

30.03.2015

Re: Newcastle City Council 2015 Special Rate Variation

To Whom It May Concern,

Please find below my objection to Newcastle City Council's (NCC) Special Rate Variation (SRV) as requested on the 5th December 2014.

It's my belief that the Local Council is responsible for more than the rates, roads and rubbish and that these extra services need to be funded by the community. However, I also feel that the council has an obligation to ensure internal productivity and high quality governance, neither of which this SRV application has displayed.

I did not submit an objection to the 2012 SRV due to its content, however, I'm submitting an objection to the need and the size of this SRV. The main issues with this request are as follows;

1. NCC failed to execute the 2012 SRV as per it's documented application – Unsecured grants, grants withdrawn, submissions not made for available grants, projects not planned correctly, uncosted projects being delivered & failure to demonstrate internal productivity (See 1 in Table Below)
2. NCC's lack of community engagement – many nominated engagements in the application relate to the 2012 SRV, lack of information provided during surveys, incorrect financial information provided during the 'Talking Numbers' events & justification for option 3 (See 2 in Table Below)
3. Community affordability – figures utilised in the submission are based on 2011 data, however, the Local Government Area (LGA) has seen large increase in unemployment over the past 12 months which should be cause to assess the submitted 2011 figures (See 3 Table Below) &
4. All documentation is not provide (See 4 Table Below)

Tabulated Issues

1	Need for the special rate variation	
1B	The SRV is for the projects listed below (Note the 2012 SRV is also listed and cells are highlighted for the projects which appear on both requests)	
	<p><i>2015 SRV Application Part B Additional expenditure will be required to undertake the following:</i></p> <p align="center"><i>8% increase (incl rate cap) 5 Years</i></p>	<p><i>2012 SRV Application Part B Additional expenditure will be required to undertake the following:</i></p> <p align="center"><i>5% over the 3.6% Rate Cap & permanently incorporate into general income base.</i></p>
	a) Complete the restoration of the sandstone façade of City Hall	
	b) Replacement of bus shelters	
	c) Improve our community facilities such as our swimming pools and libraries Swimming pool upgrades	
	d) Modernise our Libraries	a) Libraries upgrades
	e) Online DA tracking	
	f) Expanded community engagement program	
	g) Increase bush regeneration works	
	h) Complete maintenance work to eliminate the backlog	
	i) Schedule more pedestrian and local traffic improvements	
	j) Accelerate delivery of the Hunter Street revitalisation project	b) Revitalisation of Hunter Street
	k) Accelerate delivery of Blackbutt Reserve improvements	c) Blackbutt Reserve upgrade
	l) Accelerate delivery of the coastal revitalisation project	d) Revitalisation of the coast
	m) Implement projects from the Cycling Strategy and Action Plan	e) New cycle ways
	n) Actively contribute to the revitalisation of Newcastle	
	o) Support the economic revival of Newcastle	
		f) Newcastle Art Gallery expansion
		g) On-street parking strategy
		h) Off-street parking strategy
1C	The previous application delivery plan was not executed 2012 SRV nominated a number of projects which are also nominated on the 2015 SRV. 2012 SRV requested part funding and provided detailed explanation for the remaining funding.	

