

Debrah Novak

11 March 2018

Dear Sir/Madam,

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

Firstly I would like to acknowledge the work done by the NSW Local Government by introducing their Integrated and Reporting reforms in 2009. These reforms encouraged councils to focus on the long term and whole of life costing rather than in annual budget periods.

In 2014 the NSW Government announced its response to the Independent Local Government Review Panel (ILGRP) and Local Government Acts Taskforce reports.

The reports asked their local councils to submit a proposal by 2015 on how they planned to be 'Fit For The Future'. This proposal provided a landmark opportunity for our community to view just how well our local council fared under an independent review.

That independent review failed Clarence Valley Council on 5 of the 7 key 'Fit For The Future' financial indicator benchmarks.

This was a major concern for many in our community because the top four most senior Clarence Valley Council positions tasked with managing council's corporate structure and financial matters over the past decade have 15 university degrees between including two Masters Of Business Administration.

If this level of academia, local government experience and remuneration sitting at the top of the CVC corporate structure couldn't identify their council was not financially sustainable or 'Fit For The Future' before 2014 why has there been no accountability for their performance?

So on behalf of my community I would like to say a heartfelt thankyou for your independent assessment and for bringing these matters to our attention and the dire need for the long-term financial situation of Clarence Valley to be addressed.

As you now know Clarence Valley Council (CVC) have applied for a Special Rate Variation of 8% (26% over a 3 year period) on the basis it needs the additional revenue to comply with the benchmarks set by the State Government's "Fit For The Future" initiative.

However, I believe before CVC can ever be 'Fit For The Future' there is some fundamental management issues that need to be addressed before a foundation can be laid for any long-term sustainability.

I apologise for going over old ground here but events of the past has certainly impacted our future.

Our council's financial management issues began well before the 2004 amalgamation but were magnified when Clarence Valley Council formed in 2004 as a direct result of a forced amalgamation by the then NSW Labor State Government.

Prior to the forced amalgamation a year of community consultation took place, which saw four general councils agree to form two councils, one coastal and one hinterland.

The NSW Government instead of actioning what the community had agreed to they instead created one council from the four general-purpose councils. They being Copmanhurst Shire Council, Grafton City Council, Pristine Waters Shire Council and Maclean Shire Council and the water supply Council and a Flood Mitigation Authority.

Of the four general-purpose councils, Maclean Shire Council was the only Council not on the NSW Government financial watch list and was around \$1 million dollars in the black.

The sole reason and the carrot for NSW Government to force the amalgamation in the first place was to save \$1 million dollars annually. Fast-forward 14 years and those alleged cost savings have still not been realised.

In 2017 the NSW Government with an agenda to once again force amalgamations was now offering \$15 million for the voluntary amalgamation process. However after a public outcry from NSW councils and being taken to court by them the NSW Government did a back flip on amalgamations altogether.

Meanwhile the Clarence Valley was left to lick its amalgamation wounds and is still doing so today and our financial future is a direct result of this 2004 forced amalgamation.

The newly formed Clarence Valley Council not only had the honour of having three of the five poorest towns in NSW, it's LGA foot print now covered 10,441 km<sup>2</sup> (which would fit in Bellingen, Coffs, Tweed, Byron, Ballina and Lismore LGA's).

With no capacity to pay for increased wages costs, 4 times the number of staff needed for the new council structure and the associated costs of facilitating the process of combining 6 structures into one system have all come at a cost to the council but in particular our community.

The major non-compliance issue from the 2009 NSW Government directive of planning for the long term has been completely ignored by CVC who have not saved any money for renewal or maintenance of its infrastructure assets, which has now accrued to an infrastructure back log of \$61 million.

Over the past 8 years with a directive from the NSW Government to sack no staff for 4 years after amalgamation had CVC make no advancements on becoming financially sustainable and continued spending beyond its means.

Instead CVC has relied heavily on state and federal grants (70%) rather than anything unpopular like reigning in their expenses, reviewing services or their businesses to determine if they are fit for purpose in a digital and changing economy.

What I fail to understand about CVC's actions over the past 12 years are:

- 1) During this 12-year period of floundering in the amalgamation maelstrom why didn't CVC Directors approach the State Government for advice?
- 2) Why didn't the CVC elected Councillors approach the State Government for help?
- 3) Why didn't any successive NSW State Government actually oversee and measure the amalgamation forced onto an unsuspecting community?
- 4) Why was no one ever held to account for this level of continued financial mismanagement of ratepayer's money at a local or state level?
- 5) Why did CVC choose to do nothing after being given a directive in 2004 to think long term?

