

## Submission re Newcastle City Council Application for a Special Rate Variation

Submission by Peter Cousins

27 March 2015

As a resident and ratepayer of the City of Newcastle, I strongly oppose that council's application for a Special Rate Variation (SRV) of 8% per year, for five years commencing 2015-16, to remain within the rates base thereafter. The end result of current residential and business rates increasing by 46.9% is unacceptable and unsustainable for the majority of both residents and businesses.

My grounds of objection are multiple. I have neither the time nor resources to fully address each one, however, I'll concentrate primarily on two of the 'assessment criteria' listed within council's *Application – Part B*<sup>1</sup>, which it alleges have been addressed within its application. I'll also address what I believe may only be referred to as misinformation within council's application – possibly worse.

I'll show that council has failed to adequately address each of the criteria; has attempted to mislead both IPART and its ratepayers and residents; and has acted on grounds unbecoming of a council demonstrating it has a fundamental obligation to serve its ratepayers' interests – rather than the reverse.

As IPART is aware, I submitted a preliminary objection to council's intention before its (delayed) application was available. The bulk of what I stated within that document remains valid. As such, I'll minimise repeating such within this submission unless needed to support new information of which I've become aware – either from council's submission or other sources. I reiterate my request that both this submission and my preliminary submission be considered by IPART and both be made available on the IPART website.

Because I was unable to find details of the bases of much of council's rating policies and practices, either within any of the documents provided to IPART or within its publicly accessible policies, etc on its website, I wrote several emails to council's general manager between 4 February and 8 March 2015. I did this in an attempt to ensure as far as practicable that I made no assumptions within my submission to IPART which may not reflect facts. Within my emails to the general manager, I specifically advised that it was my intention to use the information provided within any council responses as part of my submission to IPART.

Council's [REDACTED] provided a response on 24 February to part of my initial inquiry. On 3 March, [REDACTED] provided a copy of council's letter to IPART dated 2 February 2015 which explained why council was unable to provide its Long Term Financial Plan (LTFP) to IPART (and thus its formal application) by the normal time council applications were due (thus seeking an extension of time). [REDACTED]'s responses to that time did not address several of the questions to which I'd sought answers.

By 8 March I was able to (attempt to) read council's most voluminous application to IPART on the IPART website. That information still did not address all the information I believed I needed to make an informed submission to IPART to either support or object to council's SRV. I thus sent my final set of questions to the general manager on that date. Council declined to respond to any of those questions, or the several remaining unanswered from my earlier inquiries, by email dated 23 March 2015.

Attachment 1 to this submission is my email of 8 March and council's final response of 23 March 2015. As a result, I'm forced to make several assumptions within my submission herewith. Where possible, I've sought information through other means in an attempt to minimise assumptions so that my submission is based on facts concerning, in the main, council's rating practices – especially on how its application for an SRV will really affect ratepayers, to the extent that any part of it may be approved.

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<sup>1</sup> Assessment criteria – As shown on 'Table of Contents' pages c and d of council's *Application – Part B*

A short mention of council's recent history should better inform those within IPART charged with the responsibility of assessing council's application – and my objections thereto.

Up until the state-wide council elections in September 2012, Newcastle City Council was poorly run, several of the elected councillors demonstrating partisan ideologies, succumbing to various vociferous minority views, having little business or management expertise, and generally being unable to work in harmony on major issues. In many respects that council was dysfunctional.

Issues such as the 'Figs Fiasco' resulted in over \$2M being wasted. There are several, documented episodes of councillors moving rescission motions and employing other tactics to delay the implementation of council management recommendations and ratepayer needs. Labour related costs blew out to about the same as total rates income as staff numbers increased to well beyond what was required for a well organised council to do its job.

Partly as a result of the above, council management was unable to do its job. This is reflected in the turnover of CEOs during the period up to September 2012.

At the September 2012 elections, ratepayers demonstrated their disgust with council and several new councillors were voted in. Critically, a very experienced and prominent businessman, running as an Independent, was elected lord mayor. This broke up what had to then usually been a partisan bloc and/or special interests run council. Shortly following this, a new general manager was appointed – halting the turnover of top executives.

From September 2012 to August 2014, council as a business/service entity had greatly improved almost across the board. Much of the financial data council has submitted as part of its application to IPART attests to the turn-around in council's affairs. During this time, a new staffing structure had been implemented which reduced council's organisation to three 'divisions' (from four), and its equivalent full time staff which had been around 1,017 to 935.<sup>2</sup> A further small reduction to 920 by 30 June 2015 was budgeted for. As a result, employee costs budgeted for 2014-15 were \$7.3M lower than actual costs for 2013-14. This is a very significant measure of better management and use of resources.

I acknowledge that council had forecast seeking an SRV during this time. Within council's *Attachment 2, Delivery Program*, in the *General Manager's Message* section of council's *Delivery Program 2013-17*, this appears as:

*.. the Delivery Program incorporates a special rate variation of up to 3.6% per annum above the rate cap for five years commencing 2015/16.*

It's important to note that this states “.. of up to 3.6% per annum above the rate cap ..”. There was no suggestion of a higher amount – be that a total of 8% per annum or anything else.

Much of the above, and more, is supported within council's *Attachment 18, Talking Numbers Presentation* – a document prepared for a community information session on 29 May 2014.

This is further directly supported within council's *Attachment 18-25, Public Exhibition Feedback Summary*, viz:

*The key objective is to achieve financial sustainability in the medium term, whilst still achieving the Council's strategic objectives and budget principles as specified in The City of Newcastle's Delivery Program 2013-17.*

*Significant progress has been made in 2013/14 on addressing the financial challenges and the forecast included in the 2014/15 operational plan is significantly ahead of previous forecasts at \$11.9 million deficit. Achieving an operating surplus is the next goal and is projected to be achieved in 2018/19. This forms the basis of the Draft Delivery Program 2013-17 and Operational Plan 2014/15 and Draft Fees and Charges 2014/15 that was on public exhibition from 7 May to 5 June 2014.*

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<sup>2</sup> Staff numbers – *Application – Part B*, page 13

Note: The foregoing was most likely produced in mid to late June 2014, or later – not in June 2013 as wrongly shown as a footer on council's document.

Unfortunately, in August 2014, the then lord mayor who had led this recovery, resigned due to the 'developer donations' revelations at ICAC – actions which had occurred before his election as lord mayor and which had no association with council. Nevertheless, until the lord mayoral by-election on 15 November 2014, council appeared to be sticking with the plans which had been developed since 2012.

From August 2014 until the new Labor Party lord mayor, Nuatali Nemes, was elected, there was a 6-all mix of Labor-Greens and Independent-Liberal affiliated councillors. I've found no record that the previously acting lord mayor used his casting vote to divert from the plans which had so far served council – and Newcastle ratepayers – so admirably.

At the very first meeting the new lord mayor attended in that position, on 25 November 2014 just 10 days since being elected, things changed dramatically. [REDACTED]

[REDACTED].

Apart from those attending the council meeting on Tuesday evening, the first most ratepayers heard of this happening was when they read the *Newcastle Herald* on the following morning. It came as quite a shock, aptly reflected in that morning's editorial. Since then, the various local newspapers and other media have hardly missed a week when something the new council configuration has done hasn't featured prominently. Most editorials, reports and reader contributions have not been complimentary.

The resolution to apply for an 8% per year SRV [REDACTED]

[REDACTED]

[REDACTED]. This fact has apparently not been made known to IPART, as management's paper – even just the recommendations part – appears not to be amongst council's voluminous documents. One may ask, why?

This [REDACTED] is also not recorded in council meeting minutes – unlike what had been done when this occurred in the past. Council's *Attachment 8 – Resolution to apply for the special variation*, evidences what I've stated (as also does council's application notification letter) – but only so far as the resolution is concerned. The information provided to IPART fails to mention management's listed options or recommendations, or that a casting vote was used to ram this decision through.

Attachment 2 to this submission evidences what I've stated so far as the what was done in voting for an SRV, the extent of which was not supported by council management – presumably because it was not sufficiently supported by any evidence flowing from community feedback, nor was it within council's plans to that stage. Thus an SRV of this magnitude was not required for council to continue to move towards its documented operational and financial goals as previously adopted through a genuine majority decision.

