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To: IPART <ipart@ipart.nsw.gov.au>

Subject: 2022 IPART Rate Peg Review - submissions due by 7 November 2022

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0292908400

Attached is a personal (Ratepayer) submission for consideration. Also some additional comments, some of which may be more appropriate for action by OLG, the Auditor-General's Office or Finance.

Looking forward to the Terms of Reference primary focus remaining the primary focus.

TOR p1/2 "The Primary Purpose of the Rate Peg is to protect ratepayers from excessive increases in their rate bills"

I suggest this is being undermined by behaviour by councils, legislation changes including allowing a new rate which will be outside the 'rate peg' State 'controls', councils expanding their role 'inappropriately'..

I suggest the State needs to be more actively involved in issuing appropriate directions when it becomes apparent councils are continuing to increase current and future deficits and compromised cash flows. This may include more explicit definitions for which 'services' and infrastructure are mandatory or essential and removing all 'wants', 'other agency responsibilities' and 'wish-lists' especially when there is no evidence that the majority of RATEPAYERS support continuation, expansion or new 'services' and 'infrastructure.

EG Rural Fire Services assets should have been a State direction many years ago. .

Major historic State cost-shifting needs to be reabsorbed asap. This includes Major Roads in small rural councils.

Where multiple layers of state agencies get involved in the chain of approvals for councils, perhaps the State should take back responsibility for delivery, not force small rural councils to bear the financial consequences.

eg Planning, Water, Waste, Sewerage, etc.

I suggest all State grant providers should require evidence of 10 year long term financial plan consequences of each grant sought by any council, and should not approve any which result in unreasonable mandatory rates and charges due to recognition of the full financial consequences of each and every grant.

The current state grant practices appear to be contributing to increasing deficits and misuse of restricted funds – not due to the grant provider themselves, nor the rate peg nor the SRV process, but ultimately because it appears Accounting 101 is not being consistently applied and comprehensive \$ information isn't being publicly provided before councillors make decisions. In

2022.1101 IPART Rate Peg Review – CJ Jaques submission

some councils our elected representatives may well be ignoring public reports.
The likely level of potential rate and mandatory charges should be public BEFORE any election nomination period closes – so there are no more nasty surprises after an election as has happened with our small population rural council.

Many grants, while helpful, could be seen as the ultimate cost shifting tool – as is the creation and apparent expansion of Joint Organisations. Joint Organisations are yet another public sector level where voters can't vote the entity representatives out of office and 'cost sharing' is starting to escalate as well as diversion of focus.

Thanks

Cheryl Jaques

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Submission:

Introduction:

I am a retired FCPA, CIA with extensive large ratepayer base council, large IState & Commonwealth government agency, private sector experience as Performance Auditor, External Auditor, CFO, Audit Manager reporting to GM, councillors, board.

I live in a 'large' remote, council close to State borders, which has a 'small' ratepayer base & older, lower income 'small population'. I would expect the majority of assets are property based

*** I am very concerned with \$ decisions our council & others make especially the continuing & apparently growing negative effect on deficits & cash flow. What happened to Accounting 101?.**

***I am very concerned at what our council & others consider is 'consultation' & the nearly total lack of focus on RATEPAYER 'consultation'. Ratepayers bear the \$ consequences.**

***Proper 'consultation' includes actually listening & responding.**

***I am very concerned at the increasing 'loopholes' allowing councils to increase mandatory rates & charges, including where ratepayers can't use, don't use, don't need &/or don't want the 'services', due to existing private infrastructure, distance preventing practical use & 'services' & 'infrastructure' which are not mandatory or essential for ratepayers, but are in fact a primary role of another agency or entity or individual.**

PLEASE Maintain Focus on :

2022 Rate Peg Review Terms of Reference (TOR) P1/2

"The Primary Purpose of the Rate Peg is to protect ratepayers from excessive increases in their rate bills".

In many documents this ratepayer primary focus seems to be lost in favour of protecting the viability & cash flow of councils (protecting the organisation, well paid administrations, administrators, possibly some councillors, local government contractors & local government political organisations – not the ratepayers' \$ resources?).