	<p>2015 SRV Application Part B discusses the councils negative financial situation, however, it was shown via their actions that this negative financial situation is flexible</p> <ul style="list-style-type: none"> • In 2014 the council approve \$1.5m for a project (ANZAC Memorial Walk). This project was not a NCC scheduled project ie it was not on any delivery plan and had previously shown before council as having full funding, part State grant and part private. • NCC has recently approved funding of \$90k over three years (based on an election promise) to a project called “Renew Newcastle”. <p>This comment is not to diminish the positivity of either project, it is to highlight that reasonable size funds are available to certain projects and hence the area of concerns may be more with the governance of the funds than a lack of.</p>
1D	<p><i>The application does not demonstrate NCC’s internal productivity increase</i> Application Part B Section 7. Assessment criterion 5: Productivity Improvements and cost containment strategies</p> <p>The application provides evidence of cost containment, however, no evidence at all is presented to prove productivity. The evidence provided of productivity is a reduction in staff. This would be productivity if the same or greater level of service was provided, but it was not. Hence, this example of productivity (staff reduction) is actually an example of cost reduction. No evidence has been provided of tangible KPI’s, or measurement to, to prove NCC productivity.</p> <p>SRV should be seen as a last resort, but without demonstration of internal productivity, this SRV is clearly not a last resort.</p>
1E	<p><i>The application does not provide justification for the “unreliable” grant funding</i> Application Part B Notes “Non-rate sources of funding such as grants and developer contributions have proven unreliable”</p> <ul style="list-style-type: none"> • Re grant funding – Newcastle Art Gallery Redevelopment Grant (State and Federal). The federal grant (\$6m) was foregone due to the State grant not being provided. The State grant was not provided due to NCC’s alleged inaccurate project costing. • NCC is considered a mining-affected local government area, however, mid 2013 NCC did not apply for state government grant money. \$160m over four years was available to mining affect LGA’s with projects that "cater for economic and social infrastructure". The Newcastle herald quotes a NCC spokesperson said ‘the council considered it had no projects that fit the criteria’ http://www.theherald.com.au/story/1537339/millions-go-begging/ <p>Both of these grant examples highlight NCC potential internal operation improvements to secure external funding.</p>
2	Community engagement
2A	<p>First it should be noted NCC’s community engagement is not perceived by many in the community to be a two way engagement process, this is reinforced by the Office of Local Government’s Council Complaint list, were NCC was the fourth most complained about council in NSW for 2013/2014. http://www.olg.nsw.gov.au/content/complaint-statistics-2013-14-0</p>
2B	<p><i>The application includes community engagement relating to the previous SRV</i> Application Part B Section 4 Assessment Criterion 2: Community Awareness and Engagement</p> <p>This section nominates the following four community awareness sessions in relation</p>

	<p>to this SRV</p> <ul style="list-style-type: none"> • 2007 – The Newcastle Report, Issues for Sustainability; • 2009 – Sustainability Review; • May 2011 – Engagement for yearly budget and delivery plan; • September/October 2011 – Engagement about one-off s508(2) SRV to fund priority capital projects <p>However, all of these engagements relate to the 2012 SRV and should be ignored from the application as proof of NCCs community engagement.</p>
2C	<p><i>The application nominates a community engagement event focused on NCC's financial situation, however the financials provided were inaccurate</i></p> <p>NCC's 2012/2013 – Development of the Integrated Strategic Financial Analysis 'Detailed response to the TCorp review of Council finances. This led to the development of the 'talking numbers' events which provided an in depth look into the finances and to discuss the implications of the TCorp report on Council finances. The focus was on budget development, funding options and special rate options'</p> <p>This community engagement was based on incorrect financials ie the projected operating deficit was \$29.9M, however, \$8.7M (29%) was incorrect infrastructure depreciation. This level of consultation has not been held again with the revised financials; therefore I believe it is fair to discount this engagement when assessing NCC's community engagement.</p> <p>http://www.theherald.com.au/story/2432027/newcastle-council-finds-extra-86m-down-back-of-couch/</p>
2D	<p><i>Note</i></p> <p>February 2014 – Proposal for one-off 1.1% increase above the rate cap saw 54% against.</p>
2E	<p><i>NCCs selection of Option 3 is lacking evidence</i></p> <p>NCC has submitted for SRV Option 3 based on</p> <ol style="list-style-type: none"> 1. Recent community surveys (see below) & 2. Recent Local Government Election Results <p>I will speak to each point below</p>
2E 1	<p>1/ Recent Council Surveys of the Community (The Voice + Contracted Survey)</p> <ul style="list-style-type: none"> • Data provided in submission indicates a clear preference of option two over three • Attachment 5 which contains Appendix 2 'Survey Questions' has not been included as Part B of the submission has indicated. Hence, it is not possible to assess the line of questioning in relation to the three options ie did the questions for option 2 and 3 directly link the rate increase size / value being proposed to the potential gain? <p>Considering the survey nominated in 2E (1.1% rate increase Feb 2014) was rejected, I find it very unlikely that option 2 would have been favoured over option 1 if a direct link between want and expenditure had been made or even other options of efficiency offered. Of course people will fund financial sustainability, it's a no brainer, the real question is, has the council completed an adequate internal adjustment? I would suggest not (See section 1).</p> <ul style="list-style-type: none"> • It should also be noted in the phone survey only 44% of people were aware of the NCC's financial position, hence the remaining 66% of opinions on

