

I am opposed to the SRV proposed by Dungog Shire Council. An approximate doubling of the rates over 7 years is not justified because:

The Doubling of the Rates will not Make DSC sustainable or Solve its Problems

1. Dungog Shire Council is unfit for the future and financially unsustainable, even if the rates are doubled. We know this from the TCorp report of 2013; the Samson report of 2014; and IPART's assessment of the DSC's stand alone proposal in November 2015. As well as a number of reports to the DSC by its former General Manager, Craig Deasey, but especially his final report to the elected council on 1 May 2017 (copy attached, and available on Council's website).
2. A doubling of the rates in the Dungog LGA will result in little more than bare survival. We will still not have adequate roads and bridges, even though there will be some improvement in the backlog.
3. The proposal does not address other outstanding issues such as the deplorable state of the administration building, which does not comply with modern workplace standards and where staff amenities are described by Craig Deasey in his attached report as "a bloody disgrace". He estimates \$3-4M in 2017 to rectify this.
4. The proposal does not address inadequate staffing and DSC's inability to address strategic issues due to this (see attached report). Dungog's planning department has a reputation of being slow and difficult to deal with; DA's are notorious for being months overdue for determination. This proposal does not address these problems.
5. The proposal refers to other efforts to improve DSC's sustainability, but most of these things have either been tried for a long time (eg lobbying politicians, asking for a State road, savings from being a member of Hunter Councils) or will make very little difference to the bottom line (eg sale of Council assets).

Now that Dungog Shire Council is in a marginal electorate, both major political parties have made promises in respect to road and bridge funding prior to the election. The proposed funding offers would be very helpful in assisting with improving roads and bridges (providing they eventuate), but will not address other issues fundamentally caused by lack of scale and capacity.

6. I am concerned that as well as the large rate increase, it is proposed to simultaneously borrow large sums of money. Up until now DSC has benefited financially from low borrowings. In 2018 the new council borrowed \$3.7M to half fund 4 replacement wooden bridges (the other half was a grant). It would appear that one of the few ways to address the backlog is through grants, which often require 50% input from the Council. DSC is likely therefore to significantly increase its borrowings, which then need to be serviced.

Effect of the Doubling of Rates on the Community

7. Whilst there are members of our community who could cope with the financial impost, we also have many who would find this size rate increase a burden – especially the very large increases for farmland, when many farmers are struggling.

8. In other LGA's where there have been SRV's, ratepayers have responded positively because extra rates mean extra services eg Maitland City Council. In our case, a doubling of the rates will mean no extra services – it will not even allow all existing services to be provided in a timely way at an appropriate standard. It will just mean that we struggle on, but the backlog (mainly of roads and bridges) will not be as great.
9. The stated plan of borrowings means that we will be leaving a large debt for the future residents of the shire.

The Consultative Process for the SRV

10. Because of the long amalgamation process which preceded the election of this current council, there is a weariness in the community about the issues surrounding the sustainability of DSC. (The community was not effectively or properly consulted by the previous council or the State government – although they could and did make submissions to hearings into the 3 amalgamation proposals.)
11. The first letter from DSC to residents about this proposed SRV gave them no concrete details. See attachment 21, letter dated 21 February 2018.
12. By contrast the letter of 30 January 2019 sets out a detailed proposal, but this was only sent to ratepayers immediately prior to the lodgement of the SRV application and there was no opportunity for comment or feedback.
13. I attended the first community meeting in Gresford on 12 March 2018. The mood at the meeting was one of irritation and frustration when attendees, over a period of about 2 hours were refused any detailed information about the proposal and told they would receive that information at a later meeting. The meeting went from 6pm until after 10pm and was only terminated when a community member stood up and said it was going nowhere and needed to be concluded.
14. No options other than the alternatives of doubling of the rates or the status quo were ever put to ratepayers. Ratepayers were given no information on what a smaller rate rise would mean, or how different rate increases would impact them and the Shire.
15. Residents were repeatedly told that if they didn't agree to the SRV then services would be cut, but no details were ever given of what these cuts were going to be, other than the presentations showing how roads and bridges would deteriorate further without extra funding.

The SRV Application is not Fair and Again Shows a Council not Listening to its Community

16. Prior to the last council election, voters were told repeatedly that there was no way that Dungog's rates would double; that the proposal put to IPART in June 2017 was "a mathematical exercise" only "required by the State government"; and that IPART would never allow rates to be doubled, because people could not afford it.

