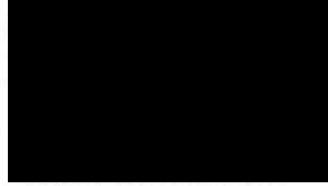




John Sullivan



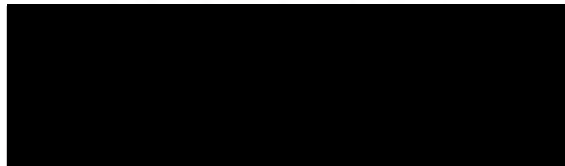
15<sup>th</sup> March 2014

Independent Pricing and Regulatory Tribunal  
Re Cessnock City Council's application for a special rate variation.

Dear Sir/Ms

Please find the attached submission opposing the application for a special rate variation by Cessnock City Council commencing 2014/2015. I have opted to send the submission by mail as I do not have the application software to submit it electronically in the preferred format. My submission is not confidential. Thank you for any time spent considering this matter.

Yours Faithfully  
J. E. Sullivan



## **Roads, Rates & Robbery**

Cessnock City Council is proposing to apply to the Independent Pricing and Regulatory Tribunal to make a current special variation to rates of 6.05% a permanent part of Council's rates from 2014-2015. This submission opposes such an action due to a number of factors. (1) Over-inflated rates from Council's past actions. (2) Community consultation process (and therefore application) appears misleading or at least flawed. (3) Inadequacy of Pensioner rebate. There are also a number of questions that require honest answers: (4) Does Council take advantage of all other possible sources of revenue for road repair? (5) Does Council use ratepayer's money appropriately for road repair? (6) Has Council used all of the funds raised through temporary special rate variations, granted 2006 through 2014, on road repairs?

### **(1) Over-inflated rates from Council's past actions.**

Since the Global Financial Crisis annual Council rate increases have spiraled upwards at perhaps triple the rate of inflation and well beyond the Consumer Price Index. As a result they are now over-inflated by about 10% and require a downward correction of that order.

As an example the Appendix contains my annual rates notices for the past four years in tabulated form. Exorbitant increases are in bold and include: 2010/2011 – Ad Valorem rate increased by 11.25% so that the amount payable remained pretty much the same despite a 10.5% decrease in property value. Base Amount increased by 10.8%, Septic by 11% and Waste Management by 6.35%. 2012/2013 featured a massive increase of 32% in Waste Management charges, resulting in a 10.7% increase in total rates paid for the year.

Indeed the lesser increases of 4% or 5% applied on other occasions are exorbitant for the economic times, especially when compared with the deviations of around 2.75% shown in the Appendix for the Hunter Central Rivers Catchment Management Authority Levy (which Council collects with the rates on the Authority's behalf), which is more in line with the rate of inflation and the CPI. Furthermore newspaper reports suggest that the average rates charges in Cessnock LGA are higher than any other LGA in the Hunter.

### **(2) Community consultation process (and therefore application) appears misleading or at least flawed.**

I provided some feedback to Council expressing my concerns on the special rate variation and as yet have not received a response – I always thought consultation was a two way process! More importantly, as invited by the 'flier' (in the Appendix), I tried Council's online rates calculator ('screenshot' of the results also in the Appendix with my rates parameters entered) and found it to be incorrect for option 2. It is unclear to me whether they have increased the estimated rates peg to 4% instead of 3.5% (or applied a multiplier of 2.05% instead of 2.55% to (under) estimate the decrease, which amounts to the same thing). Alternatively they may only plan to remove the 6.05% temporary variation from the Ad Valorem component when presumably it was also applied to the \$410 Base Amount. The second alternative raises questions as to whether the two components have been amalgamated into something called Ordinary Rates to camouflage this action.



Nevertheless for Option 2 the rates calculator suggests a decrease of \$33.64 (before discounts are applied) instead of \$40.70 (verification is simple – multiply \$1595.98 by 0.0255). This apparent error has also flowed through to ‘Percentage Change all Rates and Charges’ which should be -2.1% instead of -1.72%. It is also questionable whether the 2.82% increase shown for Option 1 is an ethical practice, as the initial amount contains a 6.05% temporary variation. The actual permanent increase would be 7.9% or \$150.57 in my case. It is also possible that this error has been incorporated into the ‘flier’ and other public announcements, underestimating the reduction in rates for Option 2, thus enhancing Council’s preferred option. Clearly Council could not have gained a clear ‘picture’ of true community sentiment for their proposal as it seems to be based on erroneous data. Therefore the community consultation process prior to the application was flawed.

