

Narrabri Shire Ratepayers & Residents Association



PO Box K35
Haymarket Post Shop
NSW 1240

31st July 2015

To Whom It May Concern,

Please find attached our submission against the Fit for the Future Proposal put forward by Narrabri Shire Council.

Our proposal has been written by the Treasurer of our Association who also happens to have 35 years' experience as a Local Government Accountant, and is currently in demand around the State as a specialist in his field.

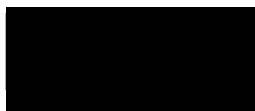
Our group came about as a result of this Proposal and our Council's intention to originally increase the rates by 20% (43.18% compounded over 5 years). This figure was revised down to 15% eight days after our group held its first meeting and decided to form the Association. There were no reviews or audits, just a reflex action to a community group forming to fight this outrageous proposal.

A Facebook site has also been set up by concerned residents to try and address issues we have with Council. Please find following a link to the page where you can see the comments from residents within our Shire.

<https://www.facebook.com/narrileaks>

Thankyou for taking the time to consider our submission and if you have any queries regarding any of the issues raised in the following proposal, please do not hesitate to contact Stephen Stoltenberg, our Treasurer, on [REDACTED] or me on [REDACTED]

Yours sincerely



Ann M Loder
Chair
Narrabri Shire Ratepayers and Residents Association

Submission to IPART – Narrabri Shire council application for special rate variation – By Stephen Stoltenberg

The Author: Stephen Stoltenberg (), specialist local government accountant, 35 years' experience, hold old Town Clerks certificate, former Treasurer Leichhardt Council in Sydney, current contractor to NSW councils in finance, long term resident of Narrabri. Stephen is the Treasurer of the recently formed Narrabri Shire Ratepayers & Residents Association (NRRRA) as well as its research office – finance.

Conclusion

Narrabri Shire Council has failed to put a case that

1. It is competent to produce a budget that is accurate.
2. That the special rate variation is needed.
3. That it has given proper consultation to the community.

This author is currently working at his 22nd council as a contract accountant , without a doubt the worst managed financially I have ever been involved with is Narrabri & the fact the council refuses to follow the local government act & appoint GM's on merit is a large part of the reason.

[REDACTED]

[REDACTED]

The NRRRA is in the process of putting a complaint of the Mayors conduct over this appointment to ICAC, the department of local government & the ombudsman. The evidence provided by the councillor is that the majority of NSC councillors are quite happy to pay for 2 GM's the official one and the consulting one teaches him his job. If that is not a total disregard for of their fiduciary duty, I do not know what is.

In its simplest terms the NRRRA does not believe the council have allowed the best people to be appointed to the critical position of GM and these flows through to finance.

No special rate variance should be granted the NSC until after the September 2016 elections when the public gets the opportunity to elect a new council that will better manage its finances.

Competency - General

Narrabri starts its 6th GM in 7 years on 3/8/2015, none of the last 3 fulltime has had prior experience, and none have ever held a position of CFO in a council.

The council's recent history is a shambles of accounting blunders made by accounting staff not picked up by directors or GM whom lack the experience to manage finance. The worst case, the forgetting to invoice the RMS for \$2m work done in 2011-12, also missed by the auditor. The result was council thought it was broke , curtailed expenditure , including urgent repairs the Narrabri tip , that lead to the EPA closing it down & garbage trucked to Tamworth , 170km away at great expense.

To make matters worse, the following year when discovered, this \$2m should have been treated as adjustment prior years in 2012-13, instead it was put straight to income, giving a false picture to that years improved result, causing the new Mayor to boast in the local paper what a great job he had done in his 1st year improving things by \$2m.

This author suspected something was wrong, investigated, when the director of corporate services was less than helpful, a GIPA was put in that revealed the nature of the error.

To be clear, the councils DCS & Auditor both must have been aware the error in the 2012-13 statements, as it was listed in note 16 variances in an opaque manner only a reader long LG finance experience would pick. It did not go through note 20, adjustment prior year, and this lead this author to the only possible conclusion that both the DCS & Auditor, faced with the choice of admitting an embarrassing mistake, or hiding it, had chosen the latter. They had materially misled the council & public as to the true result for the year.

When this author emailed the DCS to raise the issue of the deception, he got a terse abusive reply and a couple days later, letter from the auditor threatening a defamation suite. The only out offered was to drop the suit if this author signed a letter apologising for defaming the auditor that he was mistaken and such letter to go in the council business paper.