The focus needs to get back to the primary documented purpose of the rate peg & need for of the word RATEPAYERS & possibly RESIDENTS/VOTERS, not 'community' members, so the TOR primary purpose doesn't get so easily trashed. Explicit definitions are apparently needed for all State directions. Many State documents also quickly move to 'community' & ignore 'ratepayer'.

The STATE needs to give DIRECTIONS to all local government agencies, not suggestions, models, guides. This will save huge public \$ due to all councils not redoing multiple ridiculously large documents & avoiding every level of the public SERVICE duplicating activity unnecessarily.

The State needs to step in much earlier when deficits start to appear & ^ give directions for remediation. In particular which 'services' are mandatory & essential NOT wish lists from disparate groups. Implement required user pays charges for the other wants, wish lists etc.

The State directions & information for councillors & prospective councillors & senior staff (executives & managers) need to be explicit that the % potential rate increase over the current 10 year financial plan (including cash flow) must be in a public agenda before any nomination period for an election closes.

No evidence of this at our council? Ratepayers got a 'nasty' surprise after the election. le where is the Full Disclosure the state requires of property owners/ratepayers.

Mandatory rate increases, (whether via rate peg or special variations) are a poor solution to viable \$ management by NSW councils, especially when little effort seems to be given to actually ensuring **RATEPAYERS are even aware** of the administration's intended \$ recommendations.

High levels of Property ownership, low mortgages, low rates debts DOES NOT mean ratepayers should be forced to bear the \$ consequences of councils' apparently 'failed' decisions & actions, eg approx. 104% permanent SRV requests – implemented over the next 2 yrs, without also informing ratepayers of the 10yr compounding effect of this officer recommendation.

Rural areas have high levels of inherited property, often at much lower values, have ethical standards to pay their debts on time & the assets are NOT easily 'cashable' to pay unreasonable mandatory rates & charges.

The ratepayers don't create the continually increasing deficits & 'misuse' of restricted funds, so why are the ratepayers bearing financial consequences which are able to be quickly remedied.

This is especially important for councils defined by the State as 'large' due to area, but which are in fact 'small' – eg only approx. 5,000 older, lower income ratepayers with 'physical' assets not cash.

Appointing administrators doesn't seem to be doing much other than;

- * escalating the deficits, creating more red tape & useless huge documents &
- * continuing the poor \$ viability,
- * removing our community representatives, but
- * retaining the senior staff who have given the recommendations or exercised \$ delegations

Perhaps an urgent STATE DIRECTION should be that all delegations expire with each new Council term, similar to what I understand happens with the non-resident ratepayer electoral roll?

State action is urgently needed especially where there are

- (i) public agendas showing a 10 year long term financial plan deficit of \$50 million &
- (ii) officer recommended compounded, permanent special rate variation proposals of approximately 200% - BEFORE further increases in mandatory charges, especially when the proposed SRV looks vastly improved over the year BUT is in fact just showing a shorter time period. ie 'misleading' ?
- (iii) 'misuse' of restricted funds due to apparent failure in cash flow management, often arising from acceptance of 'unaffordable' grants.

These \$ issues are **before** recent weather events & price increases in 2022.

Presumably, this type of public information would indicate those councils are 'failing' in their \$ management & are more than likely continuing to seek approval for unreasonable rates & charges.

What are the Audit Committees doing? Are they automatically on the Minister's email list?

Does IPART directly contact Audit Committee members to inform them of significant issues?

Aso perhaps the State could require all exercised delegations be reported via council agendas or online reports every month, to improve visibility for all & allow timely amendment if issues arise.

This would help ensure that all councils

*do comply with State requirements to review all delegations within the first year of a new council term &

*place each delegation decision on councils' websites (outside the minutes)?

*make visible how far down in the organisation structure delegations have migrated – possibly resulting in increased position classifications & \$ for otherwise more junior positions.

eg see the long list of our council's officers required to report on potential conflicts of interest, for only. 5,000 ratepayers & IP&R Organisation Structure of 112 FTE? (i3 executives & 12/13 mangers)

The required post-election delegations review does not appear to have occurred for our council's last term & the register still doesn't appear to be on TSC website.

Do all councillors even know what delegations their officers can action independently – sometimes to significant detriment to continuing deficits & further compromised cash flow positions?

