

Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
P.O. Box Q290
QVB Post Office NSW 1230

Attention :Mr. Peter Boxall

**COMMUNITY SUBMISSION OPPOSING THE INTRODUCTION OF A
SPECIAL RATE VARIATION IN THE SHIRE OF EUROBODALLA**

This submission has been prepared by a group of community leaders and individuals on behalf of the people of the Eurobodalla Shire. It represents the comprehensive views of a large number of community groups and ratepayers from the north, south and central parts of this shire who have all had input into the document. Councillor [REDACTED] has kindly agreed to submit the submission to IPART on behalf of the Eurobodalla community, as a whole.

The results of a petition to the Councillors of the Eurobodalla Shire by the same group of concerned residents was outlined to Council on 10th February 2015. This petition has now been signed by 10,268 residents, ratepayers and concerned individuals who **“wholly reject the proposed special rate variation”**.

A majority of elected councillors have chosen to ignore the will of the people in this instance and for that reason, we look to IPART to carefully review the application and reject it on the grounds that Council’s community consultation process was **inadequate and misleading** and its application fails to meet IPART’S assessment criteria for the 2015/16 financial year.

A. Need for the special rate variation

The Eurobodalla Shire Council has adopted an anti development stance in favour of stringent policies that place an emphasis on conservation and protection of the environment. It has been unable to find a sensible balance between the needs of its residents and ratepayers and the environment.

For example:

1. The local environmental plan (LEP) introduced an excessive number of environmental (E) zones and overlays to the detriment of normal farming activities in the shire. The effect on rural activities demand for farms and rural land values was immediate. The LEP also affected small acre holdings and semi rural developments.
2. The adoption of a draconian interim sea level rise policy saw general property values plummet through out the shire (while adjoining shires enjoyed increasing property values).
3. The adoption of the green land trading scheme bio diversity certification that locks up large tracts of land in perpetuity to be maintained by the ratepayer or development contributions which in turn have a huge impact on development costs.

The outcome of these ill conceived planning initiatives has been severe contraction of the local economy at a time when the shire could have taken full advantage of a long spell of prosperity in the National Capital Region.

Now that the fortunes of the National Capital Region have been reversed by the reductions in the size of the federal public service, the Eurobodalla will pay a heavy price for actions of its Council.

Why would the general public, who must bear the brunt of this mismanagement, want to reward this Council with a 21% rate hike? Why would IPART accept an SRV application from a council that has adopted the personal agendas of planning and environmental staff, and squandered the opportunity of economic prosperity for the shire?

In their financial plan, Council says that its general fund is unable to cover the full cost of services because of government rate pegging, cost shifting by other levels of government, ageing infrastructure and increased community expectations. This comes across as "buck passing". They blame IPART for setting unrealistic rate peg levels, the state and federal governments for reducing their funding and father time for ageing their infrastructure. They take no responsibility for their own mismanagement or inability to live within defined budgets.

According to its 2013/14 audit report, the Eurobodalla Shire Council (ESC) holds reserve funds totalling \$74m. The report states that \$26m is held in "unrestricted" reserves, meaning that this Council has access to sufficient funds to complete all of the works listed in its special "transport and infrastructure" program, without seeking an SRV.

It may, or may not be co-incidental, that the sudden decision by Council to apply for a special rate variation coincided with the announcement of council amalgamations by the State Government. There is no question that this Council fears the implications of amalgamation, especially the effect on senior management positions. It is no secret that council management has informed staff that the Council must obtain "fit for future" status to be safe from the amalgamation threat. IPART should take a very dim view of councils that try to use SRV's a tool for protection against amalgamation. There is strong support for amalgamation with the progressive Shoalhaven City Council in Batemans Bay and its northern suburbs. The overwhelming sentiment is that amalgamation should take place and this Council should not earn "fit for the future" status by gaining IPART approval for a massive rate hike.

When a 21.4million dollar 'transport and infrastructure program' is waved as the carrot in a special rates variation proposal, IPART must surely apply an "essentiality test" to that program. It will be noted that the proposed Eurobodalla "transport and infrastructure program" notified to the people through the promotional brochure and program was costed at \$16.795 and not the \$21.4m shown in their latest draft delivery program 2013-17. Most of the items are minor works or maintenance that fail to meet the essentiality test as follows:-

1. Open space works - \$3.64m - Mostly non essential playgrounds and recreation facilities.
2. Accessibility projects - \$1.275m - Mostly non essential playground, toilet and viewing platform upgrades.
3. Batemans Bay CBD upgrade – \$1.25m -Desirable but not essential.
4. Caseys Beach rock wall - \$1m – Climate change issue demanding application for state government funding.
5. Community halls upgrade .56m – Desirable but not essential. An opportunity for co-operation between council and local men’s shed participants?
6. Community infrastructure and renewal projects - \$1.25m – maintenance item that would be duplicated in general maintenance program.
7. Moruya airport upgrade - .27m – Desirable but not essential.
8. Moruya library expansion - (2.5m) 1.8m from SRV – to provide purpose built exhibition space gallery workshops and meeting rooms – not essential and duplicating facilities already available in councils chambers.
9. Roads /bridges and culverts - \$6.05m – Around half of the works listed (mostly bridge repairs) might be considered essential.