17. The previous council was told that amalgamation offers by Port Stephens Council and Maitland City Council would no longer be on offer after the election and yet despite this, they proceeded to conduct a poll simultaneously with the election, asking residents their preferences.
18. Almost 55% preferred the merger with Port Stephens Council. Apart from asking the question of PSC (to which the answer had already been given prior to the election), this council has taken no steps to respond to the community's stated preference, but instead has focussed on this SRV.
19. The purpose of the SRV is to enable DSC to stand alone, albeit in an unsustainable way.
20. DSC rates, should this application be granted, will be as high as, or higher than, our surrounding councils, but our services and our sustainability will be far inferior. This cannot be considered fair.

Pork Barrelling

21. As Dungog is now in a marginal electorate, it can be expected that prior to elections, particularly, there will be grants and giveaways from State and Federal governments. Whilst all money is welcome, this is not a pathway to sustainability.

The Fundamental Problem

22. The inherent problem which cannot be addressed, is expecting 6,600 ratepayers to fund and maintain local government for such a small number of people. Whilst we have population growth, it is small. DSC cannot "grow" its way out of the problem.
23. The TCorp report specifically notes on page 23:

"One option to assist Council revenues is to investigate the possibility of applying for an SRV that would assist in raising rates revenue to meet ongoing asset maintenance and renewals expenses. However, this is likely to have limited impact given the relatively small population within the LGA."

24. It is not possible for 6,600 ratepayers to fund in a sustainable and adequate way 720km of roads, other assets such as buildings and sporting grounds, an adequate administration centre, a competent planning department covering both statutory and strategic planning roles, and a full complement of staff to cover all of the mandatory services a local council must provide, let alone any additional services which larger better financed councils provide for their residents.


My fundamental objection to this SRV is that it cannot and will not make Dungog sustainable, it will increase our debt, double our rates, cause much pain for our residents – without achieving the goal of long-term sustainability – in a situation where a majority of residents preferred the option of amalgamation with lower rates and an improvement in services.

Alternative SRV

25. It is acknowledged by almost all concerned that DSC's rates are too low. Therefore, whatever happens in the long run, it is appropriate for rates to increase. The alternative proposal put to the Council meeting by Crs Connors, Low and Wall, for an increase of 32.25% over 2 years, would be a reasonable outcome for ratepayers and the community, and one that the majority in the community would likely accept as fair.
26. This would have the dual benefits of increasing rates to a more appropriate amount and allowing a further period to consider how the ratepayers of DSC can be best served into the future.
27. Future possibilities could include an amalgamation, a splitting of the Shire, or (with the assistance of government) creating a permanent income stream to allow DSC to become financially sustainable into the future (suggestions have included a water royalty from Hunter Water, rates being levied on National Parks and/or Forestry).
28. The current proposal will not make DSC fit for the future or sustainable. Another solution needs to be found.

Dated: 6 March 2019


Lisa Gowing


Dungog

GENERAL MANAGER

**1. PORT STEPHENS VOLUNTARY AMALGAMATION
EF16/22**

Craig Deasey**Precis:**

Councils consideration of the Port Stephens Council Voluntary Amalgamation proposal.

Councillors, further to the Mayoral Minute to the 21 March 2017 Ordinary meeting of Council, the meeting with the Deputy Premier The Hon. John Barilaro MP on 5 April 2017 was attended by the Mayor Cllr Johnston, Deputy Mayor Councillor McKenzie and myself.

On 22 March 2017 a letter was forwarded to the Deputy Premier outlining the questions to which the Council was seeking a response from the NSW Government.

The questions were as follows:

1. If Council resolves to stand alone, is the NSW Government willing to financially support Dungog Shire Council into the future with additional grants?
2. If the Council determines to stand alone, will the NSW Government support the Councils submission to IPART for a substantial rate variation to achieve "fit for the future" status?
3. If the Council determines to voluntary merge with Port Stephens Council will the NSW Government financially support the merged entity into the future to assist with the infrastructure backlog?
4. If Council determined to voluntary merge with Port Stephens Council would the initial \$15Mil assigned previously to the merger process be allocated to the merged entity to assist with the implementation and provide for investment in community infrastructure?
5. Would the NSW Government be prepared to not apply the four year rates moratorium on the voluntary merger of Port Stephens and Dungog Councils?
6. Would a voluntary merger between Dungog & Port Stephens Councils require a fresh merger inquiry process to occur or would the existing delegates and Boundary Commission reports undertaken in 2016 suffice?

At the meeting the Deputy Premier committed to providing the Council with a written response to these questions, however at the time of preparation of the report the responses have not as yet been received.

Whilst I envisage that the response by the Deputy Premier will be received prior to the meeting and will be circulated to all Councillors upon receipt, in the interests of transparency to the community this report has been prepared on the basis of consideration of the Port Stephens Council voluntary amalgamation proposal.

Whilst I was in attendance at the meeting it is not my intention to provide feedback on the Deputy Premiers' initial verbal responses to the questions posed, however I did come away with an appreciation of the Governments position in relation to a number of the points, the Deputy Premier advised he would need to seek responses from other parties including the Minister for Local Government in relation to question 6.

