

Submission to IPART on Tenterfield Council Application for a special rates variation.

Working through application form Part B.

I disagree with council's response on page 4. Regarding the IP&R process

Council's public consultation process was managed in such a way that questions were very limited. The Mingoola Progress Association requested a meeting with the General Manager and Director of Corporate Services to put a list of questions in advance that we would like addressed at the Mingoola consultation meeting. The request was turned down. I will attach the questions as attachment 1.

At these meetings, despite requests from the meeting floor, Council refused to take a vote on the feeling of the meeting. Their claim that the need for a SRV was accepted as necessary, reasonable and affordable is at odds with the community's assessment of the meeting result.

Council's Hardship Policy is inadequate, it really only addresses hardship of pensioners. It does nothing for self-funded retirees and the farming community, many of whom are living in poverty already.

The comparison of average rates paid by comparative councils on pages 38 and 44, is not relevant. Farmland in Tenterfield cannot be compared with Glen Innes. The Glen Innes average valuation is 40% above that of Tenterfield farmland; also Glen Innes uses a system of base payment plus Ad Valorem rate while Tenterfield has an Ad Valorem rate with a minimum rate. This means in practice that small holdings in Glen Innes pay much higher rates and large holdings pay lower rates. I do not have valuations for Inverell, however Inverell farmland is predominately high quality basalt cropping land while Tenterfield is predominately poor quality trap rock and granite grazing land. Any comparison is not comparing like with like.

When comparing residential with like councils the general rate is lower, however when comparing rates and charges (water, waste and sewerage) Tenterfield is much higher, \$330 more than Glen Innes. This is relevant considering these funds pay 22% of their total revenue to the general fund for administration and council acknowledges this subsidises the general fund (see below cut and paste from "[Our Long Term Financial Plan 2011-2021](#)")

Our Long Term Financial Plan 2011-2021 – "Planning for our Future."

5.0- Foundation 3 – Expenditure forecast

Extracted from 5.1

The water, sewerage and waste management funds will contribute over \$942,000 to general fund in 2012/13 toward administration costs.

8.0- Foundation 6 – Modelling and Sensitivity Analysis

Extracted from 8.4

4. The general fund is dependent on contributions from the water, sewerage and waste management funds to offset its administration costs. Any proposals to regionalise water and sewerage services should be viewed with utmost concern as the removal of those services from Council control will have serious ramifications for Council's general operations.

Administration charges on funds \$942,000 if we conservatively estimate real admin cost at \$275,000 it would leave \$667,000 subsidising the general rate which should be dropped from fees and added to general rates and be revenue neutral. This extra would amount to an average of \$382/year/ratepayer and the average general rate would be \$122 more than GI. (We need to see a scope of admin work to get a more accurate estimate of admin cost)

The rates table with CRV on page 41 shows that rates in the first year for minimum ratepayers in the "Farmland" and "Residential Other" categories will rise from \$330 to \$420 or a rise of 27.3%. There are 1398 rate payers, 29.8% of total, affected by this. There was no mention of this during public consultation and there has been no explanation of it since. This will affect the small villages of Torrington and Liston that receive few council services, while the slightly larger villages of Urbenville, Jennings and Drake that have more amenities and were on the same minimum \$330 will only rise to \$380 or 15%.

Also on page 38, the second paragraph below the table states. "Council's low percentage of outstanding rates and charges allows Council some leeway in being able to absorb any increase in outstanding rates and charges without adversely affecting liquidity or forecast cash flow projections."

This is at odds with their audited financial reports for 2013/14 that show rates and charges in arrears as 11.6% compared with a state average of 5.6%. When the auditor briefed council he raised this as a concern that needed to be addressed. Rates in arrears rose to this level after the 2011 floods and I believe is an indication that people are already having difficulty paying their rates.

The table on page 21 shows where the extra money raised over the next 10 years will be spent. There are at least 2 errors in this.

1. it states \$250,000 will be spent on the sale yards. Council established a new fee of \$2.50 /head for renewal at the saleyards. The average no. of cattle sold per year is >25,000 this will return >\$60,000 per year. The Capitol renewal budget for the saleyards is \$150,000 in 3 stages over the next 3 years so the new fee will more than cover the full cost.

2. It states \$1.5 million as loan repayments on the main street project. The main street project was originally costed at \$2.2 million, since then it has been cut by \$500,000 and they have used \$300,000 from Roads to Recovery funds and have received a grant of \$500,000 from the RMS. This leaves a total of \$900,000 to be funded. Articles in the local paper tell us the project is on budget, and our elected councillors are still telling us they will not be borrowing money for the project, they will be funding it with grant money.

We do not have any figures to access the other figures in the table.

General observations

- Hardship
- We had years of drought, broken by the record January 2011 flood, followed by a collapse of cattle prices and more drought.