One must ask, what does the lord mayor plan to do which needs so much more from ratepayers – and wasn't included within existing plans? Plans which are working – according to several of council's own supporting documents sent to IPART.

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<sup>3</sup> Use of a casting vote – N E Renton, *Guide for Meetings and Organisations, Volume 2*

I shall now address two of the IPART criteria to which I believe council's application has failed to properly respond, and/or has inadequately addressed. Hopefully others will address those issues which I have no time to cover.

# **1. Council's Stated 'Assessment Criterion 1: Need for the Variation' (46.9% SRV)**

Up until the current lord mayor assumed that office in November 2014, none of council's documents, its website, or any communication with ratepayers suggested an SRV of more than 6.5% to 6.8% per year for five years (Option 2 in council's application) was being seriously considered. Indeed, even the majority of council's attachments to its application evidence this fact. Further, management's recommendation to the council meeting on 25 November 2014 didn't include Option 3 as an option for councillors to consider. It included only Option 1 (Rate Cap only) and Option 2.

Council's various reports all demonstrated that the previous parlous situation had reversed and council was on the track to sustainability, subject to a much smaller SRV being sought and approved. This remains in evidence within council's application to IPART – in all but the rushed-through revised document, council's *Attachment 3 – Long Term Financial Plan 2015-2025*. This was only produced to councillors at their meeting on 24 February 2015. It was the cause of council having to delay its application to IPART – because it had to attempt to demonstrate a need for the higher SRV (Option 3) sought. This document was not provided to ratepayers for consideration or comment, yet it appears to be council's primary support for seeking this SRV. There have been no sudden or unforeseeable circumstances whereby council can demonstrate a need for a rates increase of this magnitude or duration.

I note that council's notification (dated 5 December 2014) to IPART of its intent to seek an SRV states, in part:

*The City of Newcastle has undertaken extensive financial analysis through the development of our current Long Term Financial Plan (LTFP).*

Considering the LTFP wasn't finalised and adopted until 24 February 2015 – 11 weeks after its notification letter to IPART referred to it – council's statement is mysterious. It's certainly confusing. One needs to ask when and how the “.. extensive financial analysis ..” occurred. Was it before council wrote to IPART on 5 December 2014, or sometime between then and 24 February 2015 – when the LTFP was adopted?

Whether or not council even had a 'Long Term Financial Plan' prior to 24 February 2015 is unclear – as is what may have been within any which existed. I can't find any mention of it on council's website, thus several questions arise.

What's absolutely clear is that any LTFP provided to IPART in support of council's SRV has not been subject to any acceptable measure of public display – nor have ratepayers been provided an opportunity to comment upon it. Are these not IPART requirements?

Within council's *Attachment 21 – NCC Annual Report 13-14*, clearly produced after 20 November 2014 – because Nuatali Nelmes is shown as the lord mayor from '20 November 2014 – current', there's no hint of an impending financial crisis needing such a massive rates increase. Ms Nelmes' name appears as the approver of the 'A Message from the Lord Mayor's Office' on page 4 of the document, wherein she states (in part):

*We have made substantial and lasting changes to both the organisation and the city in the last 12 months to continue on the path to recovery and revitalisation. The turnaround in the organisation's finances is significant and should not be understated. In 12 months Council has gone from a \$29 million deficit to a balanced budget. This is a credit to the organisation. This has been achieved in tandem with focusing on immediate priorities and delivering works on the ground.*

*We have been fixing roads, building new shared pathways, tending to our parks, playgrounds and sportsgrounds, patrolling beaches, planting and maintaining trees, collecting waste and plenty more. These are just some of the essential services and*

*facilities that we provide to the Newcastle community throughout the year and the annual report will demonstrate more of our achievements throughout the 2013/2014 year.*

Surely this is a ringing endorsement of the plans and actions council had put in place prior to Ms Nelmes becoming lord mayor? Where is there any suggestion that council is failing the reasonable expectations of its ratepayers?

I've no doubt that the above wording was provided by council management. However, if the lord mayor didn't believe it to be true, why would she have publicly endorsed it in council's Annual Report – yet now be suggesting something different as a basis for seeking tens of millions of extra dollars from ratepayers through a massive SRV? What changed so much in just a few days?

Yes, within the 'General Manager's Message' in that report, there is mention of the previously forecast rates increase “.. of up to 3.6% per annum above the rate cap ..”, but not to the extent now applied for by council. This appears as:

*In 18 months we have made significant in-roads into Council's financial challenges although we still have a way to go to achieve long term financial sustainability. Support from Council and the community for an above cap increase from 2015/16 would allow us to close the gap to financial sustainability.*

I ask again, what changed (in a few days)?

To answer the question, “does council need a 46.9% SRV?”, one needs to also look at other material – especially at statements and actions attributable to the lord mayor.

At council's meeting of 25 November, she and her group successfully moved to apply to have a Public Holiday declared for Newcastle Show Day; ie, for all Newcastle council staff (and most employees in the City area) to have a 'day off on full pay'. Thankfully, the State Government rejected this. However, what would this plan have cost (ratepayers) – through council alone?

It's too simple to say the extra cost would be the full wages for a day, however, there would be direct extra costs for overtime (double time presumably?) for many staff and contractors. There would undoubtedly be a productivity loss. In its most simple form, this would be a loss of one day from the normal 228 days available<sup>4</sup>. That's around a 0.44% loss. In other words, overall staff productivity would need to increase by around half of one per cent over a year to make up for the work not done during an extra day's paid leave – and that's not including the additional overtime, etc costs (to ratepayers). This need would apply to most businesses within the Newcastle area as well. A massive cost or productivity loss to the whole community.

To some on council, this may not appear too much, but we need to consider what council (in its application to IPART) considers an achievable productivity gain during a year – and what it's built into its financial and operating plans. In its *Application – Part B*, while explaining what it did in the development of its (new) LTFP, it makes the statement that it had:

*Included a 0.2% productivity factor to cover ongoing savings expected of Council.*<sup>5</sup>

Yes, that is zero point two per cent. Good God! Many civil service departments at both State and Federal levels are routinely required to achieve 'productivity savings' of around 5% – and all council is trying for is less than 4% of this. Yet it expects its ratepayers to fork out an additional 46.9% in rates. I say again, Good God!

I'm not suggesting that a 'razor gang' action be taken to simply slash staff. That would not achieve desirable results. Nor am I suggesting that existing staff – at any levels – are

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<sup>4</sup> Normal annual working days – 52.1 weeks x 5 = 261, less (20 annual leave, 9 PH, + say 4 sick, etc) = 228 (conservatively, likely fewer)

<sup>5</sup> 'Productivity' – page 29 of Form B

bludging or the like. I have no doubt that the majority of council staff do their jobs as best they can.

What I am suggesting is that the revised structure arrangements brought in under the McCloy led council need to be reviewed and fine tuned in light of what's occurred in the last two years. After all, the greatest changes were at upper management level, and little could at that time have been changed at lower levels of management/supervision until the structures themselves were subject to real-time testing. Now is the time for that.

What's astounding is that in its *Attachment 15 – Workforce Management Plan* (a detailed document of 44 pages), the word "productivity" (and any of its derivatives) doesn't get a single mention. Not one! How may any medium or large employer not consider this prime criterion in a policy document affecting staffing – particularly whilst it's concurrently seeking more funds from ratepayers?

To its credit, council has made available on its website an easily understood chart of its overall structure. This shows the general manager, three 'director' positions immediately below, the sub-units within each director's area, and the next level down. What it doesn't show is the further supervisory levels within those lower levels. I know from personal experience that there are several in some sections – be they formal or otherwise. As a consequence, five to six levels of 'management' exist in some areas – possibly more. This is too many, especially as the culture within council is that authority is kept at the highest levels and not delegated downwards. The results include delays and a general lack of both effectiveness and efficiency.

Exacerbating further the culture issues are the often fiefdom-like attitudes of several managers/supervisors. This definitely impedes trans-discipline cooperation and effort, again most noticeable at the work unit and direct customer service levels. Even the sub-units within some directorates put up barricades – some where their work is very closely related.