This author rang the auditor and told him to stick his defamation case were the sun don't shine and if he wanted ICAC involved he was going the right way about it. A number of Narrabri shire councillors were also given an explanation as to what happened in detail by this author with all the evidence.

When the audit was due for renewal, the DCS wrote a report to stick with the current auditor, the council declined and changed. No more has been heard of the defamation case; the DCS remain in councils employ and remains the senior officer of council in relation to finance.

This author maintains the DCS has been caught out misleading the chamber in a material manner on finance and as such there must be a cloud of doubt over anything he put to the chamber.

This is by no means the only case of a significant error, it's just the worst.

Competency – lack of management accounting acumen

The council fails to provide any transparency in its budget so it's not easy to pin this down but a number of glaring cases include.

- a) The workers comp system at Narrabri costs 3.2 times as much as is does at Bogan & Narromine shires. This is calculated by going to the published statements, dividing the net workers comp expense paid, dividing by total wages paid. For the other 2 council about \$2c in the \$1, for Narrabri, 7c. This is a direct result of the councillors refusing to appoint an experienced GM who could make sure this function properly managed. If Narrabri managed the same level of efficiency as the other 2 councils it saves \$480k a year. That one cost centre is 37% of the \$1.3m the council claims it must find for the Fit for Future programme, the excuse for the rates rise.
- b) The council, about 12 years ago, built a large community centre called the crossing theatre. The council that built it ran it on a model so that the net cost to rates was under \$300k, then about 7 years ago the council changed to a model that employed more and attempted to compete with local pubs & clubs. The result in the most recent year published, 2013-14, the crossing lost \$1.4 million or 12% of the total General Fund rates. It also leads to fees so high that general public could not afford to use it, they use clubs. It alone loses more than the \$1.3m identified in FFF.

There has been outrage in the community about this white elephant as it is now seen, but the council lacks the will or ability to do anything to remedy it. Worse, it has attempted to pull the wool over the public eyes by diverting funds from elsewhere in the budget to pay its loan out, to give the false impression there has been a significant improvement in the 2014-15 year.

- c) About 12 years ago, council employed a full time soil analyst, a dirt doctor, had done for over 30 years. This enabled council to more efficiently manage both the testing, but also in finding suitable material for roads. About 12 or so years ago, it ceased & redunded the person in the job, replacing him with contractors. I have been told it was because the old dirt doctor retired was replaced by one troublesome to management. In recent times, the shire engineers have been changing almost as quickly as the GM's, none have thought to look at going back to the old (successful) model.
- d) The council annual statements were qualified 4 years in a row because they had not revalued the roads that should ring alarm bells as to the lack of technical skill in finance.

The above is by no means exhaustive but it paints the picture.

Failure to prove the special rate variation is needed.

This is the most alarming matter to rise; we refer to it as the "Hollow Logs".

Council does not publish a detailed budget, so it is hard to be specific, but the following is unbelievable. Each year, the amounts in the budget for fees & charges are grossly underestimated, that is actual consistently more than 100% greater than budget, most recent

2011-12, budget \$3.74m, actual \$7.39m, 98% over

2012-13, budget \$3.89m, actual \$7.75m, 129% over

20163-14, budget \$4.52m, actual \$10.42m, 130% over.

These figures are straight off the published statements, there are no published documents to work out the break up , it's possible a million or so could be legitimate over , but to be out over 100% just shows a complete lack of skill at budgeting. It goes worse, the council did not accumulate \$13.9m cash over those years, so it got spent somewhere over budget.

It just demonstrates a completely unreliable forecasting methodology, figures cannot be trusted.

The NRRRA has written to the Chair the finance committee, Cr Ken Flower , asking him to explain these "hollow logs" , to date he has refused to comment. He has also declined written invitations to attend meetings of the NRRRA.

Failure to give proper consultation

The word consultation, suggests providing information, the only thing NSC put to ratepayers the 2015-16 budget for the functions operating budget was a single A4 sheet, in font 1mm high, that did not even follow SS1 Cost of services, so it could not be compared to anything. Council might have well had provided the form guide for a Japanese race track for all it was worth, almost everyone who made a submission on the budget complained it was impossible to understand. If this author has framed about 30 council budgets in his life & could not get anything out of it, what hope did the general public? The 2011-12 budgets were put up in the format of SS1, so you were some hope of following it. Why was that format discarded?

Council has 11 councillors, 7 including the Mayor & Chair the finance committee have declined numerous invitations to attend meetings of the NRRRA.

The only impression a thinking person could get was council had something to hide.