non-specific. If it had a vision, it was unable or unwilling to share it. Council was big on fear-mongering, but short on facts.

• Ratepayers are left with the belief that an SRV is not necessary. We believe that savings, combined with asset rationalisation and capital expenditure cutbacks, as promised to the NSW Treasury, will solve the liquidity problem council itself created and will clear the asset backlog at a rate we can afford.

• We believe that, if council is unable or unwilling to comply with its promise to the NSW Treasury to cut capital spending and rationalise assets, then it should be sacked and an administrator appointed.

• We believe that council staff and councillors should be examined under oath by an appropriate arbiter because of deceit and duplicity in the whole SRV and political process since 2010.

Thank you for the opportunity to comment on Wyong Council's submission for a Special Rate Variation for 2013 and beyond.