From my personal experience as a volunteer in one of council's environment protection and restoration groups, I've encountered this on several occasions. As an example, the City Greening Service and Bushland Services are different 'lower level' groups as I've described above, both in different sub-units within the same directorate. Both are involved in horticulture, but neither appears to know what the other is doing. Often there are conflicts, including things as simple as what type of tree should be planted where. This is definitely an impediment to productivity and the best use of available resources – labour and other.

Greater levels of simple cooperation are essential. One of the first steps in achieving this is to remove as many barricades as possible – right across council. This may be achieved by removing unproductive levels of management/supervision; empowering all staff at work-group level by delegating authority (and thus responsibility) as far down the hierarchy as possible; enhanced staff training; and by management setting an example of cross-border open communication and cooperation.

At least two levels of formal management/supervision need to be removed in some areas. This will need staff reductions – but these don't have to be via a retrenchment action. Certainly voluntary redundancy and no-replacement policies should be included, but not sackings for their own sake. The end result will be fewer delays – waiting on someone possibly two or three levels above to make a decision, lower labour costs, enhanced morale and cooperation and greater productivity. Achieve these and the need for rates increases is dramatically reduced.

All that will have been lost is a fiefdom and warlord type culture of 'this is my area, you keep to yours'. However, none of this improved productivity discussion appears anywhere within council's plans; none has been subject to public exposure; and none has been raised by the lord mayor in conjunction with the 46.9% SRV proposal.

The lord mayor (and others within her group) had previously publicly stated that they plan to 're-instate' some services dropped or limited under the McCloy led council. She'd also

forecast an increase in services. Without real productivity improvements – and this means effectively staff cuts – the only way any of these can be achieved is by increasing staff numbers (or far less likely, engaging more contractors). Once again then, staff numbers will increase – and costs will again blow-out. It's all happened before. IPART may note in my Attachment 1 that I asked a related simple question on this; ie, whether the already budgeted for staff reductions would continue as planned. I received no response. Has somebody already put a stop to budgeted cost reduction plans – and thus needs some of the SRV to pay for this?

Council told its ratepayers and residents in the brochure it used to inform us prior to seeking our feedback via its 'community engagement process' in October 2014, that if it applied to IPART for its as-explained Option 2, and it were approved:

*This option, as outlined in the 2013-2017 Delivery Program, will retain and in some cases improve the existing level of services without depleting our cash reserves and ensure our financial sustainability. We will provide all the services we do now. We will be able to improve infrastructure maintenance, reduce our backlog and invest in some asset renewal.*

So, if a 6.5% to 6.8% per year for five years SRV (with no genuine additional productivity factored in) would do all this, why are some councillors pushing for a Rolls Royce job – under all the present circumstances?

Council's application to IPART does not explain, or justify, why a 46.9% SRV is needed. Indeed, within its extraordinarily long and often repetitious *Application – Part B*, several of the charts clearly show that council is already at or exceeding the various benchmarks referred to. Most show that a much lesser SRV (even less than the 6.5% to 6.8% Option 2) would permit council to achieve all accepted benchmarks. So, where has council truly demonstrated a need for this SRV – even using its own figures?

It's worthy of noting that council's application at 46.9% is the second highest SRV application of all 21 councils still proceeding. Even if it had chosen the management recommended Option 2 (37.8%), that would be asking for more from its ratepayers than all but six other councils are seeking. Is the current council capable of managing the huge resources it controls – in an efficient and effective manner for the benefit of its ratepayers at this time?

Under the heading 'Ratepayer priorities very clear', the *Newcastle Herald* reported in its editorial column on Monday 23 March 2015:

*If anyone doubted that the character of Newcastle City Council has shifted in a remarkable fashion over the past six months, then they'd need only attend Tuesday night's meeting. Gone are the days of talking cuts and efficiencies. Instead, they're talking about expanding services and restating mission statements on multiculturalism. New councillor Declan Clausen has put forward the motion to keep Lambton Pool open all year round and expand its facilities. ...*

The editorial concludes with:

*The councillors have given themselves plenty to talk about on Tuesday night. Perhaps they should be listening.*

In the same edition of the newspaper, the results of an online poll it conducted on the previous Saturday were published. The question posed was, "Do you support Newcastle council's plan to increase rates by 46.9 per cent over the next five years?". The 'result' was No – 84.36 per cent, Yes – 15.64 per cent. How does council suggest it has 'strong support' for its SRV?

The newspaper's website has effective controls for ensuring that multiple responses from a single computer are not recorded. For what's it worth, the *Newcastle Herald* is renowned for not favouring any particular political party or agendas.

There's little doubt that the group of councillors pressing for the 46.9% SRV has not kept in touch with the community – or its real needs and priorities. Since the changes brought about

by and following the lord mayoral by-election in November 2014, one could be asking, “has this particular group ever?”.

No feedback from (the majority of) the community has demonstrated a need or desire for a 46.9% SRV. Council has not demonstrated a need for it – nor has it adequately explained or justified such an SRV. So why is a group of councillors so adamant that it must proceed?

## **2. Council’s Stated ‘Assessment Criterion 3: Impact on Ratepayers’**

Council’s application to IPART purports that the general financial situation within Newcastle is more or less on par with or better than the NSW economy, and thus its ratepayers can afford the increases sought. This is disingenuous – and every councillor who backed the 46.9% SRV knows it to be so.

To support its SRV, council told IPART within its *Attachment 14 – Comparative Analysis, Newcastle vs neighbouring and equivalent LGAs, November 2014*:

*Unemployment rates are consistent with the NSW averages .. (Page 4 of council’s attachment), and, Unemployment for Newcastle (5.7%) is slightly higher than Lake Macquarie (5.3%). Newcastle unemployment is lower than all other comparative areas including NSW (5.9%) with Wyong having the highest rate overall (7.8%).” (Page 6 of council’s attachment), and again, with a slightly different twist,*

*Unemployment for Newcastle (5.7%) is slightly higher than Lake Macquarie (5.3%). Newcastle unemployment is lower than all other areas including the NSW (5.9%) average, with Tweed and Coffs Harbour have (sic) the highest unemployment rate overall (8.3%). (Page 9 of council’s attachment), with another set of different figures – also well outdated – then being used later; viz:*

*Unemployment rates are below the NSW (5.2%) average for Lake Macquarie (4.7%). Newcastle has the second lowest results at 5.4%, 0.2% higher than the state average. (Page 18 of council’s attachment)*

I don’t know from what source the different figures in the immediately preceding paragraph came, however, the figures in the two paragraphs preceding it appear to be from the 2011 Census; ie, they’re years out of date.

These figures – ones which allegedly support council’s case for a 46.9% SRV – ignore the present. Far more recent, authoritative figures have been publicly released in the last several weeks. Many were available before council submitted its application to IPART. There may be no doubt that the worsening employment situation in the Newcastle region has been widely known for at least two years. Was none of the councillors who voted for a 46.9% rates increase aware of this? Does none read newspapers, listen to news broadcasts, or study official data released by the ABS and other authorities at least every six months?

In stark contrast to council’s assertions, ABS data for January 2015 shows unemployment for Newcastle/Lake Macquarie to be 8.9 per cent, whilst the NSW average is 6.3 per cent. These data also show that only four of the 28 NSW regions have a higher unemployment rate.

The *Newcastle Herald* reported on 11 February 2015 that the personal insolvency rate in Newcastle is at a rate of around 1 in 520, up by around 50% since 2013. The Reserve Bank’s recent further reduction in the official interest rate to a record low of 2.25% also shows that the national economic situation is far worse than it was during the ‘mining boom’ times when the last Census was taken – but it’s those outdated ‘boom time’ figures council used to allege justification for its 46.9% SRV.

In summing up immediately after referring to these outdated data in the narrative, how may any councillor (or council management) then say to IPART:

*In summary, after assessment of this data and other comparative information the following evidence suggests Newcastle ratepayers have the capacity to pay the rate levels proposed by the (46.9%) SRV ???*



Why did council not tell IPART – or any other reader – that its assertions that ratepayers can afford its 46.9% SRV are based on ancient data and are simply untrue?

What council also knew about the local employment situation when it submitted its SRV claim was that unemployment was about to rise further. The local shipbuilding firm, Forgacs, had made it clear through various media from around mid 2014 that it would need to lay off around 100 staff unless it could receive further Defence orders in the immediate future. Those orders not being forthcoming, the *Newcastle Herald* reported on 20 March 2015 that Forgacs had made redundant 130 staff – around 20 per cent of its workforce. The flow-on effect to support businesses will likely be far greater over the coming weeks and months.

