

I submit the following in relation to the application made by Port Stephens Council for a 7 year, permanent special rate variation under Section 508A. I have been a resident and ratepayer of Port Stephens Council (PSC) for over 40 years.

With respect, I would suggest that requesting rate increases is the easy way to cover Council and Community inefficiencies and advocated blue-sky spending dreams not always based on truly sound financial terms. Although considered "Fit for the Future" I believe there is an element of this tendency in this PSC application.

Specifically, I provide the following comment relative to the advised Assessment Criteria listed in the Part B application.

#### 1. Need for variation

It is acknowledged that all local Councils have a long list of forward "unfunded" works.

The Port Stephens Council (PSC) application claims having recorded these for at least 18 years.

However it should also be recognised that the projects in many cases remain unfunded and therefore backlogged because the Council lacks the imagination and vision to break projects down into more readily achievable and fundable progressive steps.

Certainly there are efficiencies which can be achieved in starting and finishing complete works in one block, but in considering the enormity of works, materials required, the effects of weather etc and the continual shift in community preferences, Councils should rethink their approach by breaking the works down into more achievable subsets. This applies particularly in regard to the footpath construction needed in rural residential precincts – earthworks and bridging completed, then surfacing in sections.

This can result in broader achievement of part completed major projects within existing budgets and create community recognition that some progress is being made and its needs are being heard.

PSC has been effective in seeking notification of the desires of the community, yet at that time has not highlighted that the information is being gathered in relation to an application for rate increases. The flawed outcome of this process is entirely predictable, yet quite underhand and deceptive. It cannot be relied upon without recognising this qualification.

The PSC response deals with infrastructure and works, yet its own strategy workshop highlighted requirements for greater investment in social programs. These programs with largely non measurable productivity attainments funded from present revenue should be reduced to allow direct spending on infrastructure and maintenance – convert these funds into real government subsidised outdoor Council jobs and training for the underemployed youth. Be proactive in reaching social solutions! No consideration of this alternative is included within the PSC application.

Borrowing for all **but** substantial capital works or investment that both provide actual financial return covering repayments, should be discouraged. Sadly, somewhat cynically, I believe the

argument advanced about borrowing so that this generation receives the benefits of new infrastructure is more about some councillor re-election chances than true empathy.

The financial benefits claimed for town centre revitalisation are a complete furphy. Refer to the Newcastle Herald opinion pieces December 13<sup>th</sup> 2018 page 14 (Revitalisation working for Port Stephens) and replies December 18<sup>th</sup> 2018 page 14 (Acceptance of council report appears naive) and December 28<sup>th</sup> 2018 page 26 (Huge social cost of raising Port rates ignored). The expressed belief that spending vast amounts on these will generate any considerable fraction of local greater employment post completion, is indeed naive in its extremity. Financial return to business and thereby employment is determined by the relatively fixed size and mobility of its market and the success of individual business marketing and customer retention plans.

It is laudable that Council wishes to present glamorous main streets, but this should be carefully weighed with the building disruption caused (refer George St Sydney, Hunter St Newcastle, High St Maitland etc etc) as well as the true productivity of the spending and flow on effects relative to other priorities. In the least, part of the cost should be carried by those presumably receiving the benefit through a business zone levy on property owners – this will soon determine whether the changes are well thought, and businesses wish to buy some ownership of enhancements, evidenced by the level of investment support and vision the businesses and property owners are willing to provide. There is only not this element but also no evidence of consultation with involved businesses in this application.

Council wishes greater involvement in “Events Management”, yet another black hole. Any major event should be coordinated by professional events management consultants with Council perhaps providing some seed money refundable from event specific levies and charges. Accent should be ensured to involve existing local businesses at a discount, as in so many instances the income of such inclusions as food vans and market stalls leaves the area, and represents a drain on the former who have shown their local commitment and through land rates, are directly contributing financially. Frankly, Council should “stick to its knitting”, and not have its staff trawling around trying to generate event interest.

Again, sports facility maintenance should be approached using a principle of shared responsibility, the Council also fulfilling the inspection role for any work performed voluntarily. All building infrastructure maintenance should be approached using this principle. Not included in this application.

In summary, the expressed **need** for PSC special rate variation is represented by the underhand gathering of information, deceptive promotion of flow-on effects, poorly considered blue sky priorities and continuing inefficiencies related to current operational and non-core expansionary desires.

PSC fails this test.

2. Community awareness and engagement

PSC rightfully should receive a tick for consultation leading to community awareness, indeed from the raft of survey results it could be said they have consulted past the point of self detriment!

However, notably PSC should receive a cross against engagement, for continuing this expensive process in the face of such documented and directed opposition.

All the surveys taken (hard copy, telephone and direct engagement) and the vast majority of submissions received at various stages of the process are clearly and resoundingly in favour of only pegged rate increases.

These results are not a reflection of Council performance and infrastructure services as these both scored over 80% satisfaction during the concurrent telephone survey.

Despite the Mayor and Council deceptively promoting a report (Morrison Low) claiming positive economic flow-on from the spending following a SRV without even acknowledging the effect of the SRV imposition on ratepayer disposable income, and the Mayor maintaining he had heard few negative comments, these results and submissions expose and confirm the true community feeling.

In continuing to apply for a SRV at **three times** the anticipated pegged increase, in the face of this documented opposition, PSC fails the engagement portion of Assessment Criterion 2.