This is very important during 'recess' periods as our ratepayers' discovered recently..

This 'all delegations expire with each council election' would ensure all delegations were visible for ratepayers, residents, voters, councillors & the community prior to apparent inappropriate decisions being made

REMINDER for us all: RATE PEG TOR p1/2

"The Primary Purpose of the Rate Peg is to protect ratepayers from excessive increases in their rate bills".

le The primary objective of the rate peg has failed significantly as has the Rate Variation process, BUT please do not succumb to council associations etc pressure to remove the process.

The State needs to change the procedures & require proper implementation of Accounting 101 & ALL grant providers need to require evidence of 10 year \$ estimates of consequences for all grants.

Grant providers should say NO if the grant is 'unaffordable'. le increases deficits if all \$ included
The current grant provider process appears to be the ultimate form of cost shifting leading to councils' increased deficits & cash flow non-compliance resulting in more unreasonable rates.

Many councils' CONSULTATION process appears to be an expensive failure.

How do ratepayers know – do any councils do a direct mail to every ratepayer's nominated address?

Who chooses which entity, person, organisation will be consulted & how do ratepayers & residents/voters get visibility of this in a timely manner? Ratepayers bear \$ consequences & must be consulted & aware of all 'consultation' activity – especially when it gathers momentum & ends up increasing, maintaining or adding 'services' a&nd the related long term \$ consequences.

I suggest it is time to have it a mandatory requirement for all non-resident ratepayers on the Non-Resident electoral rolls. Why do these rolls have to be created for each election & not just continue? This isn't mentioned even in OLG encouragement for ratepayers to participate more.

At least those directly impacted by unreasonable &/or excessive rate rises would then get a chance to vote the councillors out, even if many senior staff remain & continue to give advice despite apparently failing to properly & regularly implement Accounting 101 to responsibly manage their deficits, cash flow & draft recommendations to councillors.

It appears there are too many agenda reports & draft resolutions (possibly leading to increasing deficits & unacceptable cash flows) containing few \$ consequences over 1,4,10,20 year plans & budgets & too many apparently inadequate 'council consequences' references in agendas?

Eg many agenda reports for our council show "not applicable" or "the budget provides for xx activity" (but no actual \$ amount or budget reference) when it is obvious there are \$ consequences.

This apparent 'reporting failure' puts all councillors accepting the draft resolutions into a compromising position which ultimately can lead to \$ failure of the entity at RATEPAYERS' expense.

As a minimum it leads to ratepayer & resident/voter confusion & angst due to ever increasing unreasonable & unessential 'services' & the related unreasonable rates & charges.

RESPONSES to 20 Questions presented by IPART website – more than 2,000 characters!

- 1 (a) **To what extent does the Local Government Cost Index (LGCI) reflect changes in council's costs & inflation?**

LGCI is Satisfactory: The LGCI would reflect changes in councils' primary costs & inflation as it includes relevant categories for LG essential & needed services & uses ABS data.

- (b) **Is there a better approach?**

NO, I don't think there is a 'better approach', especially if a Whole of Government cost/benefit & ratepayer consequences are considered.

- 2 (a) **What is the best way to measure changes in councils' costs & inflation &**

There is NO 'best way'. Councils & their associations will continue with political lobbying. The existing LGCI is appropriate & working OK & cost of change, retraining, document changes etc would not demonstrate a cost/benefit for anyone especially not ratepayers.

Other issues cause the complications especially for ratepayers.

- (b) **how can this be done in a timely way?**

Two years is a reasonable & timely lag, especially when councils are required to prepare 1,4,10 & 20 year plans & additionally when most councils seem to take multiple years to actually start any activity.

All executive staff should know what the lag is & integrate this in their budgets etc.

In addition, it appears NSW councils have very well paid staff, presumably with the required skill set & experience. I.e. Reliable & updated long term financial plans should be available.

Professional staff should include those staff who understand that Accounting 101 application is essential every day, week, month, year for all new, updated, deferred, amended activity & 'services' AND all potential & continuing **GRANTS**, before any councillor decisions.

- 3 (a) **What alternate data sources could be used to measure the changes in council costs?**

The existing data sources ARE reasonable & the cost of creating new, duplicate indices or new, amended data sources is a waste of scarce public \$, especially as it seems very likely that councils' administrators & associations will want to waste further time/\$ on arguing the point, often apparently at ratepayers' expense.