Coal miner Glencore had announced in February 2015 that it planned to shed around 120 jobs at its West Wallsend Colliery as production reduced. Today, 29 March, the *Newcastle Herald* reported the company had gone further and announced yesterday that the mine would progressively close by mid 2016 with the loss of 300 jobs. The *Herald* reported that Glencore spends around \$300M across the area annually.

Whilst the mine is in a neighbouring LGA, many of its workers live in Newcastle. Support and service businesses are also Newcastle City based. The overall effects upon Newcastle of this further indication of economic turndown will be considerable. The message is clear – now is not the time for council to launch its massive rates grab.

It's bad enough that council didn't consider local industry forecasts of impending further unemployment, and for well outdated data to be relied upon to support council's case within attachments, but for council to again rely on these same data within its Part B narrative submission (pages 104-105), without explicitly explaining their antiquity is unforgiveable. Or is it perhaps a sign of incompetence – or even deception? Either way, IPART may wonder whether anything this particular council has asserted should be believed.

Council's information provided to ratepayers is less than full and open. Within its various documents explaining its rates rise proposals, it's used a mix of 'rate cap' figures, explaining that the 'real' increase in rates is less than the total figures (for either Option 2 or Option 3) suggest. It seems that council has a problem with consistency, for it's used at least two different rate cap figures. In some cases it's been 3% while in others it's been 3.2%. Council knew full well that the rate cap to apply in 2015-16 would be less than both of these, and would likely remain so for at least the following year or two.

As was reported in a local minor newspaper recently, the lord mayor said “.. (the 46.9% rate rise) would be closer to 25 per cent, once CPI rises of 3 per cent a year for five years are taken into account.”. I doubt many ratepayers would accept that the applied-for 46.9% SRV will end up costing them only 25 per cent. Who would seriously expect ratepayers' income to increase by even 25 per cent in five years? Both individuals and businesses have no reasonable expectations that their income will increase by 46.9% in five years. Why does council?

Using council's published data, including that “an average residential ratepayer” currently pays \$1,074 annually for rates, some interesting things become apparent when one inputs these to a simple Excel spreadsheet. Several leave unanswered questions.

Firstly, council statements allege that the 'average residential ratepayer' pays \$1,074 in rates. This is simply not true. That amount is only two components on a council “Rates and Charges Notice”; ie, the ad valorem and residential base rate parts. There are other significant components which I believe all ratepayers would consider to be 'rates'.

The standard domestic waste management service charge (garbage collection – surely a 'normal' council service?) appears to be around \$330. Lesser amounts are involved for other items such as stormwater management which council collects. Thus what council suggests is an average residential rate of \$1,074, is actually well over \$1,400. In some cases, considerably more. Businesses pay very considerably more.

I accept that council is not applying to IPART to also increase these other 'rates' however, they may also be raised by council – and all have to be paid by the ratepayers. Council made no mention of these in its alleged 'public consultations'.

From the start, council's proposals for an SRV of more than a modest amount have been questionable – and especially when it's sought that any SRV granted remain within the base going forward. A 46.9% base increase is neither justifiable nor affordable to the majority of ratepayers.

If council's application is granted, even assuming council applies for no further SRVs for the next nine years and that the rate cap is 3% per year from when this SRV application expires, at the end of ten years the average residential ratepayer's rates bill (part thereof only) will have increased by more than 70% to around \$1,829. Which ratepayers – be they full time workers, students and others working part time, pensioners, superannuants living on fixed incomes, and a lot more – could expect their income to increase by 70% in that time? As for small businesses, that would be beyond their wildest dreams.

If council rates increased by only the rate cap for 2015-16, and for 3% per year thereafter, the equivalent increase over ten years would be \$1,434 or 33.5% – around one third less than what council's seeking for only five years.

What council seeks is too much, too quickly – especially in these economically depressed times for our City. We all need to defer our wish lists from time to time, and council has demonstrated over the last couple of years that it can do all its normal activities without any significant additional rates impost. Why can't it also defer non-essential activities and concentrate on its core activities – with a much smaller rates increase to assist?

The facts are that it can – but the group of councillors pushing for this SRV aren't prepared to discipline themselves to do this. They want it all – and they want it all now. Damn the ratepayers is the message their actions send.

One must ask whether the same level of SRV would be sought if the change in lord mayoral office occupants hadn't occurred. I'd be confident in suggesting that it would not. No way!

I've run some simple modelling which shows that an SRV at this stage of 4.5% to 4.8% per year for the next five years will do what's required, at a much more reasonable cost to ratepayers – provided council is prepared to implement some genuine productivity and other efficiency initiatives, and concentrates on what's really core business.

These increases are both around twice the current rate cap and will result in rates increasing by around 25% at the end of five years. That's still a significant increase. Only nine of the other 21 councils currently seeking SRVs are asking for more than a 25% increase. Why can't Newcastle manage on a similar basis?

### **Misleading and/or Deceptive Actions**

In the IPART criteria I've addressed, I've demonstrated that council has misled both its ratepayers and IPART. Indeed, some actions may only be referred to as deceptive. I'll now demonstrate where further such actions have occurred.

Council's application to IPART has made a strong point of suggesting that ratepayers generally approve of a 46.9% SRV. This is absolutely not so! When one examines all ratepayer/resident feedback closely, what the majority of ratepayers have agreed with is that an SRV is needed – not one of any particular size – but definitely not one of 46.9%.

Unfortunately the 'Summary and Recommendations' shown in council's *Attachment 6 – Community Feedback – Engagement Report*, is likely the basis of the myth wherein it states:

*Across all feedback avenues, approximately two-thirds of respondents favoured rating options that included a special rate variation. In line with this community feedback, it is*

*recommended that Council resolve to proceed with an application to IPART for a 2015/16 SRV.<sup>6</sup>*

I'd suggest a more reasonable alternative may be along the lines of:

*"Only approximately one third of respondents suggested either of Options 1 and 3 were their first preference, therefore it is recommended that neither of these be considered in any SRV application."*

However, the councillors pushing for this SRV used the first version to justify their favoured 46.9% SRV. The wording they've chosen in many of council's documents provided to IPART (and ratepayers) is quite misleading. IPART has been told things along the lines of:

*There was also strong community support for a higher rate increase to support the revitalisation of the City (ie Option 3).*

and,

*There was also strong community support for a higher rate increase to support the revitalisation of the City (ie Option 3).<sup>7</sup>*

Neither truly reflects what 'the community' feedback revealed – so why did council choose these words? Did the supporters of the 46.9% SRV really believe that either IPART or ratepayers wouldn't notice?

A real problem was that ratepayers were only given three choices to 'vote' on. What's been referred to as Option 1 was virtually a 'do nothing, lose all your services, etc' option – with an effective rate increase of around 16% after five years. Option 2 was for a 'keep the ship sailing ahead, plus get a bit more' proposal – at an SRV cost of around 38.2%. Option 3 was the opposite end of the spectrum to Option 1, promising to do almost anything – at an SRV cost of 46.9%.

What choice did ratepayers have? Few would accept that to do nothing (Option 1) was a real option, and few would accept that to go with the all bells and whistles proposal (Option 3) was acceptable – or affordable. The readily predictable, no brainer end result was that more went for the (only) middle ground proposal (Option 2). This is what's reflected in council's *Attachment 6 – Community Feedback – Engagement Report*, provided one takes time to read the detail.

If council had been open in its alleged 'consultation' process, it would have included a further middle ground option. Something along the lines of a 4.5% to 4.8% SRV that I've already mentioned. Especially so in these difficult employment and related financial situations the Newcastle community faces. Given that this would have involved council getting its ship more into order through fine tuning actions such as productivity improvements, etc, if it had explained what 'hardships' it was forcing upon itself, then I'd suggest there would have been strong community support for such a proposal. Then what we've seen and heard in/on the various Newcastle media since November 2014 would have been greatly reduced – and likely far more positive and in support of council. That is not what's happened.

Council's clearly relied very heavily upon what's shown in its 'Road to Recovery' documentation; ie, within its *Attachment 6*. What's possibly not so clear to IPART, and ratepayers, is that the data within that document itself is misleading in several ways, particularly in how it portrays 'voting results'.