It is not my intention to repeat all the past processes associated with the Destination 2036 process, as by now Councillors should fully understand the outcomes of the merger inquiry reports as published for Dungog Shire Council, the financial costs to the community of a merger and the potential opportunities for our communities into the future.

At present there is only one voluntary amalgamation proposal on the table, there are no other alternatives. To accept the Port Stephens proposal would result in the amalgamation of the two LGA's subject to the Minister for Local Governments concurrence, to reject the Port Stephens proposal the Council would be standing alone.

Councillors must look at this proposal objectively and not be influenced by the politics or the lobbying processes that have been underway and determine what is the right decision in terms of the future of our communities and the generations that are to come.

This Council has had carriage of the Destination 2036 process and the various programs (Independent Review of Local Government, Fit for the future, Local Government Act review etc.) as a consequence and it should be this Council that has the final say on behalf of the community that you were elected to represent in terms of the future of this Council.

I have previously reported to Council on the staffing situation and have reported over many years that the long term financial position of the Council is at risk, the short term position is showing that this Council is in a deficit cash budget position for 2016/17 which will escalate further as a consequence of the current Martins Creek Quarry case. There is no contingency fund to meet these costs and there is the very real risk that if the Council is awarded a decision in its favour that the operators may appeal. The projected 2017/18 budget position is again one of a deficit cash position with no potential for any additional projects unless they are funded by outside sources.

Irrespective of these matters it is the strategic capacity of the organisation to plan for the future and look at deliverable outcomes to our communities that is lacking. Councils management team addressed the Councillors some 18 months ago to discuss elements of the fit for the future process in particular the workloads and the issues which they all face as a consequence of a lack of resources.

I have stated in various reports on the implementation of the delivery program the management team is dealing with countless operational elements and they have very little if any time for the strategic elements. This is showing up time and again and the list of unfinished or not started strategic projects is growing, Sec 94 plan, rural lands strategy, roads strategy, asset management strategy, shire wide DCP review, social media strategy, workforce strategy, financial strategies to name but a few of the outstanding elements.

The Shires population is growing but also ageing and we are not undertaking any assessment as regards these impacts into the future as we have no strategic planners or staff within areas to look at these emerging issues in terms of adaptive housing, infrastructure planning, social and community services.

Our infrastructure is ageing and the stark reality is that some elements of the infrastructure are at or beyond their "useful life". The timber bridge issue is one example, but there are others for instance the Dungog swimming pool that is nearing the end of its useful life we have no strategy or planning in place as regards addressing this at present.

The improvement plan that was developed for submission to IPART placed before the Council an increase in the general rates of 13% for six years to meet the financial benchmarks as determined by the NSW Government. However, that improvement plan did not address the strategic capacity element, where are we going to secure the resources required to address this issue? Consultants can only do so much and come at a cost and this still does not address the workforce shortages in other key areas. The financial implications

could add another 20% to what is required aside from the need for additional office accommodation.

For us to impose on our community rates increases well in excess of what the community could anticipate from a newly merged entity has to be one of the significant considerations for this Council. The Port Stephens Council is a "fit Council" it has a diverse revenue base and a growing population, which gives rise to their ability to meet the other elements in relation to the fit for the future process, including scale and capacity.

This is best reflected in the Port Stephens Councils annual report and state of the environment reporting. The Council has dedicated officers working in areas which would significantly benefit our local community and environment, whereas this Council just simply does not have that capacity (manpower) and never will.

Scale and capacity brings opportunities to not only staff but also communities with specialist staff available to work with communities on various projects or initiatives, it also brings elements of expertise together within the organisation when assessing complex development applications for example.

Conclusion:

Dungog Shire Council has been left stranded on one hand but on the other it now has an opportunity to self determine its future without the Minister for Local Government making that decision for you.

The loss of local democracy has been raised by some people throughout the process, but in reality how often would the majority of our population have an interest in what the Council is doing? It is quite evident that the majority of services which the Council undertakes or provides are not known by the broader community, if the community is receiving the services which they expect from the rates they pay do they care whether the administration base is local or city based? Ignoring the petition it is fair to say that a very small percentage of the Shires community has been actively engaged in the fit for the future process.

I am aware that some Councillors are contemplating the conduct of a Council poll on the matter of mergers in conjunction with the deferred local government elections in September 2017.

It is my view that the conduct of the poll would be a fruitless exercise and would appear to be against the principles upon which each Councillor would have been elected to office. Community leadership needs to be displayed and this Council has had carriage of this process since September 2012. A poll provides no enforceable outcome and this Council would effectively be deferring this matter to the next Council.

