

Dr. Peter Boxall,
Chairman, IPART.

Dear Dr. Boxall,

It is hereby requested that IPART reject the application by MidCoast Council for an SRV (SRV2017). I note that you state that “the council must engage with the community when assessing options for a special variation, we expect it will have sought and considered the community’s views on the special variation”. This submission seeks to demonstrate that these IPART requirements have not been met by the applicant, and the application should therefore be rejected. The non-compliances and further background information are detailed below for your consideration.

1. Consumer Engagement Inadequacies

- a) In late 2016, Council commissioned a survey, the results of which Council claims showed 75% ratepayer “approval” for a rate increase. In reality that survey had shortcomings including choice of groups surveyed, number and location of those polled and the wording of the response options (disadvantaged, inconvenienced etc). Since then, Council, when challenged about ratepayer resistance to the SRV, just quotes its optimistic interpretation of the survey results. *It is submitted that such action does not constitute true “community engagement”.*
- b). Despite State Government caps on rate increases, MCC late last year went ahead with an application for IPART approval for a 21% increase over 4 years. This SRV failed due to ratepayer objections and action by Local Government Minister. Council then later announced “no rate increase would be necessary” as it had found “other funding sources,” failing to mention that the rate increase plan failed because it was illegal at the time and the intervention by the Local Government Minister. *It is submitted that this demonstrates a preparedness to mislead ratepayers through deception, omission and untruths.*
- c) On an unknown date, unnamed individuals from MCC lobbied a distant Upper House member, (Paul Green, from the Shoalhaven area) to facilitate an amendment to the legislation that caused the failure of their earlier attempt. This amendment, for unknown reasons, passed unopposed through Parliament. As a result, MCC announced that they now had a “green light” to again apply for a rate increase. At no stage did MCC advise ratepayers of their intentions to actively alter the legislation, and have to this day not made public who worked with Mr. Green and by what means he was persuaded to assist their efforts. The intention to again seek a rate increase only appeared in local newspapers in April 2017, and to this day has still not been widely promulgated. *It is submitted that these actions demonstrate Council’s willingness to resort to secrecy, half-truths and deceptive statements to achieve a goal..*
- d) Notifications of Council meetings and matters involving the SRV were very low key, in some cases being released late on a Friday afternoon thereby attracting minimal attention, and giving minimal preparation time to anyone wishing to make a submission. For instance, the agenda for the Extraordinary Meeting on 31st May to approve the IPART approach was announced on the 26th. Before this time the EM had not even been listed on the Council schedule of meetings. This effectively allowed only 2.5 working days for ratepayer submission preparation instead of the normal minimum of 7. *This demonstrates Council’s active discouragement of ratepayer input, and the lack of concern by Council of ratepayer rights to oppose a proposal. Also demonstrated is Council’s haste in getting the SRV through.*
- e) Acceptance of public submissions on the SRV proposal closed at 4:30 pm on May 29th, and a report was scheduled for publication on May 30th. Thus, only one day was allocated for the analysis of the submissions; it is painfully apparent that a low number of submissions was expected, and those received were always going to be ignored. The EM on 31st May was timed for 2 pm. when, due to work commitments, fewer

ratepayers would be able to attend. *It is not unlikely that this tactic was intended to enhance the claims of ratepayer support for the SRV, due to the low attendance.*

- f) The fact that Council managers continually refer to the 2016 survey “results” as evidence of community approval of the SRV demonstrates how poor their community engagement has in fact been. Certainly, the occasional community briefing was held, but the SRV was seldom mentioned and was certainly not a topic of discussion at these meetings. The so-called Local Area Representatives (former Councillors), appointed to keep Council aware of ratepayer feeling and opinion were conspicuous by their absence from public events and “information” meetings, which explains why a surprising number of ratepayers are even now unaware of the SRV. There has been no mention of any input by these “representatives” to Council on the SRV; these people could have been utilised to enhance public awareness of the need for an SRV. Such action was obviously deemed unnecessary by Council. Information to the public on the SRV has been minimal, and the whole programme appears to have been inexplicably rushed, perhaps to comply with guidelines relating to the timing of rate notice issue. While we are all fully aware of the weaknesses of social media, scrutiny of this topic on community websites such as the Great Lakes Advocate and Manning Alliance may have given MCC a broader indication of community opinion on this issue. *It is submitted that MCC in fact discouraged information distribution on SRV related matters. Community engagement on this SRV must be considered totally inadequate.*