Council explains that several methods were adopted to seek feedback. These included an independently conducted telephone survey (400 participants); a *Newcastle Voice* internet based poll, including some hard-copy feedback as well (900 participants in total); feedback slips (280 participants); information sessions run by council officers (9 sessions, 67

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<sup>6</sup> Page 32 of council's *Attachment 6 – Community Feedback – Engagement Report*

<sup>7</sup> Both this and the immediately preceding shown on page 2 of council's *Application – Part B*

participants); an online provision through its own website (79 participants); plus options for persons to provide their thoughts via direct email (26 participants). All sounds good – in theory. Not the case in practice.

Apart from the externally conducted telephone survey, all other means chosen were flawed. Indeed, council's detailed documentation records this – but council likely wouldn't expect IPART to delve into the bowels of this – not all of the 1,300 plus pages in its application.

Council acknowledges the following problems:

- *Newcastle Voice* survey – “211 members of the broad community completed the survey via Council's website”.<sup>8</sup> What council fails to mention is that any number of these could have been from outside the Newcastle City rating area – because *Newcastle Voice* is a 'community forum' and not restricted to council residents only. As well, any may have been from individuals sending multiple responses.
- Feedback slips – “Of the 280 returned feedback slips, 274 contained an attempted completion of the rank order question. As not all respondents completed the rank order question in full (i.e. did not rank all three options), only first preferences percentages are reported. Data has not been weighted.”<sup>9</sup> Apart from the reported issues, council had no method to detect multiple responses, and that may explain the 'results'. The 'results' from this method were also distinctly different to those reported from the two larger (greater participant numbers) surveys, in that the preferred options in ranking order were Option 3, Option 1 and Option 2.
- Online feedback form – “In total, 79 members of the community completed the online form by 31 October 2014. However, after data cleansing (see data handling and analysis below), 59 valid responses remained.”

The data cleansing issue was explained as:

“Data was cleansed so that multiple responses from the same IP address received in a short time frame (<2minute) were excluded from the dataset. This resulted in 59 valid responses.”<sup>10</sup> Surely, a 2 minute check time is way too short? If 20 multiple votes were detected in this time; ie, 25% of responses, how many remained undetected? The 'results' of this were remarkably similar to those from the feedback slips, further suggesting likely invalidity through multiple voting. In the summary section of the reports, however, there's a contradiction of numbers completing the form. That states:

“78 community members completed the online feedback form ..”<sup>11</sup> So, which is correct, and, why are there two different figures for total participation? Is this yet further evidence of carelessness – or 'couldn't care less-ness'?

- Email submissions – “A total of 26 email submissions were received by Council. Of these, 25 indicated a preferred option (figure 22). In line with the feedback slip and online form”.<sup>12</sup> The results of this method were also similar to those for the feedback slips and feedback form; ie, Option 3 was the most preferred followed by Options 1 and 2 respectively.
- Community drop-in sessions – “Nine community drop-in sessions were held across Council's library network ... 67 residents and ratepayers attended the sessions.”<sup>13</sup>

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<sup>8</sup> Page 18 of council's Attachment 6

<sup>9</sup> Page 25 of council's Attachment 6

<sup>10</sup> Page 26 of council's Attachment 6

<sup>11</sup> Page 36 of council's Attachment 6

<sup>12</sup> Page 27 of council's Attachment 6

<sup>13</sup> Page 29 of council's Attachment 6

Effectively, notwithstanding some potential for multiple voting or non Newcastle residency in the *Newcastle Voice* results, only the telephone survey and *Newcastle Voice* results should be considered as acceptable and representative. These together comprise close to 75% of all responses, thus further enhancing the likelihood of their being representative of the Newcastle City community.

These show clearly that the 46.9% SRV (Option 3) is a 'dead duck' amongst respondents, with an approval rating of just 33.7%. Option 2 is a clear winner with around a 47.3% approval, and Option 1 received around 27.1%. On the another measure recorded (first preferences), Option 3 scored even worse at only 28.7% – the lowest of all. Option 2 was again a clear winner at 41.4%, while Option 1 had a score of 30.1%<sup>14</sup> 46.5% of respondents scored Option 3 as their lowest preference. Fair dinkum councillors (6 of them at 25 Nov 14), how may you suggest there's anything like 'strong community support' for your chosen path?

As part of its surveys addressed above, questions were also asked on whether residents were satisfied with council services and whether they wanted more services, facilities, etc. The second is another no brainer. Who would say that they wanted no more? The first appears a reasonable question, however, many residents would have responded on the basis of what they thought of council after the 2012 revival compared to before then. However, council purports to IPART that a 'Yes' response to either suggests the residents are, 1. happy with the present council (which wasn't there when the surveys were taken), and, 2. wish to pay more in rates.

Council's selective interpretation of resident feedback gets worse when it states:

*The community had particularly low levels of satisfaction regarding levels of consultation (long term planning and community involvement in decision making ..)*<sup>15</sup>

Well, full marks for the clear acknowledgement that 'the community' thinks the council's 'consultation' stinks. That's really no surprise to a great number of the community, but in the same paragraph it then attempts to make a direct correlation by saying:

*This would indicate the community wants general services to be improved.*

How would anybody believe this to be the real message? Would it not be the interpretation of an overwhelming part of the community that this means they want council to be more communicative and participative?

This whole issue of paying additional for rates could have been unequivocally addressed if council had stated in its various surveys, etc, what it would cost in additional rates for every item suggested on its survey lists. Council didn't do this.

Within council's *Application – Part B* (page 6) the following appears:

*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.*

Whoever wrote this clearly doesn't read any of the local newspapers, listen to the local radios, or watch the local TV. There's further misinformation involved when referring to the two recent by-elections. Due to a mix of Newcastle politics plus the council voting system, when there's only one vacant spot up for election – as in a by-election – the Labor candidate will almost invariably be elected unless there's a really high profile Independent running. There was none in either by-election.

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<sup>14</sup> Percentages of 'voting' – Why these don't sum to 100% is because there were a different number of invalid response to each question, however, the overall effect is insignificant. The reported results in council's reports assume that invalid responses should be included in the divisors.

<sup>15</sup> *Application – Part B*, page 20

Council states in its *Application – Part B* (page 16), that, “There were no community submissions regarding the SRV.”. Heavens above; what does council consider the various online, email and telephone survey responses were? I’m confident that all ratepayers who participated considered them to be a ‘submission’. Council is also again ignoring the many editorials, letters to the editor, and other public ‘submissions’ made – and still being made. One now has to wonder whether IPART will receive a similar ‘no response’ to council’s SRV.

There are myriad further instances of council either misleading or being deceptive within its submission for a 46.9% SRV, but I shall refrain from going on and on – except for one which I believe is the bobby-dazzler of all – a real doozy! I’ll show it in bolded font as it needs to be remembered. It’s from council’s *Application – Part B*, page 37:

- ***25 November 2014: Councillors (by majority) amended the recommendation to apply for Option 2 and recommended Option 3. Minority block of Councillors supported an SRV in principle but favoured Option 2. In effect all Councillors support some form of SRV, but with different view on the level of rate increase that should be included in the application to IPART.***

Pardon my repetition, but, Good God! This was not “by majority” – as clearly alleged by council. The vote was 6-all. It was only the lord mayor’s casting vote which enabled her and her supporters to push this SRV through. But then there’s further deception by stating – one may only say, reinforcing the deception – “.. Minority block of Councillors ..”. Again, how is there a minority in 6-all? Did council really believe that IPART, or a ratepayer or two, couldn’t count or wouldn’t read and interpret its *Attachment 8 – Resolution to apply for the special variation*? This situation is even better disclosed in my Attachment 2.

[REDACTED]

One needs to also wonder whether council’s actions in providing a massive 1,300 plus page application had the aim of ensuring that its application could not be closely examined by IPART. Ratepayers absolutely had no chance to consider all within it to use as a base for an appeal. It also appears that council’s Part B narrative may have been thrown together by multiple contributors – without any final consolidation and coordination.

Was this tactic more to do with a ‘snow job’ than with true and open disclosure?

One thing is certain. Council’s demonstrated unequivocally that quantity and quality are inversely proportional in this case.