- 4 (a) **Last year we included a population factor in our rate peg methodology. Do you have any feedback on how it is operating?**

There appears to be a significant increase in the rate peg post the population factor inclusion, no doubt to ratepayers' angst & dismay & council staff happiness.

Our council is getting a population rate pet increase for 23/24.

Exactly how many new people resulted in 4.3% cf base of 2/5% for Tenterfield Council?

Are ALL the 'services' really NEEDS & mandatory 'services' & appropriate minimum 'standards' or is there unessential 'scope & quality expansion' at the expense of ratepayers?

- (b) **What improvements could be made (for population factor change)**

Possibly add an IPART review that \$ are actually used for specific required purposes as per existing SRV controls. Eg NOT 'transport' but actually eg local dirt roads.

Perhaps include the increased population numbers with the population % factor.

Did the population factor inclusion REDUCE the number of applications for special rate variations in excess of the rate peg? If not, what is the point, other than providing yet another category by which rates can increase (outside rate peg & special variations)?

- 5 (a) **How can the rate peg methodology best reflect improvements in productivity & the efficient delivery of services by councils?**

NO change to EXISTING methods for productivity & 'efficient' delivery.

Current methods are adequate & any additional \$ should reduce rates not increase red tape.

- 6 (a) **What other external factors should the rate peg methodology make adjustments for?**

NO need to add another 'external factors' component as ALL entities (including those with much lower remunerated senior officers), deal frequently with changes 'outside their control'. We all have to moderate what we want to do to reflect what we can afford.

It appears most 'external factors' for NSW councils come via State or Commonwealth mandated decisions, sometimes with attached grants, for initial construction/s only.

Usually the grants have

* no minimum 'standard' of service (avoiding 'gold plated' 'services'), nor

*instructions on which ratepayers or residents/voters should be charged,

*no preliminary review on whether councils have properly reported on the full 10/20 year consequences on councils' cash flow & deficits before recommending councillors' acceptance of the grant/s.

ie grants can make the deficits & 'unstable' cash flow position even worse.

- (b) **How should this (include 'external factors') be done?**

DON'T. Stick with current categories & indices & don't waste more, scarce public \$.

(c) **SEE ALSO Q17 – "should external costs be reflected in the rate peg methodology"**

(d) **SEE ALSO Q19 – "what types of costs which are outside councils' control ..."**

What is the intended difference between 'external factors' & 'external costs' & 'types of costs outside councils' control? Why 3 separated questions?

Every entity & person has to deal with matters 'outside their control', so why should councils be incapable, especially when considering the executive remuneration being paid & the multiple senior officer positions included in organisational structures – often for paperwork activity?

- 7 (a) **Has the rate peg (methodology) protected ratepayers from unnecessary rate increases?**

NO, the rate peg apparently hasn't protected ratepayers from unnecessary rate increases as the loopholes include

*the Special Rate Variation & now

*the population factor, where the focus seems more on council viability not ratepayer protection & new rates categories outside the rate peg,

*there is no upper limit for SRV requests (much to ratepayers angst & ratepayer potential financial loss over multiple years), even if the request/s are not approved.

*there is no requirement for full disclosure prior to close of election nomination periods

*ratepayers have little opportunity to be informed, participate & be properly considered

but **local government organisations are well funded to make submissions & lobby the State.**

8 (a) **Has the rate peg (methodology?) provided councils with sufficient income to deliver services to their communities?**

NO, Apparently NOT Many NSW councils keep asking for more & more via SRV, & (i) it appears there is no exclusion of wants & wish lists or other entity services & (ii) it appears there is insufficient timely ratepayer communication of the \$ issues, plans, ratepayer consequences in many instances with the result, that new, extended, continuing 'services', many of which are unaffordable if \$ were presented in the required long term financial plan/s format, become each ratepayers financial problem.

Why are ratepayers being expected to pay increasingly unreasonable rates for 'services' which are impractical to use, not wanted, are cost shifting from another public or private entity or something wanted by a special interest group or a passer-by?