2. Justification

- g) The “official” need for the SRV is justified by MCC in the following words.

“The purpose of the increase is to address underfunding of renewals on Council's road and bridge assets, to start addressing the asset backlog and support ongoing financial sustainability. The increase will also harmonise and support an environmental program across the MidCoast local government area. All current special variations would be forgone and replaced by this proposal should it proceed”.

So suddenly, in addition to the urgent need to rush outstanding repairs and attack depreciation issues, we are also “harmonising” (whatever that means) an environmental programme; one never before mentioned! And the existence of previously unmentioned SRV's suddenly becomes apparent! Would the promise of not proceeding with those SRV's be binding on future Councils? If the answer is not a resounding “YES” then this statement is meaningless.

And how many other projects Council has not mentioned will the SRV “harmonise”?? It is clear that MCC is making it up as it goes along and its credibility lessens with every statement it issues.

Council has repeatedly justified the need for an SRV on the basis that there is a \$180 million backlog in road/bridge funding and the depreciation in this area is under-funded by \$5 million per year. This is despite a \$20 million State Government grant to merged Councils. MCC maintains that the only way to address this under-funding is by rate increases. But most people with accountancy backgrounds will confirm that the proposed rate increase alone cannot fix this problem; it can only be resolved by cash injection. Other sources of income, savings through efficiencies and analysis of the way money is spent (such as the use of consultants) should be much more thoroughly examined before such a rise is proposed. MCC has recently absorbed MidCoast Water, a well-known profit generator; income from this source could be easily applied to cover the depreciation deficiency of roads and bridges. There is no evidence that staffing costs, particularly at manager levels and efficiencies in controlling expenditure, have been reviewed. *In summary it is submitted that other sources of funds may well be available but have not been adequately considered by Council. The MCC General Manager frequently states that the Council cannot approach the State Government year after year to fund the \$5 million depreciation deficit. It is suggested that he is paid to do just that and with a massive \$4.5 billion State surplus his chance of success is now much increased.*

- h) As IPART is aware, the Administrator was appointed and not elected. This situation will end in September when elections will see a popularly elected Council installed. This rate increase is one of the most far-reaching initiatives by a Council in recent memory, and despite Council's claims, is not widely supported. *If a rate rise is introduced, it should be by elected representatives who are responsible to the ratepayers, rather than a single bureaucrat having no direct or continuing responsibility to those ratepayers.*
- i) The rates currently levied by MCC are some of the highest in the State, comparable to those in Sydney in spite of much lower incomes and land values. Roads, bridges and depreciation funding are the justification for the SRV, but with new Councillors being elected in September, there is no guarantee that the income raised will not be diverted to other projects. *If the increase is deferred, at least a new Council will have to justify any such action; if it is done now, it will have no responsibility to direct the funds to roads.*
- j) To my knowledge, there has not to date been a Draft Operational Plan prepared by Council for 2017 – 2018 with all the financial information contained within. As you know, this plan lists income, expenditure, and many other items. *Without access to this plan, it is impossible to properly assess the justification for an SRV such as this.*

