Armidale Dumaresq Ratepayers Association
Submission to IPART opposing ADCs Special Rate Variation Application

The Armidale Dumaresq Ratepayers Association is opposed to the Application by Armidale Dumaresq Council of a 10% SRV over 7 years for the following reasons.

1. The SRV is unnecessary.
2. The timing of this application is very bad being in a period of severe drought.
3. Council has consistently underspent on rural road management allowing them to deteriorate - they claimed rehabilitation of rural roads was a major reason for the SRV
4. Council's public consultation about the SRV was flawed.
5. Council has not pursued other options but has taken the easy way out by applying for a larger than normal SRV.

1. The SRV is unnecessary.
With careful financial management and a 10% reduction in staffing levels through natural attrition, we believe that ADC can make the necessary savings to manage their shortfall in infrastructure maintenance and do not need the SRV. In the document *Armidale-Dumaresq Council, Financial Sustainability Assessment and Benchmarking Report* dated 21 March 2013 prepared by NSW Treasury Corporation, the Division of Local Government and the Independent Local Government Review Panel, it fairly clear that ADC is in a reasonably good financial position and moderately sustainable. The Report found that 'Council's financial flexibility as indicated by the Operating Ratio and the Own Source Operating Revenue Ratio was sound and above the group average' and that 'Council's performance in terms of asset maintenance and asset renewal was generally on par with the peer group'. (p5)

ADC's revenue excluding capital grants and contributions, increased by 16.3% to $44.6m over the four year period to 2012. When compounded this equates to a 5.2% p.a. increase. Interest and investment revenue has grown from zero in 2009 to $2.2m in 2012. 'Council expects to recoup a total of $4.1m of $10.4m (face value) worth of existing and terminated CDO exposures, subject to ongoing UK and US litigation finding in favour of the Council' (p13).

With the new landfill issue reaching a conclusion very soon, this project should not affect Council's financial standing. They say that they will use higher user and gate charges to fund the repayment of that loan (p16). The document reports that from 2014 on, borrowing costs should decline and the Operating Ratio should begin to improve (p18). The document also states that ADC were considering applying for a 9% SRV in 2014 (p23). This is a far cry from the 10% over 7 years (a total of 70%) that ADC is now applying for. Ratepayers find it hard to understand why there should be such a dramatic difference.

'Council have stated that they recognise that some of the Community Strategic Plan initiatives are unrealistic without an SRV and this is now under discussion within Council and through community consultation' (p25). Ratepayers would like to know which of the stated initiatives are unrealistic without an SRV. Perhaps they may also be unnecessary.

The document concludes that 'Council's Operating Ratio outperformed the benchmark in three of the past four years and was consistently above the group average. Over the medium term, Council's ratio is forecast to remain above the benchmark and the peer group' (p27).

The Asset Maintenance Review was conducted across NSW so every Council has been affected for an increase in costs. Not all Councils have applied for an SRV and ADC has applied for a particularly high percentage overall. If other councils can manage their assets, ratepayers are wondering why ADC needs such a high SRV.

2. The timing of this application is very bad being in a period of severe drought.

2013 was a particularly dry year with higher than average temperatures in spring and summer. Water resources have become extremely scarce and feed for grazing stock is almost non-existent. Farmers being price-takers have had to sell essential breeders as well as other livestock at low prices to cut back on rising expenses. Rural recovery will take several years with many landowners being deprived of a regular farming income for some years. A recent land revaluation has increased the value of some farmland and properties in the outlying villages quite markedly. This is creating a huge problem on its own. Farmers on large properties have rate bills of $10,000 plus. With the SRV added the financial burden will be impossible. This needs to be taken into account.

3. Council has consistently underspent on rural road management allowing them to deteriorate - they claimed rehabilitation of rural roads was a major reason for the SRV

The only service that rural landowners get is their road network. Most are gravel roads and ADC inherited these from the former Dumaresq Shire Council. Since amalgamation many of these roads have been allowed to fall into disrepair, becoming unsafe. This is because ADC has had a policy of spending a minimal amount on rural road maintenance. The Premier and Cabinet document ' Comparative Information on NSW Local Government' (measuring Local Government Performance 2011/12) shows that ADC spent only 12% of its service expenditure on roads, bridges and footpaths. The Treasury document reinforces this by stating that Council's Building and Infrastructure Asset Renewals Ratio was below the benchmark of 1.0x in all years reported, which indicates Council is spending at levels below the required amount on asset renewal. In comparison they spent 22% on Governance and Administration. Compare this with other rural Councils which spent far more on roads, bridges and footpaths - Bathurst 17%, Gunnedah 21%, Guyra 23%, Inverell 25%.

The SRV application does not really address the problem. Only 14.5% of the SRV will be spent on rural road rehabilitation and resealing. With bridges the ratio climbs to 24.4%. Yet Council justified the SRV by stating that much of it will be spent on rural roads. None of the SRV detail was provided to ratepayers until after ADC's application went to IPART.

IPART's guidelines state that 'the impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay'. Clearly Council has not taken into account the capacity of rural landowners to pay the SRV during this difficult period.