In essence, this is a “wish list” of desirable works and maintenance that do not call for a special rate variation. With better management, and by utilising their 2013/14 surplus of \$2m, this council should have no difficulty meeting the cost of any essential works or maintenance included in the program.

Over 30% of residential properties in the Eurobodalla are owned by non resident rate payers who let them out at holiday times or occupy them on an ad hoc basis. These ratepayers contribute to peak pressures on council infrastructure during holiday times, but make little or no demand on other council services.

Comparisons with other adjoining councils and similarly grouped councils are meaningless without the release of the raw information upon which these comparisons are based. Apart from the general rate, what other fees and charges are levied by these councils, and how do they compare?

B. Community Consultation

Community consultation was a debacle.

Council’s first press release notified the public that “the proposal is for a 5% increase in the general rate above the NSW Government’s rate peg each year for three years”.

Understandably, local newspapers reported this as a modest 5% rate rise.

At no time did council reveal that the rate rise was compounding or that the increase was permanent.

A brochure was distributed to all ratepayers giving the same misleading advice. In addition, it did not provide details of the planned community information sessions that were poorly attended because of poor advertising.

A series of information meetings then followed.

Community meeting one at Narooma – 3/11/14

1. The brochure sent to all ratepayers had a misleading rate rise table as its centre piece. That table did not reflect the compounding nature of the increase. After being challenged at the meeting the mayor admitted to the 26% rate rise figure in his newspaper column which the majority of ratepayers would not see. 30% of the Eurobodalla ratepayers are absentee owners
2. Nowhere in the brochure did Council state the amount of additional revenue it would raise with the 26% increase. A figure of \$12.87 m per year was calculated by a member of the audience but Council had no idea, and has not released this figure.
3. Nowhere in the brochure did council provide costings for the works list it had apparently cobbled together to justify the increase. The responsible director had no idea of the figure even though he was the person responsible for the preparation of the list.
4. It was pointed out to council representatives that council held \$74m in bank deposits and investments. When asked, after the meeting, how much of the reserve funds were quarantined, the accountant advised that only \$11m to \$12m was available in unrestricted funds.

Community Meeting Two at Moruya - 10/11/14

Attendees at the Moruya meeting on 10th November reported that :

1. The General Manager advised that only \$11 million of the \$74m held in reserve funds were available for general usage (unrestricted funds).
2. The General Manager advised that the promised transport and infrastructure program would cost in the order of \$17m.

Community Meeting Three at Bateman's Bay- 17/11/14

1. The accountant admitted to having \$26m in unrestricted funds.
2. Council staff revealed that they intended to borrow money against the SRV and pay a substantial amount in interest on these borrowings.

Unsigned letter to ratepayers dated 19th December 2014

Many Eurobodalla ratepayers, but not all, report receiving an unsigned letter from Council in late December. The compounding nature of the rate rise is set out in that letter, but the cost of the "transport and infrastructure projects" has risen to \$21.4 m. Around the same time a document appeared on Council's web site entitled Draft 2013-17 delivery program. This delivery program showed additional items that are to be funded from the SRV. E.g. stormwater and flood – 1.06m, business development

.3m, and \$1m interest on loans. Other items in the delivery program were not tied in with the proposed “transport and infrastructure program” so that it is not possible to identify where the additional \$2m is to be spent. This is an accounting mess.

Micromex Survey

Council commissioned Micromex to undertake a survey of local residents. That survey was geared to extract a positive response from respondents but instead, 64% of those consulted rejected the rate rise proposal in favour of a continuation of current rating levels. This is another clear message from the ratepayers that Council has failed to relay to IPART.

It should also be noted that over 30% of Eurobodalla residential ratepayers are absentee property owners. None of these owners were surveyed by Micromex, meaning that a major group of home owners was ignored in the survey.

C. Impact on Ratepayers

The Eurobodalla has a rating of 958 on the SEIFA Index which is well down the list of affluent local government areas. Take away the highly paid council staff and the retired federal public servants on generous government funded pensions, and you are left with a society that struggles to make ends meet.