### 3. Impact on Ratepayers

PSC attempts to play down the impact of its SRV application by promoting its selection of the “middle” option at only **three** times the pegged increase!

It is comforting to recognise PSC took account of the contamination of the Williamstown area, yet this has affected the land values, thereby reducing the land rates anyway. Has the rate reduction of \$90,000 referred to on page 82 been charged to the Dept of Defence as the polluter to reclaim the cost of the reduction borne by other ratepayers?

The RAAF has always been a good community citizen, yet pays no rates on the land occupied, and many of its workers simply travel our roads to homes in Newcastle and Maitland. The work flowing from increased investment in RAAF facilities has always been welcome but the intransigence of the Dept of Defence as the landowner and polluter, in the treatment of affected residents has been intolerable and unforgivable.

There is a great deal of material presented in this section of the application, and many hours could be taken in finding the raw data which would show the true positions without the massage of this to the presented treatment aimed at a convincing conclusion. As a professional mathematician and statistician I have a canny sense of recognising this art.

As an indicator, dealing only with the first table of comparison between certain councils, I make the following observations:

- The statement under 5.1.2 on page 84 maintains the PSC average residential rate as the lowest of comparable (on what terms?) councils in the Hunter Valley – note it fails to list

**FIVE** of the other Hunter Valley councils –Mid coast and Dungog (bordering), Singleton Muswellbrook and Upper Hunter.

- PSC has the lowest rates listed on the page BUT IS NOT THE LOWEST PER THOUSAND DOLLARS OF LAND VALUE
- There is no reference detail of average land values or of any of the aberrations which can occur in these comparisons

A lot of the information deals in MEDIAN figures which can be vastly different to AVERAGE, but most readers will fall into the designed trap of believing them to be the same.

Dungog Council area does not feature in any of the comparisons, and there is no explanation – Mid Coast appears in only a few. Both these council areas border Port Stephens.

Frankly there is too little supporting documentation to estimate the true efficacy of this material, but the mixture of average with median, and missing documentation of other neighbouring councils certainly tweaks my suspicions.

Suffice to say, I believe all these figures need to be taken with a grain of salt – the real enduring test is whether the ratepayers in charge of their own finances believe they can afford the SRV and the answer by survey is a resounding NO. .

Assessment criterion 3 is not satisfied.

#### 4. Public exhibition of relevant IP&R documents

This seems to have been achieved in a satisfactory manner.

#### 5. Productivity improvements and cost containment strategies

It is difficult to reach a verdict on the material in this section without the ability to conduct some in depth analysis due to the lack of any real source information.

I have spent my life working in relatively small private businesses where there is simply the lack of facility to carry out the sort of complex and time consuming bureaucratic practices reviewing efficiency as outlined. One comes to get used to spending all available time ensuring your organisation continues acceptable customer delivery and keeps in front of competition. However if I have learnt one thing, it is specialise in what you are good at profitably and hive off anything that is marginal or time distracting. It is far too easy to fall into the trap of having excessive staff to analyse situations, when all that is required are obvious tough and immediate decisions and action by management. I have a sense that many councils fall into this category, promoted not saved, by the excessive quantity of complex reporting and regulatory documentation and processes.

In this vein I would offer the following comments from a skim through of this section:

- 7.1 page 126 – skilled worker shortages – what is the policy regarding apprenticeships and traineeships as a % of the productive or supervisory staffing levels. This should be a mandatory part of any application requiring community understanding.

- Children services p126 – why is the council in this business? Is it tested profitable in a proper cost allocated manner?
- Woolworths Petrol lease Salamander Way p 128 – does this not represent a possible environmental conflict of interest?
- Bearing in mind council contracts some of its services such as waste collection and traffic control, it has provided figure 81 detailing Population per full time staff equivalent. Of more interest would be the figures for population per full time productive staff equivalent, and that covering office and supervisory roles, as it is normally in the latter area where there is productivity shortfall.
- The reduction in workers compensation premiums is impressive, but is this allied with higher levels of contracting work particularly in more risk sensitive situations such as building maintenance and traffic control? It certainly appears to show that prior to 2014 containment strategies were required. The chart though shows unreal comparisons because its base is set at \$500,000 – a deceptive way to show this information. Note though, premiums seem to be on the increase again!
- Commercial development – is the figure quoted here a true representation of the net profit or does it exclude the costs associated with the supervision, management, record keeping and reporting required in the operation of any investment portfolio?
- I note no analysis, mention or productivity measures to cover the breadth of social services.

I remain wary of the all the words in this section of the application and the absence of any manning figures and more extensive productivity indicators. A low staff turnover as well as indicating work satisfaction, can also indicate entrenched low productivity.

To me the jury remains out on this assessment criterion, and honestly, my [REDACTED] meter is more than slightly triggered. However the recognition that the community prefers continuing rate pegging only, and given a conclusion of no SRV, then this would ensure continuing pressure on efficiency review.

In summary of the total application, I do not believe Port Stephens Council has done enough to clinically dissect its current mode of operations and some of its blue sky spending priorities. It can appear an impressive application, but my belief is that it is too easy to be misled by all the required reporting functions and applications into ignoring the basic principles of successful management, keeping tabs on the importance of work flow and individual productivity, yet still maintaining some sensible vision for the future and thinking laterally, without it being all about ego.

I do not believe Port Stephens Council has met the assessment criteria for approval of any permanent Special Rate Variation.

March 12<sup>th</sup> 2019