

David Donnelly

[REDACTED]
21/3/14

Local Government Team,
Independent Pricing and Regulatory Tribunal of NSW,
PO Box Q290
QVB Post Office, NSW, 1230

Dear Team Members,

Re Glen Innes Severn application for Special Rate Variation.

I wish to place on record the following concerns in regard to Glen Innes Severn's application for a Special Rate Variation. My submission targets the issue of Farmland Category SRV in particular.

Public Consultation

Council resolved at their November 2013 meeting to proceed with the Special Rate Variation application, however no effective public consultation commenced until the council information flyer was received by post on Friday 17th January (at the earliest). The first public consultation meeting was held at Glencoe on Monday 20th January. Council advised that submissions would close on Friday 7th February. This time frame only provided a two week window for the community to absorb a large amount of information, form an opinion and make a submission. Council met on Thursday 20th February and three people including the writer addressed Council with the general theme being restraint by Council during difficult times for the rural community.

Supporting information provided by Council

Much of the information within the flyer dated 10/1/14 and received from 17/1/14 was contained within Councils November business paper. Council relied on this information in putting their case for the SRV to the public. The tables on pages 7 and 8 were used as a key reason for the need to significantly increase rural rates. These tables compared rural rate assessments and therefore did not compare total farm rates. The distortion factor was no less than 100% as the number of farms is in the vicinity of 500 not 1,000. Not all the other councils compared have the same distortion factor as different procedures for combining assessments apply.

The purported "average rural rate" of \$1,875.85 is in fact the average assessment and bears no relationship to the average farm rate. Council provided a new spreadsheet of comparisons on the final public consultation meeting held on 3/2/14 (Annexure E of Council's Business Paper for meeting 20/2/14). This spreadsheet included Tamworth Regional Council and Moree Council which are regional service centres and have

considerably bigger populations and therefore inappropriate comparatives. The spreadsheet calculated General Farmland Rating on a valuation of \$700,279 Land Value which was indicated as Glen Severn's average Farmland value. This figure is in question as the average land valuation (previous values) would appear to be much higher for an average farm. A viable farm under the old land values (1/7/10) would need to be no less than \$1M. The more accurate table is included as an attachment to the writer's submission to Council (annexure D, Page 51 of Council's business paper for meeting of 20/2/14).

Council did not provide information to the public of the cumulative effect over the three year period of the proposed rural rate increases together with the allowable rate peg component. The Council advice on page 7 of the flyer only mentions "10% per annum over three years for Farmland".

There has been no attempt to compare (to the writer's knowledge) the level of services provided by the higher rated councils. It may well be that the ratepayers of Armidale, Walcha, Uralla and Inverell have additional council provided services specific to their area. The rural communities of the Inverell, Armidale and Uralla have much greater access to non-council services including health, transport, communications and commercial service providers. These benefits are only marginally taken up in the Valuer General Land Values.

Emphasis on Local Government Benchmarks

Care needs to be taken in interpreting raw local government benchmarks. Council's table on page 5 of the flyer indicated a less than satisfactory result. The benchmark entitled "Own Source Operating Revenue Ratio" may well be affected by the cash inflow to provide state and federal government community services through the regional Council operation "Northern Community Care" (now called "Life Choices – Support Services").

Minimal public support for SRV

Council's business paper (Annexure G) for the meeting of 20/2/14 contains many pages of adverse comment against Council and the proposed SRV. It is very difficult to find supportive comments amongst the 14 pages of summarised comments from the public in response to Council's survey.

Annexure D of Council's business paper of 20/2/14 contains 55 pages of written submissions with the vast percentage against the proposed SRV. It would appear that there are only two or three submissions that give some level of support for the SRV. Rarely would we see so many people motivated to such an extent as shown by the number of letters contained in Council's business paper.

Additional to the above, a petition objecting to the SRV proposal was handed to Council last Friday, 21/3/14 containing 494 signatures. A further petition with different wording is also circulating.

No research into ability to pay

The writer asked the question of Council at the Glencoe meeting of 20/1/14: "What research has Council carried out in regard to the ability of the farmers to pay the considerable increase in rates proposed". The answer was clearly that no research had been undertaken. In reading the letters within annexure D of the Council business paper it would appear that the views against the SRV come from a broad cross section of the community.

It is interesting to note that Council considers that the business category of ratepayers are already paying enough. This view must have been gained from some form of research. Perhaps the bottom line is: No groups of ratepayers can afford any more than a modest rate increase.