- Over 20% of our population live under the poverty line.
- Unemployment stands at 11%, over 5% above the state and national averages.
- Youth unemployment is out of control at 40% above the state average, so these unemployed kids add a big burden on their parent's incomes.
- Over 8,000 of the 14,000 households in the Eurobodalla have an income of less than \$1,000 per week. 91.6% of individual wage earners earn less than \$1,000 per week.
- 23% of the population are retirees most of whom must survive on the aged pension.

How can a community with this level of poverty, unemployment, and low income families afford a 21% rate increase?

Most businesses in the Eurobodalla are small operations who are struggling in the present economic climate. The latest bankruptcy and close down figures could not be obtained from the ABS, but the figure is very high and according to the business community, growing in leaps and bounds.

Council is delusional in claiming that the rate rise will put more money into the shire as a boost to a local economy. Council's own sea level, LEP and bio-certification policies have severely damaged the local economy. It has already turned away external property and business purchasers and a rate rise will have the very same effect. It will encourage more absentee owners, especially those from the National Capital region who are already feeling the economic pinch, to sell up. The rate rise will also reduce the spending capacity of local residents on fixed incomes. This will directly affect local businesses whereas infrastructure funds will mostly go to larger out of town contractors and material suppliers.

D. Integrated planning and reporting (IP&R) documents

Some IP&R documents have been provided, but where is the detailed asset management plan and workforce plan that should have been placed on public exhibition, and accompanied the IPART submission.

For many years this Council has refused to release an organisation chart showing all established positions, temporary positions and contract positions. It has also refused to release details of the wages and salaries it pays staff or the unfunded liabilities such as superannuation benefits. This information was requested again as late as January 2015 and the enquirer was once again told to make a GIPA application by the acting General Manager. The Eurobodalla Council claims that it operates with a policy of complete transparency. We submit that any public organisation that treats its staff numbers, organisational charts, duty statements, salary ranges and salary movement as "secret", has a lot to hide.

Reported Council expenditure on salaries has increased above the rate of wage inflation in the last few years which would indicate that while the State Government and Federal Governments have reduced staffing numbers, the Eurobodalla Shire has either held steady or increased its staffing levels.

Without the base human resource data and its analysis against recognised markers, neither IPART nor the general public can make a proper assessment of the SRV application.

This council has never released its asset management plan that should constitute an assets register with annual maintenance requirements, maintenance and replacement costs, if applicable.

E. Productivity improvements and cost containment strategies

Council claims some minor progress in the area of productivity improvements, but these are token gestures with little effect on the bottom line.

There is no evidence of outsourcing or market testing to establish what financial benefits might be obtained through outsource contracting.

Little or nothing has been done to reduce staffing levels in line with the action taken in this area by state and federal government agencies

SUMMARY

1. The Eurobodalla Shire Council has failed to adequately justify a special rate variation. The "wish list" it prepared, and did not cost until half way through the public consultation process, is no more than a "carrot" designed to attract support through a reward based philosophy. It is the asset register and the asset management plan that should show where any shortfalls in infrastructure

replacement / maintenance is due/ required. This council has not released an asset register or the related asset management plan, as required by IPART.

2. Community consultation was very poor. Council launched into the first public information session without any costings and tried to cover up the level of "unrestricted" reserve funds it had at its disposal i.e. \$23 million. It admitted to misleading the public in its original brochure, about the compounding nature of the rate rise and later attempts to correct the initial "spin" were either too little or too late. The final unsigned mail out in December revealed an accounting mess. Suddenly the infrastructure program had risen from \$17m to \$21m without any explanation.
3. The Eurobodalla Shire Council has shown scant regard for the impact of the special rate variation on ratepayers. It makes claims of an affluent society with very high levels of home ownership. No doubt it has forgotten to tell IPART that over 30% of all houses belong to absentee ratepayers and almost all of these are owned. Take these houses out of the equation and you will find that the real level of home ownership is very low. Take away the ex federal public service retirees who are on attractive pensions and IPART will find that this is an underprivileged society with a very large number of residents living on fixed government pensions.
4. This council does not appear to have a composite asset register and it follows, has no way of preparing a realistic asset management plan. Integrated planning and reporting is not one of its strong suits, and it refuses to release base human resource data that would allow the community to scrutinise the organisation, staffing levels and salary ranges.

CONCLUSION

The Eurobodalla Shire Council has failed to justify its SRV to the community. Its consultation process was a debacle, and misleading in several areas. There is no transparency to its claimed infrastructure backlog and it still refuses to release base human resource data for public scrutiny. Contrary to Council advice, this is an underprivileged community that cannot afford a 21% rate rise.

Once again, we urge IPART to reject the Eurobodalla SRV application in full.

Signed by [REDACTED]
For and on behalf of Mr Ian Hitchcock
And on behalf of the Eurobodalla Community

[REDACTED]
[REDACTED]
16th March 2015