To defer or delay determining a position is not in the best interests of the community or the staff. In March 2017 I reported on staffing levels, continuing uncertainty is making it nigh on impossible to recruit professional/specialist staff and this would linger on indefinitely as there are limited progression opportunities within this organisation as it stands now. Recruitment has always been difficult due to Councils limited financial resources and proximity to the larger Councils and we have to continue to rely upon a migration of staff into the Shire on a daily basis which has grown over the past 15 years.

Also this Council has already not fulfilled an obligation to staff to address the office accommodation situation, effectively deferring the matter until the outcome of the fit for the future process. The staff amenities including the kitchen facility in my opinion are quite frankly "a bloody disgrace" and my staff to their credit have continued to endure these archaic facilities.

When Dungog Shire Council divested the water and sewer operations to Hunter Water in 2008 I stated that it would be a hard decision for the Council as effectively it was placing the Council in a position that would compromise the future of the Council. Councillors are the users of the water and sewerage services better or worse off under Hunter Water? The people of Clarence Town now have an affordable sewerage service, Hunter Water has invested millions into local infrastructure to meet their compliance guidelines and the pricing impacts have been negligible as a consequence.

I now ask the following question, will the community of Dungog Shire be better off under a merged entity or not?

My personal responses are as follows:

Financially- yes, socially – no change, local economy – improving with greater opportunities into the future through the tourism arm and economic development unit, sense of community & place – no change if not opportunities for enhancement, local service provision – dependent upon accepted levels by the community, advocacy – improved due to larger population base.

IMPLICATIONS

Financial

Should Council determine to stand alone the community can expect annual rate increases of 13% for six years as the Council endeavours to generate sufficient revenues to maintain the Councils infrastructure subject to the relevant requirements of IPART and the Office of Local Government.

The Council will also have to undertake to replace the current administration facility or expend between \$3-\$4Mil to adapt the facility to meet current standards and to accommodate additional staff resources into the future. The current building does not even pass basic disability access arrangements for staff at present.

The Council will also have to increase general rates by at least an additional 20% to ensure that the staffing levels within the critical areas of Council can meet community expectations and provide strategic capacity to the organisation, in particular, IT Systems Management, Development Compliance, Strategic Land Use Planning, Development Engineer, Risk & WHS, Human Resources, Community Engagement/ Liaison Officer.

If the \$15Mil is still on the table from the NSW Government this can be invested into vital infrastructure upgrades and community infrastructure and whilst obviously shared between the two Councils the communities of Dungog Shire would benefit.

Statutory

The Local Government Act (NSW) 1993 Chapter 9 outlines the requirements in relation to voluntary amalgamations. However until the Council has a response from the Deputy Premier there is still uncertainty as to whether a further Boundaries Commission Inquiry is required or as to whether the Minister for Local Government can review her previous decision to enable the process to proceed without further delay.

The Act at Chapter 3 outlines the principles for local government however in terms of Council decision making the following principles apply:

- (a) Councils should recognise diverse local community needs and interests.
- (b) Councils should consider social justice principles.
- (c) Councils should consider the long term and cumulative effects of actions on future generations.

- (d) Councils should consider the principles of ecologically sustainable development.
- (e) Council decision-making should be transparent and decision-makers are to be accountable for decisions and omissions.

Community

Councillors have witnessed the community's response to the merger inquiry process, through the hearings and submissions made. Those individuals within the community that want to be informed have made that attempt and have expressed their views, however, the process reflects that the majority of people within the Dungog LGA are not interested in local government. The Council did receive a petition in relation to merging with Port Stephens Council which was signed by 1805 residents of the Shire, there are some 6,820 people on the electoral roll for the Dungog LGA.

The biggest loss to the community from an amalgamation process would be local representation and in the scheme of things what weight should that be given. The community's of Gresford (Gresford Community Group), Paterson (Paterson Progress Association) and Clarence Town (Clarence Town Progress Association) all have local bodies that can advocate and advance the community's views on matters. It is something that the community of Dungog may need to consider in the future.

Staffing

The employment protection provisions still apply in a voluntary merger situation as Dungog being the major employment centre for the Shire has a population of less than 5,000 which protects local employment numbers in the town.

The morale of the organisation over the past 10 months in particular has been on the decline, losing some key staff within the organisation has also impacted upon this element but the waiting process and the indecisiveness has frustrated the staff more than ever.

Staff were provided with training in relation to adapting to change etc., but the effectiveness of the training has been wasted as nothing has come to fruition. The continuing uncertainty needs to be resolved so that they can get on with their lives.

GENERAL MANAGERS RECOMMENDATION

That Dungog Shire Council advise Port Stephens Council and the Minister for Local Government that Council is willing to voluntarily amalgamate with Port Stephens Council conditional upon the written commitment of the NSW Government to financially support the merged entity.