



18 February 2018

IPART
Application for Special Rates Variation
PO Box K35
HAYMARKET POST SHOP
NSW 1240

Dear Sir,

**Clarence Valley Council
Proposed Rate Increase
Proposed Special Variation – Rates increase of 8% (3 Years)**

As you would be aware the Clarence Valley Council has applied for a Special Rate Variation of 8% (26% over a 3 year period) on the grounds that it needs the additional revenue to comply with the benchmarks set by the State Government's *"Fit For The Future"* initiative.

By way of background information Clarence Valley Council was formed in 2004 as the result of a forced amalgamation of four general purpose councils, a water supply Council and a Flood Mitigation Authority. The four general purpose councils were:"

1. Copmanhurst Shire Council
2. Grafton City Council
3. Pristine Waters Shire Council
4. Maclean Shire Council

At this time Maclean Shire Council was the only Council which did not have a budget in deficit.

The Council (Clarence Valley Council) has continually increased its deficit since amalgamation despite assurances every year for 12 years that the problem with the Budget was being addressed and "good times were ahead" due to the excellent performance and dedication of the management team.

The management team and the majority of Councillors have consistently demonstrated their incompetence and ignorance of Corporate management. They lack the expertise and competence to administer a simple cafe lease in the Grafton Art Gallery let alone a local government area of 50,000 people. If this Council was a private corporation it would have been in receivership 10 years ago.

Random examples which are symptomatic of this Council's incompetence are –

1. The reconstruction and resealing of 800 metres of existing road. The estimate for this reconstruction was \$325,000. The cost in May 2015 was \$534,158 ie \$209,158 or 64% over budget. This project is now completed however the final costs are not available.
2. The beautification of a park in the town of Maclean. A budget of \$1.3M was voted by Council and a consultant was engaged to prepare a plan which was submitted for public consultation. This plan contained nothing that the community wanted and the cost was far in excess of the amount budgeted.

This ongoing saga commenced in 2010. There have been four plans from four different consultants at a total cost at 29 September 2015 of \$283,000 or 22% of the budget figure for construction. At the date of this letter the park works are incomplete and bear no resemblance to what the community wanted and expected.

3. More recently a car park has been constructed in the town of Maclean to provide parking for a non-existent supermarket which is proposed to be constructed on what was once public land. This supermarket has been on the “verge of construction” for over 10 years. The new car park was constructed on a depot site previously owned by Telstra. It was used to park lorries and heavy plant items. The estimate for this construction which entailed clearing and bitumen sealing was \$837,000. The final cost however is closer to \$1.2 million.
4. Clarence Valley Council has recently resorted to selling off real estate to improve their financial situation. One of these properties is a depot in a residential area in Grafton which sold for \$840,000. Another property was an office block that had belonged to one of the amalgamated Councils. This building is currently used by the Clarence Valley Council’s Engineering Department. It sold for \$1,840,000.

These properties were immediately leased back to Council resulting in a conservative cost estimate of \$1,404,500 over a 3-5 year period until the Council “Super Depot” is constructed and staff relocated. The capital from these two sales will be gone in less than 5 years. Meanwhile the costs of the “Super Depot” continue to soar.

Hundreds of thousands of dollars are wasted each year on impractical projects like the “Super Depot” which is being constructed next to a High School in a residential area, on a former polluted sewer treatment works depot and adjacent to the flight path of the South Grafton aerodrome.

A brief history extract of the “Super Depot” saga is shown below:-

Before the site for the depot had been decided upon, CVC wrote in its Asset Management Strategy 2015-2025: “A new depot facility for Grafton and surrounds with sufficient capacity will be constructed at a preliminary cost of \$3.5 million”.

In its Fit for the Future submission in June 2015 the council valued the depot’s construction at \$5m.

In July 2015, a development application was lodged that put the estimated cost at \$6m.

At the February 2016 meeting Councillors noted and received an “AEC group report titled ‘Depot Options Review’ (January 2016)” that placed the “Total Funding Requirement” at \$12,699,579, or alternatively, \$13.385 million, as per the quantity surveyor’s estimate.