### **(3) Inadequacy of Pensioner Rebate**

Many pensioners are asset rich and cash poor, largely due to the increase in property values over the years. Pensioner Rate Rebate has not been increased since 1993 (that’s more than 20 years ago!). At that time the statutory rate rebate of \$250 offered pensioners a reasonable concession with many receiving a 50% discount on their rates. (My current rebate is about 12% or 13% of my rates). No doubt Council would argue that the pensioner rebate was a State Government matter, however there is nothing stopping Council from increasing their local pensioner rebate from \$39 odd or 2% (in my case) to something more significant. (Indeed that’s another discrepancy with the online rates calculator. It shows a Council rebate of \$41.26 for my current rates when the actual rebate on my 2013/2014 rates notice was \$37.03 – is that yet another error in Council’s favour?????).

### **(4) Does Council take advantage of all other possible sources of revenue for road repair?**

As I understand it State Government money becomes available from time to time for special purposes, for which Local Government must apply. For example in June 2011 the NSW Government established Restart NSW. Apparently there were five Restart NSW programs targeting regional development. One of these, Resources for Regions, allocated \$160 million (one hundred and sixty million dollars) for mining affected areas. We shall never ever know if Cessnock City Council would have qualified for a proportion of the money (even if it was a small proportion), as apparently they did not even apply! Clearly this raises the question as to whether there were other opportunities that have simply been ignored?

### **(5) Does Council use ratepayer’s money appropriately for road repair?**

Although in an earlier time-frame to the period discussed above, there are kilometres and kilometres of high quality roads in the Hunter Economic Zone, a private development near Kurri Kurri, which has presumably failed as there are few tenants. The question is how much of ratepayers money, if any, did Council contribute to that private development?



More recently a newspaper report suggested that Council allowed a (presumably private) Abermain subdivision to proceed without the required road works – does that mean that the ratepayer picks up the tab for the road works?

**(6) Has Council used all of the funds raised through temporary special rate variations, granted 2006 through 2014, on road repairs.?**

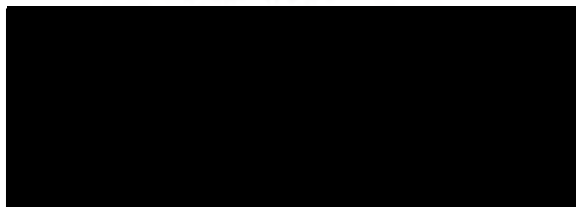
While no doubt the Council's annual reports produce a glowing representation of expenditure on roads in the LGA, it is difficult to see much happening on the ground! It is assumed that the Independent Pricing and Regulatory Tribunal will ensure that the funds raised from the temporary increases approved 2006 through 2014 for road maintenance and repair, along with a reasonable proportion of other Council revenue, was actually used for that purpose before considering the matter of a permanent special rate variation. Indeed an independent audit may be required to establish that as fact. .

**Conclusion**

This submission has demonstrated that: (1) Rate increases have far outstripped inflation and the Consumer Price Index, and are in need of a correction in the downward direction of perhaps 10%. On occasions there are absolutely exorbitant annual increases in individual components of the rates bill, e.g. 32% for Waste Management. (2) The community consultation process attempted by Council appears flawed, and thus any accurate assesment of community sentiment for the proposal impossible to establish. (3) Pensioners Rebate is grossly inadequate, and Pensioners continue to lose ground as rates spiral upwards. (4) It is possible that Council fails to take full advantage of all sources of revenue that becomes available from time to time, and as a result burdens the ratepayer with otherwise unnecessary increases in rates for the maintenance of infrastructure. (5) Although there is no firm evidence, there are some suspicions that ratepayer money may contribute to roads associated with private development. (6) An independent audit may be required to determine why no apparent progress is being made with the maintenance of roads on the ground. Finally, what is the point of having a rates cap if it can be circumvented by a series of special variations of a temporary nature, that may later be converted to a permanent status?

I may have had a different opinion if progress had been apparent on the ground, however in my view the Independent Pricing and Regulatory Tribunal must refuse the application for a permanent special variation to rates of 6.05% by Cessnock City Council, and perhaps should consider ordering a 10% decrease in rates to bring them into line with the Consumer Price Index and inflation.