Is it 'greed', 'not wanting to miss out on GROSS income, or 'overreach' of primary role, or?

9 (a) **How has the rate peg provided impacted the financial performance & sustainability of councils?**

NOT AT ALL. The rate peg HAS NOT impacted the financial performance, viability, or sustainability of councils.

Many councils have applied for & often **received significant further rate increases via SRV & are still not sustainable or viable**, despite ratepayers being forced to pay increased mandatory rates & charges over multiple, continuing years.

I suggest the real issue appears to be a lack of STATE DIRECTIONS for LG financial management & avoiding continuing cost shifting from the State to Local Government via grants, increasing standards, down grading roads so they no longer meet State criteria etc.

eg Major roads need to go back to the STATE asap (before the end of financial year 22/23), despite condition & 'prescribed' activity by state agencies before any transfer.

Eg **fire services equipment in financial statements needs to be a State wide direction**; NSW needs State-wide Policies not suggestions & avoid multiple entities regular review; NSW councils need tighter rules over executive remuneration & KPIs;

If all councils properly applied Accounting 101, there would be a much, improved NSW financial result & I suggest less need to continue with increasing rate pegs modifications & SRV applications, due to more appropriate financial decisions being made.

I suggest Grant providers need to require EVIDENCE that the councils' administration has included the grant long term \$ plan consequences in the agenda report & draft resolution & that this does not compromise the cash flow, increase the possible deficit/s or rates increase, before councillors approve any grants.

Grants are usually meant to improve financial position of recipients, not cause further significant \$ damage. Grant providers can no longer assume Accounting 101 is undertaken.

Every grant has long term financial consequences, including cash flow consequences, which compounds with every grant approved, apparently (in many cases) to the detriment

of ratepayers & councils' \$ viability. Eg See increasing #s of SRV requests & lobbying.

This significant issue appears to have been ignored for far too long & **grants could be seen to be yet another example of cost shifting to Local Government.**

GRANT Opportunities appear to be a significant reason for unsustainable (rate peg & SRV) rates increases, budget variations & cash flow non-compliance.

Similarly with new tenders & contracts where **\$ consequences are not fully considered prior to officer draft resolutions & supporting \$ variations in agendas.**

Eg *Whoever heard of a budget variation* to cover payment of 'retention money' on a capital project or to cover write off 'old' infrastructure assets or to cover depreciation???

Why are the ratepayers forced to be the 'fairy at the bottom of the garden' when the accounting 101 \$ basics are apparently not being applied as standard good governance for very well-paid executives & senior managers.

- 10 (a) **In what ways could the rate peg methodology better reflect how councils differ from each other?**

NOT APPLICABLE. Keep the existing methodology.

As the rate peg is a % overall, it should reflect how councils differ from one another.

The councils seem to all want to take over the State & other entities responsibilities at ratepayers' expense.

Grants & new arrangements such as Joint Organisations just transfer yet more cost to ratepayers via cost shifting & removal of direct control to vote members out.

- 11 (a) **What are the benefits of introducing different cost indexes for different council types?**

NO BENEFIT. =

More importantly I can see NO benefits to RATEPAYERS of introducing different cost indices for different council types.

More likely it would be **yet more expense to the ratepayer** as systems, documents & training & consultation would **need to be redone yet again** – despite council rarely informing all ratepayers & very rarely enabling the ratepayers 'in the know' to be the priority consideration. (despite the IPART process & Premiers priority)

Perhaps the IPART process should consider the ratepayers' age & income profile so there is some methodology in **how council has considered the impact on ratepayers** (for all SRV years) AND considers that impact is reasonable.

This is not happening in our council despite specific feedback.

eg council administration has engaged Expensive Consultants with views that;

- rural areas often have high property ownership, low mortgages & low or no debt & therefore there is a 'capacity to pay' increased rates. REALLY!
but not formally recognising that
 - (i) there is a high level of property inheritance, but this is physical not cash;
 - (ii) there are much *lower property values* than elsewhere;
 - (iii) ratepayers have demonstrated ethical behaviour by paying their debts on time;
 - (iv) rural ratepayers being subject to significant increased 'fixed' expenses;

This consultant's opinion, **does not mean there is a real capacity to pay much increased mandatory rates**, often for 'services' which won't or can't be used or are not needed by ALL ratepayers. Rural ratepayers assets are often 'fixed' not easily 'cashable'.