4. Council's public consultation about the SRV was flawed.

The IPART guidelines state 'Councils must be able to show that they have fully disclosed all relevant information to the community and clearly identified the impact of the proposed rates increase on ratepayers'. Ratepayers in the Armidale Dumaresq area were given different messages about the SRV. In their notification letter, ADC had three options: no SRV, 10% over 7 years or 20% over 7 years. When the GM addressed the Dumaresq Local Area Committee at the end of October, the meeting was given two options only and voted accordingly. Council has used these results in their evidence for community support but if there had been a third option of no SRV, the result would have been quite different. Similar reports have come in from other Local Area Committees. At that meeting the GM stressed that rural road rehabilitation was a priority. The consultation period occurred over the Christmas period when many residents leave for the coast for their annual holiday. The telephone survey was conducted during this time (16^{th} December 2013 – 10^{th} January 2014) and ratepayers have reported not being allowed to participate because of age. A public meeting was called but not advertised - it is believed that one person showed up.

Residents were becoming increasingly agitated and Council was forced to call another public meeting on February 8. For some strange reason they decided to call it a workshop and booked it for 5pm then changed the time a few days beforehand to 2.00pm so as not to conflict with an event that evening. The intention was to split those in attendance into 10 groups. The Town Hall was full to overflowing with 350+ people turning up and not enough chairs. Many people stood throughout the event. Council had been told beforehand that there would be a huge crowd but they refused to listen. They had hired a consultant to talk to the crowd which made people even more agitated and it became a very heated meeting. The crowd refused to split up - logistically it was impossible anyway - and finally the mayor faced the crowd and managed questions. This meeting was fairly useless as it had no impact on council's application since it was within the 28 day consultation period and they couldn't change the information that they had put in their notification letter.

Ratepayers received their letters about the SRV in the week preceding this meeting - much too late. The letter only showed an estimation of the rise in individual rates in the first year. People were left confused not knowing if this was a one-off amount or if it would be applied in more than one year. IPART clearly advises that such information must show 'the full cumulative impact on rates if the special variation is for two years or more'. Yet none of the letters showed the impact on rates for more than one year. The survey also indicated a great level of confusion. Jetty Research's Final Report (11 December 2013) states that only 39% of respondents were aware that Council was applying for a rate variation, a mere 28% claimed to have read about the special rate variation in the media and a low 14%-19% were aware of priorities to be funded by the SRV. 41% didn't accept any of the SRV options and only 10% agreed with Council's preferred option of 20%.

5. Council has not pursued other options but has taken the easy way out by applying for a larger than normal SRV.

It is widely believed by ratepayers that ADC is over-governed and is top-heavy in administration. The amount raised by rates and other charges is $20 million yet their payroll (including benefits) is approaching $18 million. Ratepayers feel that this is unsustainable. This association has been told that before the failed Strategic Alliance there were 160 Full Time Employees (FTE). A few years after the Alliance that figure had grown to 260. Some attrition has taken place with the number of equivalent FTE standing at 239 at 30th June 2013. Ratepayers believe that this figure needs to be reduced further by natural attrition. A 10% reduction could bring in annual savings of $1.69 million which would address the asset maintenance shortfall.

Council also needs to get back to basics in the type of services it provides and carefully consider any of its non-core operations. It needs to become an efficient customer service oriented organisation again. The frequent use of consultants when one has a highly qualified and highly paid staff appears to have become commonplace and could be reviewed. Outsourcing simple tasks like using a call centre doesn't really reduce expenditure greatly. Council needs to develop economies right across the board but this is achievable if tackled seriously. Reducing waste across all departments would also yield significant savings.

Modest rate increases during better than average years in the rural sector would be far more acceptable to ratepayers than sudden large rises such as in the current ADC application. These could then be used to cover the infrastructure backlog of $9.1m identified by council in its Fact Sheet on the SRV. With a sound financial policy Council will also find that staff morale will improve leading to a lift in productivity. Poor policies and lack of adequate consultation usually result in conflict with ratepayers and are counter productive for everyone.

Armidale like many regional centres is suffering from a very slow rate of population increase. The evocities project showed that jobs for both partners are essential in attracting tree-changers unless they are retirees. Council has a difficult job in attracting business to the city but it is an essential task and deserves the highest priority. With a solid business base the town and district will prosper.

Personal circumstances

As self-funded retirees, my husband and I have become the victim of low interest rates, which has resulted in a reduction in our allocated pensions. [redacted]. We can't afford to pay our rates at the one go and have elected to pay quarterly. [redacted] which has been severely affected by the drought as my customers come from inland NSW, Qld, Vic and SA. My sales plummeted over summer and are just now starting to pick up but I will not recover before winter. We live in a rural residential area [redacted] and provide all of our own services, water, sewerage and garbage. Although we have no garbage service we are forced to pay a substantial levy which goes to fund the Ebor, Tilbuster and Wollomombi Tips. We have to take all our waste and recyclables to the Transfer station and pay for each visit. On top of that we have a levy for the new Landfill. The SRV will cause extra hardship at a time when we can least afford it.

Maria Hitchcock