Council's business paper for the meeting of 20/2/14 made minimal mention (on page 28) of the question: "Ability to pay". Paragraph two states (in part): *It is clear that the Farmland category is lower than all other categories for unpaid amounts*". Sure, the outstanding Farmland rates are lower, however there are reasons for this:

- Farmers generally have inconsistent income streams throughout the year and most budget very tightly. For this reason rates are generally earmarked as an essential payment at the front of the queue.
- Farmers are very aware that Council will have no hesitation in taking legal action against them for outstanding rates. Rates will be paid ahead of many other essential expenses regardless of other priorities.

Council's attempt at researching the ability to pay by the Farmland category ratepayers falls well short of reasonable standards. Additionally, Council's assessment does not cover the current drought situation and the continuing impacts as financial conditions tighten. It is a long winter in Glen Innes and livestock not sold by June 30 will generally have to wait for some months.

New Land Valuations effective 1/7/13

The new Valuer General's land values have recently arrived with the effective date 1/7/13. The rural land category valuations have generally shown a very significant downward correction from the excessive real estate values of 2008/09 on which the previous Valuer General Land Values had a basis. Rural land has been adjusted down by percentages of 25 to 50%.

The difficulty of large rate rises in a valuation year is that ratepayers with new values at the lesser end of the decrease will probably be levied rates well in excess of the proposed SRV.

There is another potential problem with the large percentage reduction in rural land values. There will be cases where banks have used the Land Value figure as a reference basis in determining their own values of the mortgaged land for the purpose of adequately securing their mortgage. If the bank now carries out a re-valuation of the rural property, then they may well impose a higher interest rate or margin calls on those farmers already feeling the pressure. The last thing they need now on top of the current prolonged drought is a further increase in expenses against minimal incomes.

Perceived need for additional funds

It appears that there is general agreement that more money needs to be allocated to roads and bridges. Prior to amalgamation of the two local councils our roads and bridges were better maintained. It now appears that the savings achieved by amalgamation have been lost to inefficiency. There are so many reports of inadequate project management with projects not completed on time or within budget. These failures ultimately affect the roads budget as it is the only discretionary area left to correct the failures.

Community volunteers

The Glen Innes community is very fortunate to have a very large volunteer base with many people volunteering for a large number of community groups. Large increases in council rates places more pressure on the individual's ability to volunteer. The volunteer network carries out many roles and provides extensive services to the community at minimal cost to Council. It is clearly in Council's interest to encourage and support the community's volunteers.

Future directions

Council has a lot of work to do to re-build trust and confidence. Confidence in Council is very quickly destroyed when public consultation happens and Council takes no notice. There has to be a new spirit of inclusiveness, transparency and alignment with the ratepayers (as shareholders) rather than a position of superior capability and reasoning.

Thank you for the opportunity to lodge my views with the tribunal.

Yours faithfully,

David Donnelly

David Donnelly

[REDACTED]

Hein Basson, Mayor and Councillors,
General Manager
Glen Innes Severn Council,
PO Box 61,
Glen Innes, 2370

7/2/14

Dear Hein,

Re; Special Rate Variation Proposal

I write to formally object to the proposal to increase farmland rates as proposed by Council. I note that your mailed advice indicates that submissions are to be in council's hands by 7/2/14. This has not been possible due to the severe drought conditions now affecting our farming operation. It is essential to be "on farm" seven days a week and often for very long hours.

I've set out below the issues of concern:

Public Consultation

Council made the decision to seek a Special Rates Variation (SRV) at its November 2013 meeting. Much of the material within council's mail out was included within the council November business paper. Formal advice of the proposal was received 17/1/13 just three days prior to the first public consultation on 20/1/14. With submissions closing on 7/2/14, this is clearly an inadequate timeframe. Past public consultation activity has shown that this important component is not taken seriously by council.

The cumulative effect of three 10% increases over three years together with the allowable rate pegging took a while to sink in for many people. I believe that council had an obligation to advise that there would be a cumulative effect and that the result may well be as much as 43% in three years' time.

The charts prepared by council in order to compare council farming rates with surrounding councils failed to give an accurate comparison and used figures two years old. I realise that council provided a new spreadsheet for the meeting on the final consultation night, however the result showed Glen Innes Severn as much the same being 28% lower than the group average. The attached table prepared based on a \$1M land value across all comparison councils shows Glen Innes Severn as still under, but by only 15.5%. Care should be taken comparing rating levels with larger councils like Armidale, Inverell, Tamworth and Moree as their ratepayers have access to a much greater range of services and there may well be an increased number of council services to the community.

