

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 have stated “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 your requirements have not been adequately met by the applicant, and the application should therefore be rejected. The non-compliances and some further background information are detailed below.

1. Consumer Engagement

- a) In late 2016, Council commissioned a survey, 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 lack of transparency on the SRV, just quotes its interpretation of the survey results. It is submitted that such action does not constitute “engagement”.
- b). Despite State Government limits on rate increases, MCC late last year went ahead with an application for IPART approval for 21% increase over 4 years. This failed due to ratepayer objections and action by Local Government Minister. Just before Christmas, Council announced “no rate increase” as it had found “other funding sources” not mentioning that the rate increase plan failed because it was illegal at the time.
- c) At 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. The 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 was only flagged in local newspapers in April 2017.
- d) Notifications involving Council meetings and other information 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 ratify 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.
- e) 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 the submissions were always going to be ignored. The EM on 31st May was timed for 2 pm. when, due to work commitments, fewer ratepayers could attend.
- 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 been in this case. Certainly, the occasional community briefing was held, but the rate increase was seldom mentioned and was certainly not openly discussed at these meetings. 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. The so-called Local Area Representatives, appointed to keep Council aware of ratepayer feeling and opinion were conspicuous by their absence from the public areas and “information” meetings, explaining why a surprising number of ratepayers are even now unaware of the SRV. There has been no mention of any input to Council by these “representatives” so another source of public opinion information stands ignored. Information to the public on the SRV has been minimal, and the whole process 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 Facebook sites such as the Great Lakes Advocate and Manning Alliance may give a broader indication of community opinion and how MCC has manipulated this situation.

2. Justification

- g) Council has repeatedly justified the 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 state that the proposed rate increase cannot fix this problem; it can only be resolved by cash injection. Other sources of income, and savings through efficiencies need to be much more thoroughly examined before such a rise is adopted. MCC has recently absorbed MidCoast Water, a well-known profit maker; income from this source could be applied to cover the depreciation deficiency of roads and bridges. There is no evidence that staffing costs, particularly at manager levels and efficiency in controlling expenditure, have been reviewed. In summary, other sources of funds may well be available but have not been examined by Council.
- 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 individual 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 and families on fixed incomes. It is obvious that a rate increase of 28% over four years, in addition to increases in electricity 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 until the situation for these people stabilises.

- 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.

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..
- 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.
- 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. The unusually short intervals between the announcement of, and the holding of meetings relating to the SRV.
A petition submitted prior to the EM with over 280 signatures was treated by Council as a single submission. Consequently over 300 ratepayer submissions to Council have been treated as 30, and rejected out of hand. As a result, the SRV proceeding to IPART for approval was a foregone conclusion.
- q) There is evidence of urgency and time sensitivity in the manner that MCC has managed this project. This, together with the lack of openness mentioned earlier, has generated cynicism and even suspicion about Council’s actions with many ratepayers.

And finally, the statement below by the Council itself. The MCC management themselves realise that deep down their systems and methods were and are flawed. In a response to some points raised by a ratepayer dated 31st March an un-named Council manager states:-

*“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”

But now, just two months later, Council shows it still has a long way to go with transparency and accessibility of information to the public. The systems that were causing trouble in March are now sound enough to support a proposal for a 28.5% rate increase? They need more time, but can't wait to rush this SRV through!

The above confession clearly demonstrates the need for IPART to reject the SRV2017 proposal.

For the reasons detailed above, it is requested that IPART reject the MCC request for a Special Rate Variation. MCC has failed to engage adequately 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 income sources.

MCC already levies some of the highest rates in the State. It is clear that if approved this SRV would adversely affect a significant number of elderly and retired ratepayers, but without any guarantee of benefit. I trust that IPART agrees and rejects this SRV application.

Silvija Vermuyten

[REDACTED]

17th June, 2017.