Yours Faithfully  
J.E. Sullivan



# APPENDIX

	2009/2010	% change	2010/2011	% change	2011/2012	% change	2012/2013	% change
Rateable value	\$ 314,000.00	?	\$ 281,000.00	-10.51%	\$ 281,000.00	0.00%	\$ 281,000.00	0.00%
General Rural Residential Ad Valorem	\$ 1,065.17	?	\$ 1,064.52	-0.06%	\$ 1,113.60	4.61%	\$ 1,167.72	4.86%
General Rural Residential-Base Amount	\$ 370.00	?	\$ 410.00	<b>10.81%</b>	\$ 410.00	0.00%	\$ 410.00	0.00%
Waste Management	\$ 362.00	?	\$ 385.00	<b>6.35%</b>	\$ 405.00	<b>5.19%</b>	\$ 535.00	<b>32.10%</b>
Hunter Central Rivers Catch. Mgmt Auth.	\$ 33.28	?	\$ 29.51	-11.33%	\$ 30.35	2.85%	\$ 31.19	2.77%
Oper. Sewerage Sys Renewal - Domestic	\$ 45.00	?	\$ 50.00	<b>11.11%</b>	\$ 52.00	4.00%	\$ 54.00	3.85%
Total	\$ 1,875.45	?	\$ 1,939.03	<b>3.39%</b>	\$ 2,010.95	3.71%	\$ 2,197.91	<b>9.30%</b>
Pensioner Rebate	\$ 285.95	?	\$ 286.26	0.11%	\$ 286.64	0.13%	\$ 289.09	0.85%
Amount owing	\$ 1,589.50	?	\$ 1,652.77	<b>3.98%</b>	\$ 1,724.31	4.33%	\$ 1,908.82	<b>10.70%</b>

There are four columns representing the rates for each financial year. The intermediate columns indicate the percentage variation for each component relative to that component for the previous year. Negative variation is indicated in red, exorbitant changes are emboldened (3.98% as devalued 10.5%).

If the Online Rates calculator is accurate for 2014/2015 it will perhaps be a historic year for rate increases, as no other component other than the Ordinary Rate (Ad Valorem & Base Rate?) varies. For example compare the above rate variations from year to year with the result of the Online calculator 'pasted' overleaf. Furthermore the total increase of 2.82%, when the SRV is applied, will rank amongst the historic lows. Clearly, however, the permanent increase is 7.9%, which will compound into the future.

ONLINE CALCULATOR RESULT OVERLEAF



# Roads & Rates

## Proposed Special Rate Variation 2014-15

### Council's options and their impacts on ratepayers are:

To seek a special rate variation of 9.55%.

means apply to make the existing special rate of 6.05% permanent - resulting in:

A continuation of the additional annual expenditure on roads across the local government area of approximately \$1.725m; and

An estimated increase in rates in 2014-15 of 8.5% or approximately \$39 for the average residential ratepayer.

To not seek a special rate variation.

means do not apply to make the existing special rate variation of 6.05% permanent - resulting in:

A reduction in annual expenditure on roads across the local government area of approximately \$1.725m; and

An estimated one-off reduction in rates in 2014-15 of 2.55% or approximately \$25 for the average residential ratepayer.

The figures above are estimates based on the rates payable (excluding service charges) on a residential property currently paying an average residential rate of 7.5. The impact on an individual ratepayer will vary depending on the land value and rating classification of property.

Rates Calculator is available on Council's website so ratepayers can calculate the indicative variation in their own property under each option. Further information including fact sheets and the calculator, please visit [www.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au)

### APPENDIX (continued)

Special Rate Variation - Indicative Rates Comparison Calculator

#####			
	Current Rates Payable 2013/14	Option 1 is to seek a SRV of 9.55% inclusive of the existing SRV of 6.05% on a permanent basis and to apply the anticipated rate peg of 3.5%	Option 2 is to not seek a SRV and apply the expected rate peg only of 3.5%
Land Value (input value)	\$281,000		
Ordinary Rates	\$1,595.98	\$1,651.06	\$1,562.34
Waste Management Charges	\$520.00	\$520.00	\$520.00
Additional Recycling Charges	\$0.00	\$0.00	\$0.00
Onsite Sewer Management	\$57.00	\$57.00	\$57.00
H.C.R.C.M.A.	\$30.63	\$30.63	\$30.63
Stormwater Levy	\$0.00	\$0.00	\$0.00
Total Rates Raised	\$2,203.61	\$2,258.69	\$2,169.97
Statutory Pension Rebate	-\$250.00	-\$250.00	-\$250.00
Council Rebate	-\$41.26	-\$42.34	-\$40.61
Net Amount Due & Payable	\$1,912.35	\$1,966.35	\$1,879.36
Estimated Total Increase / Decrease		\$54.01	-\$32.98
Percentage Change all Rates & Charges		2.82%	-1.72%