3. Economic and Social Effect

- k) In the Council area, there are many retirees on fixed incomes and families struggling with increased costs.. It is obvious that a rate increase of **28.5%** over four years, in addition to record increases in electricity costs and household expenses will impact their lifestyle. The change in pension entitlements associated with income levels has further reduced the disposable income of this section of the community. *A rate rise should be delayed, at least until the situation for these people stabilises and other sources of funding have been properly explored. This group of people will be much more than "inconvenienced" by such a rate increase.*
- l) With a backlog of \$180 million, it is obvious that the deficit has been building for some time, but previous Councils saw no great need to address that situation. The question now is why an outgoing Administrator, having only four months remaining in office, should consider rectification of this long-standing situation to be so urgent? *He has ignored pleas to "hasten slowly" and continues to rush the SRV. What can be the motive?*

4. Conclusion

The actions of the Administrator and Council managers have been sufficiently devious and secretive to reduce ratepayer confidence in the Council as it now stands. Major factors in this are :-

- m) The results of the 2016 survey have been skewed to justify Council proceeding with the SRV. Indeed the MLC who sponsored the Parliamentary Amendment has stated that he was moved to assist because he was shown the survey "results". The survey involved some 400 people, some of whom were not in fact ratepayers; this seems a rather small sample considering the population of around 90000 in the MCC area. Nevertheless Council continually quotes the flawed 75% (now rounded up to 80%) acceptance result when the need for the increase is publicly questioned.
- n) Council *initiated* and facilitated the Parliamentary actions overturning the cap on rate increases but never revealed this to the ratepayers. Nor have the reasons for the involvement of a distantly located "foreign" politician been explained.
- o) Council's reluctance to properly consider submissions unfavourable to their position.
- p) The lack of true public engagement in this matter, particularly the timing of the release of information., and the unusually short intervals between the announcement and the holding of meetings relating to the SRV.

q) There is evidence of urgency, manipulation, deceit by omission and half-truths, and time sensitivity in MCC's management of this project. This, together with the lack of openness mentioned earlier, has generated cynicism and even suspicion about Council's motives with many ratepayers. . Even as Council was announcing "no rate increase", it was already moving to have the necessary legislation changed to permit an even larger increase! A petition EM with over 280 signatures submitted prior to the meeting was treated by Council as a single submission. Consequently over 300 anti SRV ratepayer submissions to Council have been treated as 30, again allowing Council to distort the true level of ratepayer support for this SRV

But the most telling evidence of Council failures in the SRV compliance process comes from its own officers; the previously unmentioned "harmonising" environmental programme noted earlier, and the following quote, written on 31st March by an un-named Council manager in response to some points raised by a ratepayer.

*"As a public authority we believe **we should be transparent and acknowledge we have a long way to go.** In relation to systems, we are still operating across three different systems across all of our business including financial, capital works, customer and property systems following the merger of the three former Councils in May 2016. **We also agree with you that the information needs to be more publicly accessible via our website** and whilst we are working hard to have that significantly improved by the end of next month, **it will remain a work in progress for some time.***

Feedback from the community such as yours is actually quite helpful and we'd be happy to take you up on your offer of advice next time you are in town or feel free to PM a suggested time/ location and we'll arrange for one of our engineers to meet with you. That gives us a chance to give you a bit of a run down on just why it is taking so long to align our systems for planning, reporting and transparency purposes"
(Emphasis is the writer's; otherwise verbatim).

This was being written as the amending legislation was being eased through Parliament. Someone in MCC obviously wasn't prepared to wait!! It is difficult to consider this open and trustworthy behaviour from a Council.

For all the reasons detailed above, it is requested that IPART reject the MCC request for a Special Rate Variation. MCC has demonstrably failed to adequately engage with ratepayers, has failed to establish a genuine and urgent need for a rate increase, and has failed to demonstrate that the increase would achieve its stated objective. Furthermore, there appears to have been no analysis by MCC of alternative funding sources, and many of its actions could be considered downright deceptive.

MCC already levies some of the highest rates in the State. It is clear that if approved this SRV would substantially adversely affect a significant number of ratepayers, but without any guarantee of community benefit. I trust that IPART agrees and rejects this SRV application, and thank the Board for the opportunity to make this submission.

Peter Dodge



26th June, 2017.