## **Summary & Conclusions**

I believe I’ve achieved what I set out to do so far as demonstrating that council has failed to adequately address two of the essential criteria to be granted the (46.9%) SRV it’s sought. █

[REDACTED]

So far as council’s Criterion 1 (need for the SRV) is concerned, council’s own documents and actions don’t support its case. Council has failed to demonstrate that it needs an SRV of 46.9%. Most importantly, council has not demonstrated that it has any will or plans to implement measurable and effective productivity or efficiency gains within its own organisation which would diminish the need for an SRV – certainly not one of the magnitude it’s sought.

Regarding council’s Criterion 3 (impact on ratepayers), council’s documents, actions and multiple instances of deception (to IPART and council ratepayers) have demolished its own case. In particular, council’s use of unemployment and related data which is years out of date (and suggesting an employment/economic situation within the community which is far more favourable than reality), condemns those involved. The effect of granting the SRV as sought would be to reward those who have failed their duty to the ratepayers they represent – and severely punish many struggling ratepayers. This is unacceptable.

[REDACTED]

Within my application, there's evidence that council has likely failed to properly address other criteria required for IPART to grant its application.

Should IPART accept my arguments (plus those of others which will no doubt be received), I'd suggest that council be denied what it's sought and that this message be communicated very strongly to this council, its ratepayers, and all other councils. To do so will send the message that IPART is not to be taken lightly by councils – and that IPART is prepared to act in the best interests of both councils and their respective ratepayers and residents. To not do so will reward those who fail to act in accordance with their implied and generally expected obligations. I believe it will also irreversibly undermine the authority and integrity of IPART.

[REDACTED] I accept that if IPART were to reject council's application in its entirety, the community would suffer in the medium term. I suggest that this should be avoided, and that there is a solution which would be appropriate and generally acceptable to the community. This solution may be found within council's own documents, provided it were also to incorporate reasonable increased productivity and efficiency measures.

If IPART accepts the arguments that:

1. Council has failed to adequately and honestly address the criteria required, and
2. Without some additional revenue flow (from rates), there will be a medium term issue for the council as an entity – and therefore on the community through service cuts, etc, and
3. State-wide council elections due in September 2016 provide potential for Newcastle City Council to be not controlled by any single political party or aligned bloc,

then it may consider an alternative of granting an SRV of sufficient amount and duration to ensure that council remains sustainable and able to continue existing services in the time up to and immediately following the 2016 elections. Thus an SRV in the range of 4.5 per cent to 4.8 per cent per year (including the rate cap), for two (2) years, to remain within the rates base, would achieve the essential aims without unwarranted suffering.

Further, this action by IPART should send the necessary message to all parties involved and permit whatever the new composition of council following the 2016 elections is, to properly assess the City's financial needs beyond 30 June 2017. Such approval should incorporate provisions to ensure that council's own activities are also subject to proper review and measurement. That new council would then have an opportunity to prepare any case it may believe is required for an SRV which will ensure the City's financial sustainability beyond that time, whilst concurrently being affordable and acceptable to the community.

I respectfully ask that my views be considered. I apologise for the comprehensiveness of this submission, however, given that council's application comprises well in excess of 1,300 pages, I believe it would be impossible to reasonably respond to that in a page or two.

Peter Cousins

**Attachments:**

1. Questions to council (& responses) re SRV bases
2. Extracts from council meeting minutes of 25 Nov 14 – SRV Application Resolution

Peter Cousins

to Submission to IPART Objecting to NCC Application for a SRV

**From:** Peter Cousins [REDACTED]  
**Sent:** Sunday 8 March 2015 8:13 PM  
**To:** 'Official Mail'  
**Cc:** [REDACTED]  
**Subject:** Further Request for Information - Proposed SRV  
**Importance:** High  
**Follow Up Flag:** Follow up  
**Flag Status:** Green  
 General Manager  
 Newcastle City Council

(cc. All non Labor-Greens councillors as at 25 Feb 15)

Dear Sir,

Further to my email to you of 25 Feb 15 and previous correspondence, I seek further information from Council to more fully inform myself before I write to IPART. I will be objecting to the Labor-Greens councillors' move to push for a 46.9% SRV, however, I accept that unless an SRV of a more reasonable amount is approved, Council will be in a most unsatisfactory state.

My requests follow in three sections. Those in Section 1 should be straightforward and take little time to satisfy. In many cases, a simple 'Yes', 'No' or short phrase will suffice. Your providing prompt responses to these questions separately (and in advance) to those in Section 2 will be appreciated. You may find it more convenient also to respond to some of the questions in Section 2 in lots; ie, without waiting for all responses to be available. Section 3 matters are more in the nature of a comment, however, if you wish to respond, I'd appreciate it.

In all cases, could your responses please refer to the relevant Section and Question numbers which follow:

### Section 1

1. In its 'Road to Recovery' brochure, Council stated that the "Average residential ratepayer" paid annual rates of \$1,074 in 2014-15.
  - a. Does this "average" rate include only the ad valorem and base rate components?
  - b. Is "average" here the simple average of all 'residential' rated properties? (ie, total 'residential' rates levied divided by total 'residential' properties)
  - c. Does it include any vacant land? (zoned appropriately)
  - d. Does it include only land upon which a 'residence' exists?
  - e. Is "average" inclusive of pensioner, etc concessions? (ie, would it be higher if those concessions weren't granted)
  - f. Does Council receive any financial assistance/rebate from the State or Federal Governments for granting pensioner, etc concessions? (If so, how much per case?)
2. So far as 'business' rates are concerned:
  - a. Are rates levied on (business zoned) vacant land?
  - b. Are rates levied on (business zoned) land upon which no business is currently operating?
3. What is Council's current EFT?
4. Is it most likely that Council will achieve or be below its declared budgeted EFT of 920 by 30 June 2015?
5. What would be the total cost of providing all Council employees (and contractors paid by Council) one additional day's wages (per year)? (I refer to the lord mayor's plan to have Newcastle Show Day declared a Public Holiday – for which a responsible person surely would have ensured she/he knew the cost to Council? Please don't make this complicated or suggest that there would be no, or a minimal, cost. Please include all normal oncosts such as superannuation, etc. Don't allow additional for those staff (and contractors) who would be required to work and thus be paid an additional loading. All I'm after is the cost of one day's wages.)
6. Does Council spend its reported \$3.5M per year parking fines' income directly and solely on roads and related infrastructure? (or does it go into cons revenue?)
7. After deducting the labour and related costs of enforcing parking restrictions (including a fair share of supervisor/management costs), what is the net annual financial benefit to Council from this enforcement?



8. What fees are currently paid to elected councillors? (Please show annual rates for different 'ranks', not individuals.)
9. Are elected councillors paid (or provided transport) for travel to or from council meetings?
10. If the answer to 9. is 'Yes', what are the current approximate annual costs, assuming a full council of 13 members (overall, not individually)?
11. Should IPART approve an SRV sufficient to permit Council to provide any additional services, etc, will you (as General Manager) recommend that it:
  - a. Abandon the real and significant gains of the McCloy/Gouldthorp era and engage more staff, or
  - b. Achieve productivity gains from existing staff without increasing numbers, or
  - c. Engage contractors through a competitive process to complete specific programs without engaging more staff, or
  - d. Execute any mix of the above, or
  - e. Put the money in the bank until another time, or
  - f. Take some other action?