- **NOTE:** comparison with other councils' rates charges & position in the 'table' of councils, just leads to a continuing snowball & each council seeks special variation approval to get higher on the scale. Unfortunately, this moves another council further down the scale & so they then apply for a special variation etc etc.

12 (a) Is volatility in the rate peg a problem?

Volatility in the rate peg should NOT be a problem for our well-paid staff.

There is no ratepayer benefit to 'stabilising' any period for the rate peg.

Very well paid Professional staff shouldn't have an issue & should be aware of this issue as a standard part of living in the world which is updated regularly in budgets & plans.

eg Even our small rural council (approx. 5,000 older, lower income ratepayers spread over a large rural area) employs 3 executive staff with remuneration in the \$200,000 - \$300,000 band AND 12/13 Managers, so should be fully expert in preparing IP&R documents, including the 10 year long term \$ plans & 20 year infrastructure plan etc?

*How much Did they pay for a 2022 consultant to prepare IP&R documents?

*Have they updated the long-term financial plan & notes re the 10 year cumulative, permanent special rate variations & estimated rate peg variations so ratepayers (in particular) may become aware of the real 10 year increase in rates at this time?.

eg: the initial LTFP resulted in an approx 200% rate increase over the 10 years.

This number has only been modified by presenting the increase over shorter time periods, (not by increasing the \$ due to weather events, increased costs etc in an updated LTFP.) currently the % increase presented in council agendas looks like further savings have been made as the number is now approx. 105% (but this is only over 23/24 & 24/25, not the same – current – long term financial plan)

All entities have to deal with 'external changes' & changes in prices etc .

The correct Accounting 101 treatment is basically to reduce entity activity, especially expansion plans, to avoid potential unviability (a SRV request is not automatically approved) & forcing unreasonable trauma & unsustainable rate increases & endless often useless 'consultation' on their captive clients – ie ratepayers.

Councils often receive 'padding' via State & Commonwealth grants to assist.

(b) How can it (volatility in rate peg) be stabilised?

This should not be necessary.

Life is volatile & if individual ratepayers & all entities have to live with it, why not NSW councils.

Manage volatility by SAVINGS, REDUCE 'services', activity, standards.

13 (a) Would councils prefer more certainty about the future rate peg, or (b) better alignment with changes in costs?

IRRELEVANT. I'm sure councils would prefer a lot of things, but **I thought the premier's primary focus for the IPART rate peg process was to protect ratepayers from excessive**

increases in their rate bills?

*Certainty is not part of the real world.

*Budgets are meant to be varied to manage changing matters to avoid unviability or cash flow non-compliance. This does not appear to be happening.

*How many NSW councils when asking Tom, Dick Harry, (but often not asking the ratepayers) what 'services' they want in the future, but **fail to also ask HOW MUCH EXTRA WILL THEY PAY & HOW MANY RATEPAYERS ARE WILLING TO PAY?** Not many I suggest.

Do any of the NSW councils actually listen to 'community' feedback, especially when it relates to ratepayers, saying NO to excessive rate increases (eg over 10% pa) & YES to reduced services & that their priorities are safe, usable roads.

le NOT Youth Precincts, heated swimming pools, restoration of buildings which are not essential & prior to proper analysis of the real budget for the work.

Why don't all NSW councils provide financial statements monthly, in the format of the annual financial statements, including original 'approved' budgets & estimated variations, so that the annual financial statements are a 'period 13 presentation' mainly for correction & adjustment & late items???

- 14 (a) **Are there benefits in setting a longer term rate peg, say over multiple years? NO, there is no ratepayer benefit in setting a longer term rate peg over multiple years.**

Councils might like this as they apparently like the ability to apply for a special rate variation not only compounded over multiple years but also a permanent addition, until they ask for yet another SRV or the State appoints an investigator or administrator (no doubt at ratepayer expense yet again, despite the failure apparently being related to deliberate actions by the administration & council resolutions, including often incomplete or inadequate \$ consequences via agenda reports seeking councillor approvals.