- Most rate payers fronting the lower Tenterfield Creek and lower Mole River suffered losses in the flood from \$50,000 to \$250,000, and those with frontage to the Dumeresq River suffered losses from \$100,000 to \$500,000. A loss from which they have not, and some may not, recover.
- Cattle are the main source of income in the area. The price of cattle is, and has been for the last 3 years, 30% lower than it was 10 years ago and is only 70% higher than it was in 1975. Most properties used to employ 1,2 or 3 permanent station hands. Since the 1980's the local economy has deteriorated so much that almost all of the station hands are gone. There are only 4 properties within 20km of Mingoola where the owners are not working off farm or dependent on off farm income to survive. We can think of no property in the area where working age sons or daughters have come, or are intending to come home to take over the family property.
- If the proposed rate rise is applied at the same percentage to all categories of rates, 89% of Tenterfield residential rate payers will pay a net increase over 4 years of \$146 while the average increase in the Farmland will be \$416, that is 285% higher. (For some people in this area it will be over \$1,000). Is this fair? Pensioners get a 50% rebate, Tenterfield business has received an 18.4% rate cut this year negating the first 2 years of a rate rise. We get the biggest rise and no help. We are being kicked while we are down. It is charging those least able to pay, the most.
- Tenterfield is rated as the 14th lowest socio economic shire in NSW. We would expect to pay lower rates than most.
- The Australian Bureau of Statistics lists the average taxable income in the Tenterfield shire as \$28,000. Councillors should ask themselves if they had a taxable income of \$28,000 or less, would the rate rise cause them hardship, if so they cannot support it in good conscience.

Valuations

The official valuations in the Tenterfield Shire have lost 23% over the last 3 years, having the largest devaluation in NSW in the last 12 months. Although not directly tied, this devaluation reflects the drop in business and agricultural activity and income over the last 3 years (and it has deteriorated further so far this year) making it very difficult to meet existing financial commitments, let alone a rates increase.

Business rate

The rate category "Tenterfield Business" was reduced by 18.4% last year. I have asked Councillor's for an explanation and have only been told "it is very complicated". This drop insulates them from the SRV. After the first year 15% rise, they will still be 12% below where they would have been had they not had the drop.

In the absence of an explanation from council it would appear there are only 2 possible explanations for this reduction.

1. a number of councillors own business premises in Tenterfield or
2. they believed the business rate was too high. I believe the second is more likely and if so it poses the questions, what criteria was used in reaching this decision? And were all other rate categories assessed on the same criteria?

The financial position of the business sector directly reflects the community's financial position and if it was decided the business rate was too high, it is beyond reasonable understanding they could raise all other rates substantially without causing hardship.

Efficiencies

- Council efficiency gains /productivity;

There have been significant improvements in productivity over the last 12 months in waste management and road maintenance, with room for more improvements to come. However these savings will not show in the Budget for several years, but are huge outcomes and will substantially increase asset life.

Why do we need a special rate rise?

- Rate pegging is 1% point above CPI, which is 50% more than pension increase. This should be adequate.

All figures taken from the *Draft Financial Statement- Year Ended 30th June 2013* as presented to the ordinary council meeting, 25th September 2013.

- Last year there was a cash flow surplus on operations of \$5,810,000 (pp. 49). The depreciation of \$6,221,000 which is just a book entry was included in the council's claims of a loss of \$1,142,000 for the year.
- At the end of last financial year the total cash and cash equivalents were \$9,744,000 up \$2,600,000 on previous year, (pp. 40). The unrestricted section of these funds is up \$1,316,000 from \$35,000 last year, (pp. 42). The internal restricted funds include \$2,378,000 for capital works and \$1,200,000 for plant and vehicle replacement, (pp.42).

After adjusting for an increase in current liabilities, council appears to have finished the year with \$1.5 million more than they started. Their borrowings are approximately the same, and there is no mention in the notes of any anomalies that would distort this figure.

Move that Bob South try to get an appointment to take a list of questions to the General Manager – Lotta Jackson and Director of Corporate Services – Allen Shorter (Tenterfield Shire Council) to make them aware of the types of questions we would like addressed during councils Community Forum on ‘The Path to Financial Sustainability.’

We do not oppose a reasonable and agreed rate increase. We do oppose the 15% 10% 10% 10% proposed.

Concerns and Grounds for Opposing Rates Rise:

- **Hardship –**
 1. we are still suffering the financial effects of the floods and the continuing low commodity and cattle prices
 2. this increase would take food off the table in many cases
 3. and put strain on Salvation Army Rural Mission aid Budget and Ministers

- **Equity – if net increase is applied equally to all rate category;**
 1. Tenterfield Residence will increase \$156 over 4 years
 2. Average rate rise for all Tenterfield \$175 over 4 years
 3. Farmland \$416 or 238% above
Tenterfield Av.

Is this fair?

- We do not accept that there is not enough money for roads until \$300,000 returned to Roads to Recovery fund from Main St. beatification.

We need an explanation on:

- **The existing rates system -**
 1. What is ‘Catch up’? (from the formula on the operational plan – rate info)
 2. Why don’t figures in 12/13 operational plan relate to 13/14 operational plan?
 3. Why do the figures in the 2013 annual Financial Statement show an increase in rates collected of 6.3%, when total rate pegging limited it to 3.6% ?
and why was the amount collected \$149,000 less than the forecast in the operational plan?
If it had been collected the increase would have been 12.3%

4. Why were Tenterfield Business Ad Valorem rates reduced by – 18.4% and the Tenterfield Residential Ad Valorem rate reduced by – 5.5% in 2013/14 Operational plan?
5. We cannot accept the Water, Sewerage and Waste charges can be considered separate to rates in view of the following extracts. We would need to see a scope of the administration work to ascertain the real cost of administration.

Extracted from - Our Long Term Financial Plan 2011-2021 – “Planning for our Future.”

5.0- Foundation 3 – Expenditure forecast

5.1

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8.0- Foundation 6 – Modelling and Sensitivity Analysis

8.4

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For Council Consideration:

- We accept council should be entitled to rates growth for growth in rates base other than growth attributed to changes in land valuation.
- We see the need for the discrepancy in administration charges for Water, Sewerage and Waste, to be rectified in a revenue neutral manner.