



The Chief Executive Officer  
IPART  
PO Box K35  
Haymarket Post Shop  
NSW 1240

Dear Sir,

**Re: SUBMISSION REGARDING AN APPLICATION FROM MIDCOAST COUNCIL (MCC)  
FOR A SRV BY WAY OF AN ADDENDUM TO THE MCC 2016/17 OPERATIONAL PLAN**

**Ref:**

I understand that MidCoast Council will be making application for an SRV at the end of May 2017 following the public exhibition of subject document by Council.

As I will be on overseas holiday until August 2017 I wish to take this opportunity now to make a submission to IPART along the lines of a submission I made to Council.

I appreciate the opportunity to lodge this submission to IPART in the knowledge that my comments will be taken seriously and that IPART will act in an independent manner in assessing the Council application and all public submissions so as to be fair to all stakeholders.

**I wish to state upfront that I do not support the draft addendum to MidCoast Council's 2016/17 Delivery Program/Operational Plan with the SRV scenario and subsequent application by MCC to IPART.**

My reasons for not supporting the SRV application to IPART are:

**1. UNREALISTIC TIMEFRAMES**

It is apparent that the management of MidCoast Council, following the unexpected enactment by the NSW Government on 29 March 2017 of the Local Government Amendment (Rates-Merged Council Areas) Bill has pushed through the proposal to implement a special rate variation in a compressed time frame so as to achieve a deadline for the rate increase to be applicable from 1 August 2017.

This time frame has not afforded the opportunity for the Council to obtain feedback on the final SRV scenario and to take notice of what the community actually thinks about it and to make amendments if required.

This means the application for the SRV will simply be passed on to IPART with public comments attached. It is considered unreasonable that Council will not have the time to engage with the community on any issues raised by public submissions.

**Council has missed a unique opportunity to engage with the community to produce a better application that has widespread community ownership.**

## **2. POOR DECISION MAKING**

The decision by the Administrator and management team of MidCoast Council to seek approval for the SRV has been done in an environment of where the community rightly expected to be free of rate increases (apart from the rate peg) for at least 3 years. This was one of a number of key selling points in the NSW Government's Local Government Reform process, another was \$20M in special funding for capital works and integration and also no staff cuts for 3 years while the merger was implemented and savings generated.

Even so, management of MCC actively promoted the need for an SRV and actually applied for an SRV, only to be told by IPART they could not. (This was a misdirection of scarce resources which should have been focussed on integration and cost savings)

The back flip by the Government to allow ONLY MidCoast Council to apply for an SRV came as a complete surprise as this was done without any public discussion or opportunity to object. (This is not democracy at work!)

**The original NSW Government objective was to leave the decision regarding the need for SRV to a democratically elected Mayor and Councillors who had been afforded the opportunity to fully understand the financial situation and asset situation of the new council.**

**Unfortunately the Administrator of MCC did not take this view when he resolved to apply for this SRV despite 2 members of the public stating their objection to the SRV and the need to allow the new Council to make this decision.**

## **3. POOR DOCUMENTATION**

The appended document is incomplete as it does not include or integrate with the complete suite of IP&R documents for 2016/17 and draft 2017/18. Operational Plan i.e.

- a. Community Plan,
- b. Delivery Program,
- c. Operational Plan,
- d. Long Term Financial Plan
- e. Workforce Plan
- f. Asset Management Plan

My review indicates that the Addendum does not address a., b., and e., and f. and only superficially addresses c. and d.

This is simply not good enough and indicates to me that Council has not devoted sufficient time and resources to carry out the necessary research, public engagement and consultation to develop all the new plans and strategies for the newly merged council.

Council is simply saying that the outstanding plans will be completed some time in the future

Council called another Extraordinary Council Meeting on 10 May 2017 to resolve to exhibit the draft 2017-18 Operational Plan.

Many IP&R documents are still missing and the asset management strategy is a executive summary from a consultant (Morrison Low) that still needs scrutiny and analysis.

The community has unfortunately been put on the drip feed in its desire for full disclosure of key information especially the forecast savings from the merger.

**Why is not possible to have a concurrent public exhibition of all the relevant information to show the impact of the SRV on Council and all stakeholders?**

#### 4. **WHAT IS THE \$180M BACKLOG?**

No time has been spent by Council officers to adequately demonstrate to the public as to what the \$180M backlog actually consists of and how it was determined.

It appears that Council sought the advice of Morrison Low regarding a new asset management strategy and to provide technical and maybe asset accounting advice to the new MCC.

I have been advised that the \$180M was essentially a compilation of the former 3 councils 2016 financial accounts Schedule 7 statements regarding asset backlogs.

These figures are not the most reliable measures of the real asset situation given the diversity of systems used to calculate the schedule figures and therefore should not be used until they can be validated.

This is a difficult task given that MCC does not have a fully functioning, integrated computerised asset management system that is fully populated with up to date data on all roads and bridges let alone other building and drainage assets.

**It is essential that the asset system is enhanced first and asset data validated before hasty decisions are made about the the need for an SRV.**

#### 5. **FINANCIAL SITUATION**

The long term financial projections in the addendum still show employee costs increasing at 2.5% (well ahead of national wage growth figures) and with no reductions due to right sizing the merged work force in 2019 when the staff freeze is lifted.

No asset sales have been factored in.