Despite warnings from former Council employees that the site contained asbestos and various heavy metals the Council carried on in its usual cavalier manner which has resulted in millions of dollars being spent clearing asbestos contamination from the site. The original estimate was \$13.3 million (or alternatively you can choose one of the above, I have chosen the highest figure). This has blown out to over \$18 million and the depot is still not completed. Interestingly, a member of Council’s management staff maintains that the project is within the budget because the millions of dollars required to clear up the site came from the Council’s sewer fund.

If Clarence Valley Council needs a Special Variation resulting in a 26% increase in rates after 3 years to become “Fit for the Future” why would it contemplate engaging consultants to prepare an “Aquatic Centre Conceptual Plan” for the Grafton Pool? If there are insufficient funds to carry out current and future asset maintenance, why would you contemplate an Aquatic Centre?

Clarence Valley Council pays scant regard to the principles it espouses and its community consultations are simply to enable a box to be ticked. "Public consultation" to this Council is merely a tool to create the impression that community input is considered before a decision is made. Previous submissions to Council have been dismissed out of hand as being "emotional", "parochial" and not containing correct information.

Questions in survey documents are skewed to give the impression that the community is in favour of a Special Rate Variation (SRV) and I suspect the community feels they are being treated with contempt as the survey questions appear to have been compiled by a 12 year old child. The consultation process is confusing to many and responses and petitions are not counted accurately. Complaints made to the Minister for the Office of Local Government are met with the standard reply of "any dissatisfaction with the Council should be addressed at the ballot box", however, the majority of the Councillors who stood at the last election campaigned on a "No Special Rate Variation", five of them voted in favour of the SRV after being elected.

The history of the Clarence Valley Council and its management over the past 12 years does not indicate that any increase in the Ordinary Rate would improve the Council's performance in managing its assets. The condition of Council roads both urban and rural is attributable to a lack of timely maintenance, and contrary to statements from Council management it should not be the responsibility of Council ratepayers to advise Council where and when maintenance needs to be carried out. Ongoing maintenance is a basic function of asset management and provision for maintenance should be made by Council staff when preparing its budget (this is not a new concept, it has been going on since Roman times). The main reason given by Management for a SRV is that the State Government has amended the financial reporting standards, making it mandatory to disclose how much has been allocated for asset management. It would appear that instead of providing money for maintenance work it was spent on things like the Grafton Art Gallery, the Grafton airport and an Economic Development Unit which costs more money than it generates.

This Council's problem is one of uncontrolled and badly managed expenditure. It is not a revenue problem.

If the Council was serious about getting its budget on track it should -

1. Dispense with the Economic Development Unit which generates no income and no economic development whatsoever as indicated by its performance regarding tourism.
2. Cease supporting the Grafton Regional Gallery or introduce a user pays system for the elite minority.
3. Cease expenditure on the Grafton airport as the vast majority of ratepayers use the Coffs Harbour and/or Ballina airports.

The Clarence Valley Local Government area has a large number of residents who are either pensioners or whose average income is almost half that of the national income. 30% of all residents are pensioners and at least 15% are self funded retirees whose disposable income is reducing each year because of low interest rates, a volatile Stock Market, the outrageous cost of electricity and energy in general and the ever increasing cost of private health insurance, home insurance, motor vehicle insurance and the general cost of living. These people cannot afford to pay increased rates, the existing rates are already excessive in comparison to residents in other Local Government areas throughout the State. No consideration is given to these people or ratepayers in general and they should not be made to pay for the years of incompetent administration.

I note that IPART rejected Council's previous Special Rate Variation for 3 years but allowed a 6.5% increase for the 2016/17 year only. During this 2 year period no efficiencies were made. In fact valuable Council assets were sold off at bargain basement prices resulting in a slight increase in

revenue for one year only (2017/18). These assets are now gone and leasing them back in future years will only contribute to a larger deficit.

I would request that you consider this information when assessing the special rate variation.

I was employed in the Local Government industry for 35 years and for the past 8 years I have worked as a consultant on rating and financial matters for various Councils throughout the State.

This submission is not made with any malice intended, but I am of the opinion that this Council would have to rate as the worst I have experienced regarding public consultation, secrecy in the provision of financial matters and a culture of intimidation and bullying of staff by management.

I would again stress that the Council's problems are not caused by a lack of revenue but by sheer incompetence at every level of management.

Yours faithfully

Chris Clews

A solid black rectangular box used to redact the signature of Chris Clews.