The fallout of this 12-year inaction by CVC was the embarrassing failure of 5 of the 7 'Fit For The Future' Benchmarks. This brings me to the newly elected council of 2016 who are now tasked with effecting long term financial sustainability.

After the Independent Review, CVC engaged consultants Morrison Low to identify potential improvement savings. These were workshopped with senior CVC staff and identified and a report was presented to the newly elected councillors, workshopped and then put out with our community.

Council also had an independent review done of its own internal structure and once again it failed with appalling low staff moral, community perceptions and no leadership as the leading causes of staff and community discord.

The entire community consultation process was flawed creating extraordinary community and CVC workforce anxiety and frustration. Consistent threats of an administrator, massive cuts to services, lower standards of living, massive jobs cuts were all pitched to the community in a manner that generated great fear and loathing, misunderstanding and confusion.

CVC pitted service against service, community group against community group and business against business to achieve an outcome so they could come back to the elected council for a determination.

The net improvement savings from the Morrison Low report identified \$10.8 million dollars in savings. It is my understanding no business cases were prepared or a review of the actual service to ascertain if they were fit for purpose was done for any of the 44 services or businesses put forward for the efficiency savings.

Added to these costs savings was the redundancy of 23.9 FTE staff with a further cost saving of \$2.9 million, targeting middle and upper management.

To achieve General Fund Financial Sustainability and General Fund Asset Sustainability three options are on the table to reach 'Fit For The Future' status:

1. Staff Cuts
2. Operation Efficiencies
3. 8% SRV each year for 3 years, (including a rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% per annum for 2019/20 and 2020/21) with an additional \$10.298 million above the rate peg. These funds are for asset renewal and asset maintenance

I personally don't support the 8% SRV nor do I support the process nor the manner in which CVC presented their 'Fit For The Future' consultation to the councillors or our community.

The CVC 8% request is disingenuous at best and misleading at worst and clearly is an attempt to punish ratepayers for councils own lack of continued financial mismanagement, courage and leadership at a time it was needed the most.

CVC have had 12 years to get their act together with regard to getting their house in order for financial sustainability but instead buried their heads in the sand and have now only acted because they have been forced to.

As NSW Local Government undertakes it's long over due reforms, asking ratepayers to continue to subsidize poor decision-making is no longer an accepted option for council.

No longer should our rates prop up council's dysfunctional business units who have nil return on their investment dollars. Let industry experts run their business affairs who at this time have greater flexibility to adapt to global change because of the current business climate.

CVC's over arching excuse for the 8% SRV is the rise in the regions SEIFA Index and the broader community's capacity to pay. I challenge that capacity to pay because by council's own economic monitor there has been no business growth in 2016 and COMMSEC advised recently the Coffs / Clarence region has the highest unemployment figures in NSW in 2017.

When I asked the new GM why had council been allowed to degenerate to this point of financial mismanagement he passed the buck and blamed the councilors for their decision-making. Not sure how that works when council has continued to have excessive cost blowouts of infrastructure projects like the South Grafton Depot, Maclean car park and the McLachlan Park redevelopment.

The opening introduction on the CVC Long Term Financial Plan Version 2, 8<sup>th</sup> February 2018 reads, "To some extent it has been inferred that Councils should run more like multi – million dollar companies, the fact is that Local Government is there to maintain community assets and provide services to its local communities which in some instances are not provided by the private sector, simply because they are not profitable".

If this is the case why is council wasting ratepayer's money on a number of its own business units who have no financial return and who have no business case to operate or answer to?

Collectively these savings alone are enough to not apply for an 8% SRV.

I equate Councils financial management to a disease, cancer actually.

Left unattended it has been allowed to fester to a point where we need to choose either radiation or the surgeon. Council has clearly demonstrated for whatever reason, radiation and self-medication doesn't work, so now I think it is the time to bring in the surgeon.

CVC has had continued serious systemic sustainability issues and its time the Office Of Local Government to intervene with a Performance Improvement Order or a Financial Administrator.

Our community is amazing and resilient and has managed to survive everything that has been thrown at it from all tiers of government, however this time it is at a cross roads and needs a lifeline.

CVC can't fix this problem by themselves and our community deserves greater respect and much better treatment than what has been forthcoming over the past 12 years. Our NSW State Government needs to take some responsibility for allowing this situation to continue unchecked.

As the Clarence Valley gatekeepers for future generations we should work together to ensure our community thrives on the back of financial accountability, transparency and sustainability rather than being shoved to one side and continually forgotten about.

The intent of my critique of Clarence Valley Council's Financial Management is not to play the blame game. I believe the past and present councilors and CVC staff has always acted in good faith. However there comes a time when we need to acknowledge sometimes we may need help and to ask for it in the best interest of our community and it's future and that time is now.