	<p>expenditure should not be relevant and this number should be used as evidence for the lack of NCC community engagement with respect to their financial position.</p>
<p>2E 2</p>	<p>2/ Recent Local Government Election Results Page 7 Part B States 'Reinstatement and Increase Services The Road to Recovery engagement process together with the further endorsement provided by the outcome of the recent Mayoral and Ward 3 by elections has resulted in significantly greater support in the community for Option 3 than originally anticipated. The community has provided clear feedback that in addition to ensuring financial sustainability the minimum they expect from their Council is that the current service levels are maintained but there is also strong support for the selective restoration and improvement in facilities and services. In response to this community feedback and the Council elections a number of formal Council decisions have been made to increase service levels in a number of areas. This will result in expenditure levels higher than those included in the previously LTFP 2013-2023. These include:</p> <ul style="list-style-type: none"> • Amendments to swimming pool charges and continuing the operation of the Beresfield Pool • Additional Lifeguard service • Reduction in revenue for the museum and art gallery and increase in their operating expense and • Maintain current staff numbers.' <p>Firstly, SRV should NOT be available to fund election promises. The parties and representatives standing are responsible for costing their projects and only promising what is within the financial capacity of the council.</p> <p>The use of an election to prove community engagement and acceptance of the third option is ridiculous when the environment (trust) around the election is taken into account</p> <ul style="list-style-type: none"> • the election indirectly triggered by ICAC investigation "Operation Spicer" & • the informal vote was very high <p>The statement re local government election results, highlights an extremely poor level of comprehension of governance on the part of the political parties and elected representatives involved. This poor governing ability is not justification of a SRV, however, it is in my option a strong justification to dismiss elected council and replace with administrators. (I understand this is not within IPART's power).</p>
<p>3</p>	<p>Community Affordability</p>
	<p>The SRV community affordability argument has been based on</p> <ol style="list-style-type: none"> 1. Inter Hunter Council relations & 2. 2011 economic figures <p>However, available current figures would suggest our local economy has change significantly and trending in a negative direction. The Small Area Labour Market figures for Newcastle LGA show unemployment has risen from 4.3% (Dec 13) to 6% (Dec14) in just one year.</p> <p>This rapid change in local circumstances has not been considered as a factor in the</p>

	NCC's assessment of the community's ability to afford the proposed SRV, and casts doubt on the relevance of the figures presented. http://docs.employment.gov.au/system/files/doc/other/small_area_labour_markets_-_december_quarter_2014.pdf
4	Documentation in order
4A	Delivery Program Page 5 Operating Surplus Vs Funding Surplus <ul style="list-style-type: none"> The 2014/13 figures are incorrect, they contain an over estimated infrastructure depreciation \$8.7M
4B	Attachment 5 <ul style="list-style-type: none"> Was not attached, this attachment contained Appendix 2 'Survey Questions', hence, non-attachment means it is not possible to assess the line of questioning on relation to the three options ie did the questions for option 2 and 3 directly link the rate increase size / value being proposed?

As can be seen above, I do not feel that Newcastle City Council governance has done everything within their power to ensure the a/ council requires the rise, b/ council is operating to a high productivity level & c/council is governed sustainably.

I look forward to discussing further.

Kindest Regards,

Jacqueline Haines