The final community meeting held in the Town Hall on 3/2/14 gave a good indication of the depth of feeling against any rate increase (together with many other concerns) by a large number of people. Unfortunately there was not an opportunity given to discuss any compromise options. An example of such a compromise was a one off 10% increase with council only borrowing a maximum of \$2M rather than \$4M and utilising \$2M from reserves. Such an option may well have failed too without guarantees from council that there would be the necessary changes within council to ensure integrity of project management in the future.

Project Management

It would appear that a big percentage of ratepayer concerns relate to failures in project management. My opinion is fairly much in parallel with much of community feeling, being: There is no sense providing more scarce resources to an organisation that cannot maintain project timelines and is unable to meet budgets.

Ability of farming community to pay

You will remember that I asked the question at the Glencoe meeting: “Has council researched the ability of the farming community to pay this significant rate increase.” The answer given was “No, there has not been any research.” The ability of the community to pay should be taken much more seriously and the context of prevailing factors taken into account, including:

- A very large percentage of farmers now require off farm income in order to make ends meet. This percentage could be well over 50%. We need to look closely at the trend line. You will be aware that quite a number of farmers have remained viable as a result of acquiring neighbouring holdings and increasing their debt levels considerably in order to do so (within their budget constraints).
- The three yearly Valuer General’s valuations have begun arriving and it would appear that there is a considerable downward correction in land values. This result indicates that farming enterprises cannot sustain the highs in grazing farmland prices of times past. The continual rise in farm expenses has finally made an impact in real estate values.
- The current drought will have an impact well beyond this year regardless of when the rain comes. The ability to meet expenses and maintain assets will be strained for at least the next three years and much longer in some cases. You may be aware of prices obtained at the recent cattle “Breeders Sale” where cattle were being sold under the cost of production and in some cases around half of last year’s figures.

Loan borrowings

Council’s “Long Term Financial Plan” of 23/6/11 states: “Borrowing costs will increase on average by \$529,942 over the period (*10 years*) in line with planned projects that involve new loans to the total of \$13.16 million.” At this stage I have been unable to find reference to amendments to this document to make provision for new loans. It is my view that a Ten Year Financial Plan should be amended by resolution of council following careful consideration of changed circumstances. There is little sense in preparing such a plan and then ignoring it.

Whilst I agree that a case can be made for borrowings for long life assets such as bridges, I find it hard to accept borrowings for general road works which would normally be accepted as

maintenance. The heavy take up of loan funds will limit the future capacity of council to carry out basic maintenance works such as road grading which are already very much under pressure.

Council Quarry Operations

There are many concerns circulating in the community about the viability of the quarry operation. There is an understanding that a portable crusher is planned which will involve a considerable operating expense. My concern is that the quarry can become a financial haemorrhage and should not be propped up by additional ratepayer funds. I believe that council should provide a full financial statement to the community including Profit and Loss and Balance Sheet. (for each year of operations).

Grey Street CBD Project

Council has pressed ahead with this project despite heavy community opposition. There is support for a number of project components, however I along with many consider that sealing the full width of the pavement, tree planting, destruction of the toilet block, cutting a hole through the Town Hall, reducing car park widths, elimination of a pedestrian crossing and creating a shared zone all require further consideration. I realise that the loan funds are tied to this project, but perhaps there are other CBD enhancements that would gain general approval. We should not waste money on components of a project that do not have community support at the same time as seeking to extract more out of the ratepayers.

Council's planned \$5,300,000 Administration Building

Page 9 of Council's Long Term Financial Plan, 2011 – 2021 indicates that 2014/15 (being year 4 of the plan) \$5,300,000 will be provided for co-location of council's administrative staff. Funding provision is: \$3.3M loan, \$1.2M Infrastructure Fund and \$800K from sale of land & buildings. The land and buildings component would no doubt include the Highwoods Estate a gift to the former Municipal Council to be held in trust for the community.

Page 11 of the document states: "The Co-location of administrative staff to address a sub-standard working environment such as poor lighting and ventilation, inadequate amenities, inefficient use of resources and energy wastage. This is a building project estimated at a total of \$5.3 million (\$3.3 million loan, \$1.2 million reserves and \$800,000 from the sale of building/land (2014/15)" When the question was asked about the use of reserve funds at the Glencoe meeting there was no mention of this massive over the top building project which was believed to have been permanently shelved some years ago.