- 15 (a) **Should the rate peg be released later in the year if this reduced the lag? NO, the rate peg is issued at a reasonable time.**

The issues for 2022/23 appear to be:

*councils were given an earlier forward estimate (2.5%) which they included in their IP&R documents, but the actual rate peg was .7%?; &

*IPART requires **any SRV to be included in the IP&R documents** – which in fact allows the administration to get busy starting all activity & compromising any possible return to a reasonable rate increase/SRV, &

*apparently councils would have to **go out for yet more** (often apparently ignored & not useful) '**community consultation**' if they were to apply for the 'extra' 2.5%.

* then for councils' seeking much higher SRV approvals, the IP&R (including amended LTFPs) & consultation would need to be 'redone' within set time frames.

Why didn't the well paid senior staff understand the rate peg has approx. 2 year lag & why wasn't this recognised in the previously prepared long term financial plan/s?

ie. The councils which are going for a major SRV couldn't apply for the 2.5% without a lot of work to modify all their IP&R documents & lose the chance to apply for a much higher SRV. eg TSC is looking at around 200% compounded/permanent increase over the initial 10 years.

Multiple TSC Documents complicated what SRV increase was intended over the 10 year \$ plan, even for many ratepayers who knew of the planned SRV as the administration (& possibly the councillors) apparently agreed to **changing the period covered in the documents provided at 'consultation' & in agenda reports, & changing the % compounded SRV.**

le the community has been provided with estimates for 10 years (approx. 200%), then 3 years (approx. 110%), now 2yrs (approx. 105%). Misleading? An update of the LTFP has yet to be made public.

Looks like wonderful performance when in fact it is just different time periods & the 10 year ratepayer \$ consequence is likely to be higher than the original long term financial plan.

For our Council, **NO ratepayers or residents were publicly informed PRIOR to the recent election despite apparent 'internal' knowledge of likely significant increases (over 10%) being required.**

The original 10 year \$ LTFP estimate of approx. 200% increase caused & continues to cause much angst for many ratepayers.

Not sure if this is outside electoral rules or which person is responsible? We may have had a very different electoral result had the potential size of the rate increase been visible to all..

Perhaps some more OLG instructions re Full \$ issues Disclosure prior to any electoral nomination close (such as is required for sale of property)

16 (a) How should we account for the change in efficient (??) labour costs?

NO CHANGE RECOMMENDED:

'Efficient' labour costs seem to be an oxymoron, considering the huge remuneration our executives are paid & the number of senior officers.

Eg 3 executives \$200,000-\$300,000 remuneration range & 12/13 Managers for a FTE of 112 & approx. 5,000 older/lower income longer term ratepayers?

While it is possible IPART could account for labour costs by using the NSW Local Government State Award as this should be the basis of payments for labour, it isn't clear if the cost of change, consultation, education, IT systems worth the change? **Probably not.**

Not sure if this category includes administration casuals or contractors?

HOWEVER, the same basic Accounting 101 principles must apply.

If the rate peg or requested SRV is unreasonable for the ratepayers (ratepayers of each council at the time of the IP&R document approval, not future or other area ratepayers) then the administration & elected representatives must urgently modify their plans, expectations & expansion plans.

Perhaps OLG should require all ratepayers to be on the Non-resident Ratepayer electoral roll & plebiscites for any proposed rate pegs or SRV in excess of 10% or the CPI whichever is the higher.

Eg Sydney?

Most ratepayers, even those, resident just across NSW State borders with a business in NSW, **have no idea of this opportunity to directly participate** via the non-resident ratepayer electoral roll & the OLG website doesn't appear to mention it in the section on how to participate in your council? WHY NOT?

The non-resident ratepayer electoral roll apparently allows non-resident ratepayers to not only vote but also to stand as a councillor or mayor?
I'm not sure why the instruction is that this roll has to start again for each election?

- 17 (a) **Should external costs be reflected in the rate peg methodology & NO. Most are imposed by other public sector agencies & amount to cost shifting to councils. Often with grants – at least in year one. Grants which can worsen the \$ position.** All entities & individuals have to manage their budgets to recognise 'external costs', 'external factors' & 'costs which are outside xx control'.

(b) if so, why?

NO CHANGE.