## Section 2

1. So far as the "average residential ratepayer" is concerned, how does Council treat (for rating purposes) a 2 or 3 storey building which has a business on the ground floor, and a residence above – such as those which exist in many parts of the CBD, Hamilton, The Junction, Wallsend, etc? (ie, are there effectively two properties, one rated business and the other as a residence?)
2. How are multi storey, multi unit residential structures treated? Do they fall within the 'residential' or 'business' classifications for rating purposes.
3. How are Public Housing developments treated – all of stand alone, small scale and large scale complexes? Are they 'residential' or 'business' for Council's classification of rates income?
4. Does Council have the potential to 'rate' (or otherwise charge a fee for) currently non-rateable property? What studies have gone into this, especially considering the situation with cost shifting by higher levels of government (and perhaps the sale/lease of previously government held lands, ports, etc)?
5. Ignoring any individual contributions under \$10k, does Council receive any off-balance-sheet funds from authorities or business for maintaining what would otherwise be a council liability; eg, roads, foreshore, riverfront land, parks and gardens? If so, from where/whom and how much annually?
6. Ignoring any individual contributions under \$10k in-kind, does Council receive any off-balance-sheet finance-in-kind from authorities or business for maintaining what would otherwise be a council liability; eg, roads, foreshore, riverfront land, parks and gardens? If so, from where/whom and what is the approximate annual value?
7. Considering the impending 'internationalisation' of Newcastle Airport, what additional net income does Council expect to receive over the period of the proposed SRV (2015-2020)?
8. Based on the (current) lord mayor's announced aim of Newcastle hosting the 2022 Commonwealth Games, what does Council expect this to cost (direct cost to Council)?
9. Based on the (current) lord mayor's announced aim of upgrading/expanding the Newcastle Art Gallery, how much does Council estimate this to cost, and, what funds does Council,
  1. Currently have for this proposal, and/or
  2. Currently have a commitment from other sources for this proposal, and/or
  3. Intend to raise via the current SRV for this proposal, and/or
  4. Otherwise intend to seek from other sources for this proposal?
10. What is Council's estimate of the 'developer funds' it's been deprived of in the last 5 years due to State Government intervention (relating to significant industrial developments, etc)?
11. What has been the cost to Council in the last 5 years of having to provide infrastructure to sites which have been exempted (by the State Government) from paying the standard 'developer funds' levy, which would otherwise have been paid from funds accumulated from such levies?

## Section 3 – Comments (Inviting a Response)

1. As a preliminary issue, whilst Council's 'Form Part B' to IPART lists 26 individual attachments, this is not as they appear on the IPART website (as at 8 Mar 15). That website shows several of these attachments with the same attachment number. Whether this is a problem created by Council or IPART I cannot determine, however, it's certainly confusing. In what follows, I'll refer to any relevant attachments in a dual method; ie, I'll show first Council's number, followed by what now appears on the IPART website; eg, "Attachment 14/13" – then followed by the

narrative description used by Council.

2. Within Council's very lengthy and complex application to IPART, various statistics are used upon which Council relies heavily to support its application. Many of these are crucial to support Council's case for an SRV of 46.9%. However, some are also very much outdated, several it appears based upon 2011 Census Data – for which there are reliable and much more current data; eg, within *Attachment 14/13 - Other Attachment - Comparative Analysis Data 2014 (Comparative Analysis – Newcastle vs Neighbouring and Equivalent LGAs – November 2014)*. Certainly the title of this document strongly suggests current data; ie, around late 2014, so why is it not at the very least made abundantly clear that some is years out of date?

Of particular note are Council's (blatantly untrue) statements that:

*"Unemployment rates are consistent with the NSW averages .."* (Page 4 of Council's attachment), and

*"Unemployment for Newcastle (5.7%) is slightly higher than Lake Macquarie (5.3%). Newcastle unemployment is lower than all other comparative areas including NSW (5.9%) with Wyong having the highest rate overall (7.8%)."* (Page 6 of Council's attachment), and again, with a slightly different twist,

*"Unemployment for Newcastle (5.7%) is slightly higher than Lake Macquarie (5.3%). Newcastle unemployment is lower than all other areas including the NSW (5.9%) average, with Tweed and Coffs Harbour have (sic) the highest unemployment rate overall (8.3%)."* (Page 9 of Council's attachment), with another set of different figures – also well outdated – then being used later; viz:

*"Unemployment rates are below the NSW (5.2%) average for Lake Macquarie (4.7%). Newcastle has the second lowest results at 5.4%, 0.2% higher than the state average."* (Page 18 of Council's attachment).

These figures – ones which allegedly support Council's case for a 46.9% SRV – ignore the present. Far more recent, authoritative, figures have been publicly released in the last several weeks. Many were available before Council submitted its application to IPART. The more recent figures report that Newcastle unemployment is now around 10% – with youth unemployment being almost twice as high. Both these are well above the state averages. None of these also reflect the growing number of people working well under 'full time' conditions.

The *Newcastle Herald* reported on 11 Feb 15 that the personal insolvency rate in Newcastle is at a rate of around 1 in 520, up by around 50% since 2013. The Reserve Bank's recent further reduction in the official interest rate to a record low of 2.25% also shows that the National economic situation is far worse than what it was during the 'mining boom' times when the last Census was taken – but it's those outdated 'boom time' figures Council used to allege justification for its 46.9% SRV.

Council also compares neighbouring councils' rates, alleging Newcastle's are generally more favourable. What its submission fails to mention in these comparisons is that at least one of the other councils is currently in the last few months of a 'special purpose' SRV approval – thus when that (average around \$20-\$25) amount is removed in July, that comparison will be entirely different – and not 'favourable' to Newcastle. It also appears to exclude additional rates components such as waste collection, stormwater management and any other ancillary charges – all of which Newcastle ratepayers need to pay.

Clearly I haven't had time to read – let alone properly digest – the myriad documents Council provided IPART to support its case. However, if the misinformation apparent in only one attachment and in Part B is reflected in other parts of Council's submission, what does this suggest? Further, what does it say for the care Council put into its case when (at least) two different sets of data are used for unemployment figures alone?

It's bad enough that well outdated data is relied upon to support Council's case within attachments, but for Council to again rely on these same data within its narrative submission (Part B – pages 104-105), without explicitly explaining their antiquity is unforgivable. Or is it perhaps a sign of incompetence – or even deliberate deception?

In summing up immediately after referring to these outdated data in the narrative, how may any councillor (or Council management) then say to IPART with any sense of professional ethics (or conscience):

*"In summary, after assessment of this data and other comparative information the following evidenced suggests Newcastle ratepayers have the capacity to pay the rate levels proposed by the (46.9%) SRV?"*

Was Council management forced to rush to seek ( ) data to 'bulk-up' its submission to IPART

If so, this seems to be contrary to all professional conduct which would first evaluate the data, then determines a course of action.

3. What's happened to the 'New Deal' and genuine progress made under the previous lord mayor and a council not dominated by any single political party or bloc? Regardless of the unrelated reasons which led to his resignation, even Council's own surveys reveal that satisfaction levels amongst the residents in general were going upwards at a considerable rate.

My reading of Council's interpretation of the preliminary parts of the October 2014 surveys (relating to satisfaction and wishes) is not aligned with Council's. Council purports that residents wishing for more facilities, etc suggests a

desire to pay more in rates. This is not the case. It could have been if Council had been forthright and indicated the cost (in increased rates) to achieve each 'desire' – and the results were then considered. Council didn't to this. It merely provided an opportunity for ratepayers to return an uncoded wish list.

Similarly residents' increased satisfaction levels suggest to me something different to Council's interpretation. I believe this was reflective of the 'New Deal' within Council – more to do with the then composition of the elected council and what it was achieving rather than anything else. It most certainly did not reflect what the current elected council is doing, nor that ratepayers are willing to pay an additional 46.9% in rates.

Council was becoming more fiscally responsible and genuinely considerate of its ratepayers' best interests up to the time the previous lord mayor resigned in mid 2014. Real consultation was even creeping in. Now it appears that this has all changed back to the 'old days' of the 'Figs Fiasco' and trade unions' influence, etc. I'd suggest the current composition of the elected council appears incapable of disciplining (and educating) itself to reflect the financial capacity of ratepayers across the board to pay for this lack of discipline and the outdated partisan ideology of several councillors.

So far as my suggestions that Council's SRV application to IPART has relied upon outdated data is concerned, you (as General Manager) may wish to recommend to the elected council that Council urgently reviews its submission and advises IPART of the misleading inaccuracies. That will leave most of the ultimate responsibility then upon the heads of those councillors who decide what to do – or to do nothing.

I appreciate that I'm seeking some information which may not be immediately to hand, however, much will be. You'll no doubt appreciate that I've had little time to examine Council's lengthy submission to IPART and that to some extent I may be seeking information already within Council's submission. If so, then if you give me the references to the particular document within which I may find that information, this will satisfy my request for that particular information.

As you'll also appreciate, I have a very limited time within which to prepare my submission to IPART. Thus I ask that you respond to my questions by not later than one week before IPART closes its public submission period. Ideally, if you can provide much of the information I seek earlier than this, I will appreciate it.