Council should remember that many of their own constituents do not have basic air conditioning and struggle with weekly budgets whilst council is proposing such a grandiose scheme. When this excessive project was floated some years ago there were other associated projects including cutting a hole through the Town Hall building for access. The following questions now require answers:

Does the Town Hall part demolition, the removal of the Town Hall toilet block and the new car park relate to this project? A further question: Is the servicing of this loan factored into the proposed rate increase? I would be pleased to hear that council has eliminated this excessive project and that its continuing inclusion in the ten year budget was an error.

The way forward

It is my view that council needs to work much closer with ratepayers, be more transparent and consider the options to overcome project management difficulties. Council needs to amend its Long Term Financial Plan by resolution of council (after public consultation) and in doing so eliminate the excessive proposed administration building. Any proposal of this magnitude needs to have a comprehensive public consultation. Budget trimming of low cost community services like verge slashing should not be the central target. After these considerations are attended to, it may be possible to look at a compromise level of rate increase.

I believe that council should put a resolution to the next Local Government Conference to gain support for a heavy lobbying campaign to have an additional two cents of fuel tax dedicated to local government road works.

Yours faithfully,

David Donnelly

cc IPART

FARMLAND RATING COMPARISONS - 2012/13

Notes		Glen Innes	Guyra	Inverell	Walcha	Gwydir	Uralla	Kyogle	Armidale	Tenterfield	Average	Glen Innes	Glen Innes
												With 2.3% + 10%	3 years at rate peg plus 3 yrs at 10%
1	VBD	1/07/2010	1/07/2010	1/07/2009		1/07/2012	1/07/2011	1/07/2012	1/07/2013	1/07/2010			
2	Valuation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000			
3	Rate in \$	\$ 0.002466	0.001951	0.004121	0.00298725	0.00367617	0.003977	0.00286683	0.003622	0.00209707			
4	Min Rate	\$ -	\$ -	\$ -	390.85	\$ -	\$ -	\$ -	\$ -	\$ 330.00			
5	Rate	\$ 2,466.00	\$ 1,951.00	\$ 4,121.00	\$ 2,987.25	\$ 3,676.17	\$ 3,977.00	\$ 2,866.83	\$ 3,622.00	\$ 2,097.07	\$ 3,084.92	\$ 2,775.00	\$ 3,562.30
6	Base charge	\$ 331.00	\$ 447.00	\$ 185.00	\$ -	\$ 160.00	\$ 238.00	\$ 184.00	\$ 474.00	\$ -		\$ 372.50	\$ 478.20
7	Sub total	\$ 2,797.00	\$ 2,398.00	\$ 4,306.00	\$ 2,987.25	\$ 3,836.17	\$ 4,215.00	\$ 3,050.83	\$ 4,096.00	\$ 2,097.07	\$ 3,309.26	\$ 3,147.50	\$ 3,954.35
8	WFMC	\$ 59.00	\$ 331.00	\$ 331.00	\$ 102.00	\$ 115.00	\$ -	\$ -	\$ 109.00	\$ 160.00			
9	Envir. Levy						\$ 200.00		\$ 124.30				
10	Total Rates	\$ 2,856.00	\$ 2,729.00	\$ 4,637.00	\$ 3,089.25	\$ 3,951.17	\$ 4,415.00	\$ 3,050.83	\$ 4,329.30	\$ 2,257.07	\$ 3,479.40		

Abbreviations: VBD - Valuation Base Date, WFMC - Waste Facility Management Charge

- Notes:**
- 4/ Minimum rate charge does not impact on total rates for larger properties
 - 4/ Walcha and Tenterfield have a minimum general rate which is charged where the valuation is at the very lower end of the scale
 - 6/ The base charge remains the same regardless of total valuation
 - 8/ The Walcha waste management charge entitles access to waste services without further charge
 - 8/ Gwydir Council (Bingara / Warialda) Waste Management Levy entitles no charge access to waste disposal facilities
 - 8/ Kyogle Council provide a voucher system for ratepayers to access the waste disposal facilities.
 - 9/ The Uralla environmental levy includes provision of free access to waste services plus environmental projects
 - 9/ Armidale City Council levy an additional \$124.30 charge as a contribution to a new landfill waste facility
 - 10/ Tenterfield Council is seeking a Special Rates Variation of 15% next year followed by 10% for the following 3 years (Including rate pegging provision)