Council hasn't taken the time to present a range of different scenarios with a range of future savings assumptions factored in?

**Is it not too much to ask for such a review of Council's financial situation to be completed first before hasty decisions are made about the need for a SRV?**

**High quality, integrated financial and asset information and analysis is critical for informed decision making.**

#### 6. **DEMOCRACY**

If the meeting to consider this matter was after the new democratically elected councillors were in place then the public would hear public submissions, robust debate, a diversity of views, different opinions, and amending motions before a final decision was made.

However, in this case the Administrator has made a decision without having all the relevant documents in place and does not even publish the reasons behind his decision.

Given that Council elections are to be held in September 2017 I take this opportunity to ask again the following question:-

***Why is it not possible to defer any decisions on the SRV until voters have had the opportunity to listen to all potential candidates and democratically elect a new Mayor and Councillors?***

**This would allow then allow sufficient time for the new Council to embark on a well developed Community Engagement and Communication Strategy to fully explore all revenue and expenditure options and to ensure the public has a real say under with democratically elected Council.**

## **7. \$5M DEPRECIATION GAP**

This is a very simplistic approach and its quantum depends on the accuracy of the depreciation calculation and the real cost of renewals.

Both of these are suspect given that the asset management system and financial data relating to assets have not been integrated and validated.

There may not even be a gap!

The Administrator has stated that he does not support the proposition to defer a decision on the SRV until a new Council is elected because the SRV is required to address the \$5M depreciation gap and that any deferral would be detrimental to Council's financial situation.

**The imposition of an SRV to address this issue is not the only solution available.**

Other options could be:

- a. correct any shortfall in revenue by reducing operating costs accordingly.
- b. Borrowing – “good debt” for infrastructure renewals rather than SRV
- c. Validate the depreciation schedules.

## **8. GOVERNANCE**

The MidCoast Council Code of Conduct Item 7.6 that states:

*Councillors and administrators must properly examine and consider all information provided to them relating to matters that they are dealing with to enable them to make a decision on the matter in accordance with council's charter.*

**In his role as Administrator, Mr Turner, without all facts and figures available cannot possibly make a decision on this critical issue of implementing an SRV.**

## **9. INADEQUATE COMMUNITY ENGAGEMENT AND CONSULTATION**

The community engagement strategy was only aimed at informing the public about what Council wanted to do.

At no stage (to my knowledge) where there any real attempts by Council to take the opportunity to consult with the public on identifying other possible solutions or options to negate the need for ratepayers to pay more.

The Community meetings were a good initiative, but the opportunity to ask questions and to receive answers was limited due the time taken to present management's views.

My requests for a summary of Questions asked and answers given at all meetings were unfortunately ignored.

This would have been good information and helpful for non attendees as the video of the meetings were edited.

These are hardly the actions of an organisation trying to engage with the community.

Even when the SRV was off the agenda, management continued to push for it.

At the meetings I attended I did not get the impression that there was widespread support for a rate increase, especially when we heard about all the savings and funding that the merger had produced.

There seems to be a high reliance on the results of a survey of only 400 participants. This is hardly a large sample size given that the MCC area has a population of over 90,000 residents or 53,000 rate assessments.

It is also very interesting to note that Question 4 asked - Do you support the special rate variation proposal?

**The Results were that only 32% of respondents supported the SRV as proposed.**

**This is not a mandate for the 5% rate increase irrespective of the other views of the community about road assets.**

On a number of other occasions (such as rebranding options) the community was encouraged to complete an online survey to gauge community opinion.

**Why did not Council simply do another on line survey to measure community support for this SRV proposal and compare it to the Jetty Research Survey.?**

## **10. AFFORDABILITY**

The Addendum on page 14 identifies the impact of the SRV on average residential rate increases per year and week across the 3 regions.

No average figures have been provided for residential strata, business strata and the multitude of Business rating categories.

The amounts may appear to be small but they are not consistent.

No attempt has been made to assess the impact of the increase in rates on the sections of the community who are on fixed incomes or in lower socio economic groups let alone small businesses and rural undertakings.

**For the Statement of Impact figures to have any meaning the affordability issue needs to be addressed by means of better research and analysis of demographic data and surveys.**

## 11. EQUITY

**The proposed SRV is not considered to be fair as:**

- a. The SRV is More than twice the current rate peg and general inflation rate
- b. The SRV is regressive in nature as the impacts on low income earners are well in excess of the impact on high income earners.
- c. Rate payers in Great Lakes Region pay much higher average rates than Manning Region
- d. Ratepayers have not been given the opportunity to have a say through elected councillors in accordance with an acceptable community engagement and communication process.

## 12. CONCLUSION

I trust that I have clearly identified the issues that I have with the SRV and the reasons why the application to IPART should be deferred at this stage to allow further work to be done on this important public issue.

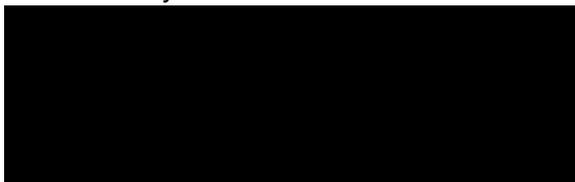
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I sincerely hope that IPART can consider all the above points and recommend that MidCoast Council defer the implementation of the proposed SRV until a new Council is elected and further studies completed

Yours Sincerely

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Ed Harvey