In an effort to get this to you and allow Council a reasonable time to respond, I've not attempted to completely examine more of Council's submission. What else I may have found within those extensive documents is anybody's guess.

I will only be able to determine the full nature and extent of my objection/support once I receive a response to the questions in this email, plus those still outstanding from my earlier requests. The fullness and promptness of Council's response will also be a determining factor, especially considering the limited time I have to make a submission to IPART.

I will pay Council the courtesy of sending you a copy of my submission to IPART.

For records purposes, please record my objection to, and protest against, Council's attempt to increase rates by 46.9%.

Sincerely,

Peter Cousins

[REDACTED]  
[REDACTED]

8 Mar 2015



Corporate.Gcousins.NP  
Reference: 5187595  
[REDACTED]



23 March 2015

Mr Peter Cousins  
[REDACTED]

PO Box 489, Newcastle  
NSW 2300 Australia  
Phone 02 4974 2000  
Facsimile 02 4974 2222  
Email mail@ncc.nsw.gov.au  
www.newcastle.nsw.gov.au

By Email: [REDACTED]

Dear Mr Cousins

**REQUEST FOR INFORMATION - GOVERNMENT INFORMATION PUBLIC ACCESS ACT 2009 (NSW)**

I refer to your email dated 8 March 2015 seeking that Council responds to a large number of questions in relation to the proposed Special Rate Variation (**SRV**).

Under the *Government Information (Public Access) Act 2009* (NSW) (**GIPA Act**), Council is required to provide access to documents (such as hard copy, electronic copy, or audio), however, is not required to provide specific answers to detailed questions from members of the public.

Your email seeks answers to over 30 questions, rather than documents. For this reason, if you wish to proceed with your request, it will need to be amended to seek access to documents and you will need to lodge a formal GIPA application (**enclosed**). Note that there is a \$30 fee payable when lodging such an application and processing charges may apply. If you have any questions regarding lodging a formal GIPA application, please contact [REDACTED]

Council has already made a significant amount of information available to the public about the SRV and our application is available on the IPART web site. There is also a significant amount of information already available in the various documents which are publicly available on the Council's web site, including the following:

- 2013/14 Annual Report
- 2013/14 Financial Statements
- Delivery Program 2013-17
- Operational Plan 2014/15
- Long Term Financial Plan 2015-25.

Yours faithfully  
[REDACTED]  
[REDACTED]

Enc: Formal GIPA Application form



# Formal Access Application

Government Information (Public Access) Act 2009



Please complete this form to apply for formal access to Council information under the *Government Information (Public Access) Act 2009* (NSW). If you need help to complete this form, please contact Council's Legal and Information Officer on (02) 4974 2435 or visit our website at [www.newcastle.nsw.gov.au](http://www.newcastle.nsw.gov.au) and search for Council/Access to information.

## 1. Your details

Surname..... Title.....

First Name.....

Business / Group Name.....

*(if the application is lodged on behalf of a business or a group)*

Postal address..... Postcode.....

Telephone..... Email.....

☐ I would like to receive correspondence to my email address.

## 2. Government information

Please describe the information you would like to access *(attach another page if more space is required)*.

*Note: If you do not give enough detail about the information sought, Council may refuse to process your application*

.....

.....

.....

.....

Please tick the boxes if you agree to the release of the following information to any other (third) party Council may be required to consult in order to process this application. This information may assist the third party to understand why you are seeking their information.

Your name and or Business / Group name: ☐ Yes ☐ No

The government information described in the application ☐ Yes ☐ No

## 3. Proof of identity

Are you seeking access to your personal information? ☐ Yes ☐ No

*(If yes, please answer question 3)*

**When seeking access to personal information, you must provide proof of identity in the form of a certified copy of any one of the following documents:**

☐ Driver's licence ☐ Other proof of signature and current address details

## 4. Form of access

How do you wish to access the information? (tick one option only)

☐ Inspect the document(s) ☐ Receive a copy of the document(s)

☐ Access the document(s) in another way (please specify).....

.....



# Formal Access Application

## Government Information (Public Access) Act 2009



### 5. Application Fee

Payment of the **\$30 application fee** by:

- ☐ Payment in person (cash / cheque / money order / credit card)
- ☐ Payment by mail (cheque / money order only)
- ☐ Payment by telephone on (02) 4974 2000 (credit card only - processing surcharge may apply)

**Please quote job number T30 10 - 2020 - 1001 - 43537**

*Note: do NOT send cash by post*

### 6. Discount in processing charges

You may be asked to pay a charge for processing the application (\$30/hour). Some applicants may be entitled to a 50% reduction in their processing charges. If you wish to apply for a discount, please indicate the reason:

- ☐ Financial hardship - please attach supporting documentation (eg pension or Centrelink card)
- ☐ Special benefit to the public - please attach supporting documentation.

### 7. Disclosure log

If the information sought is released to you and would be of interest to other members of the public, specific details about your application may be recorded in Council's disclosure log. This is published on Council's website.

Do you object to this? ☐ Yes ☐ No

*If you object, Council will provide further information to you on your rights.*

Applicant's signature.....Date.....

### Protecting your privacy

Council is committed to protecting your privacy and takes reasonable steps to comply with all relevant legislation. The information is collected by Council for the purpose of processing your application. Your personal information will be stored in accordance with relevant legislation and will only be accessed by authorised Council Staff. If you do not provide information, Council may not be able to process your application. Your information can be checked for accuracy by contacting Council's Legal and Information Officer on 4974 2435.

### Lodging your Formal Access Application

In person:

**The City of Newcastle**  
City Administration Centre  
282 King Street  
Newcastle NSW 2300

By mail:

**The City of Newcastle**  
PO Box 489  
Newcastle NSW 2300

General information about the GIPA Act is available by calling the Office of the Information and Privacy Commission NSW on freecall 1800 IPC NSW (1800 472 679) or at its website: [www.ipc.nsw.gov.au](http://www.ipc.nsw.gov.au)

**Extracts from Minutes of Newcastle Ordinary Council Meeting of 25 Nov 2014***Page 27 (from management prepared paper supporting proposal)***ITEM-98 CCL 25/11/14 - SPECIAL RATE VARIATION APPLICATION  
REPORT BY: CORPORATE SERVICES****PURPOSE**

To present a report on the community engagement undertaken during October and authorise the submission of an application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) commencing in 2015/16 of 6.5 to 6.8% per annum inclusive of the 3% rate peg for five years (a total cumulative increase of 37.9%).

**RECOMMENDATION**

- 1 a) Council receives the Community Engagement Strategy Report Summary included as **Attachment A**.
- b) Council resolves to apply to IPART for a SRV of between 6.5% and 6.8% per annum, which is 3.5% to 3.8% above the rate peg (3%), for five years commencing in 2015/16.

*Page 30*

- 18 Option two is recommended as the base for the SRV application as this option is most representative of the collective feedback from the community and recognises the majority support for a SRV. Option two was also the option outlined in the previously exhibited documents including the 2013-17 Delivery Program and the 2014/15 Operational Plan.

*Page 34***Option 1**

- 47 The recommendation as at Paragraph 1 a) – b). (*Note: This relates to the above, not to the ultimate resolution*)

**Option 2**

- 48 That Council does not endorse the application for a SRV. The risk with this option is that Council will continue to incur underlying operating deficits and will not be able to address the infrastructure backlog. This is not financially sustainable and will lead to the depletion of the Council's cash reserves. It will also mean that the Delivery Program may not be met and that services will need to be significantly reduced. This is not the recommended option.

*Page 37 (as in council notification letter to IPART dated 5 Dec 14 and its Attachment 8)***MOTION**

Moved by Cr Osborne, seconded by Cr Posniak

- 1 a) Council receives the Community Engagement Strategy Report Summary included as Attachment A.
- b) Council apply to IPART for a SRV for fund revitalisation - annual increases of 8% (including the rate cap) per year for five years, a total cumulative increase of 46.9%.

**For the Motion:** Lord Mayor Cr Nemes and Councillors Crakanthorp, Doyle, Dunn, Osborne and Posniak

**Against the Motion:** Councillors Compton, Luke, Robinson, Rufo, Tierney and Waterhouse.

**Carried**

*Note that the above does not indicate that the resolution was 'carried on the casting vote of the lord mayor' – unlike precedents (and convention) previously set*