All NSW councils appear to have very well paid executive & senior staff, who should understand the need to consistently apply Accounting 101 requirements daily, weekly, monthly, annually & including updated 10 & 20 year long term plans.

(c) SEE ALSO Q6 – “should external FACTORS be reflected in the rate peg methodology ...”.

(d) SEE ALSO Q19 – ‘outside council control’

Why 3 separate & separated questions ‘external factors’ & ‘external costs’ & ‘costs which are outside council’s control’?

- 18 (a) **Are council-specific adjustments for external costs needed & (b) If so, Why? NOT NEEDED.** All entities & individuals have to manage external costs & consequences. Apply accounting 101 daily & consistently BEFORE making decisions & stay within a balanced 1, 4, 10 & 20 year plans & budgets including cash flow budgets.
NOT NEEDED. Basic professional \$ standards can & should be consistently applied.

- 19 (a) **What types of costs which are outside councils’ control should be included in the rate peg methodology? NONE. Use existing methodology, BUT restrict to mandatory & essential ratepayer service.**
le The rate peg arguments & the continuing & increasing SRV applications & submissions currently include input from many who are NOT ratepayers who have to pay increased \$.

(b) SEE ALSO Q17 – “should external costs be reflected in the rate peg methodology & if so why”.

NO. SEE PREVIOUS COMMENTS.

What is the intended difference between ‘external factors’ & ‘external costs’ & ‘costs which are outside councils’ control?

SEE ALSO Q6 – “should external FACTORS be reflected in the rate peg methodology & if so why”. What is the intended difference between ‘external factors’ & ‘external costs’?

- 20 (a) **How can we simplify the rate peg calculation & ensure it reflects, as far as possible, inflation & changes in costs of providing services? CONTINUE WITH EXISTING METHODOLOGY.**
Any changes will not be cost effective, especially considering ‘whole of government’ resources, consultancies, training, new documents, consultations etc. too much red tape

END OF IPART questions.

21 ADDITIONAL COMMENTS

- a. Please consider NO background colouring in, especially when the background & text colours are very close. VERY DIFFICULT TO READ & WASTES INK & paper.
We don't all have free massive screens, fancy multi coloured printers.
- b. What are the STATE PRIORITIES for the RATE PEG & the RATE PEG POPULATION FACTOR, NEW RATES OUTSIDE THE RATE PEG & the SPECIAL RATE VARIATION?
Whose needs & input takes precedence? Rate Peg TOR says 'ratepayers'?
ie. Ratepayers, Residents, electors, Councils viability despite ignoring community feedback, "Community" - whatever this means; passers-by etc?

- c. Please remember the ratepayers provide public money for council staff & councillors' research, association membership, conferences & document preparation & lobbying BUT ratepayers have to do this for themselves, for matters such as this which may have a significant effect on their future viability (to the benefit of well-paid council staff & non-ratepayers, Non-residents/voters preferences). Association priorities are very concerning.

Perhaps this type of report requests the cost of the response/submission. (direct & indirect costs, including lawyers & consultants, travel etc)

- d. EVERY council in NSW has nominated contact details for every ratepayer, so there is NO EXCUSE for not ensuring every ratepayer is aware of matters which may have a significant effect on their personal or business finances.

The focus needs to be on 'ratepayer' & 'voter/resident', not special interest groups, those outside the council area, State or Federal or other agency \$ responsibilities

Significant matters might be those which causes an increase of 10% or more pa on mandatory rates & charges (separately & in total) imposed on ratepayers

- e. The council categories established by the State can be very misleading. Eg Tenterfield Council is apparently a LARGE rural council, but only has approx. 5,000 ratepayers & less than 7,000 population to provide \$ support for multiple 'services' & activities which are not mandatory, nor essential.

Those who formally acknowledge they want or would like non-mandatory, non-essential 'services' should pay the total cost, where councils provide evidence of exactly who/which localities are 'demanding' the 'services', not 'ratepayers'.

- f. Please provide more directions, not suggestions, guides etc so our councils are not wasting (usually senior) staff time & remuneration double handing multiple documents for no real advantage to ratepayers & residents. The multiple layers of consultation is ridiculous & wasteful & councils waste more \$ on consultants to argue against the State at ratepayer & taxpayer expense. WHY??