

SAVE OUR SERVICES WOLLONGONG

Submission to the Independent Pricing and Regulatory Tribunal (IPART)

Wollongong City Council has applied for a special rate variation from 2014/15, in accordance with the *NSW Local Government Act 1993*.

Save Our Services Wollongong is a community group dedicated to the maintenance and improvement of the services that Wollongong City Council provides to the people of Wollongong. It believes that continuing effective service delivery is dependent upon keeping Council accountable to ratepayers, and transparent and efficient in its service provision.

Regrettably, Council has proved to be neither accountable, nor transparent, nor efficient.

Specifically, in reference to the criteria that IPART will use to assess Council's application, in accordance with the Guidelines issued by the Division of Local Government, Department of Premier and Cabinet, Council has failed to:

1. consider higher levels of service, and not examined realistic alternatives to a rate rise or properly project its financial sustainability;
2. undertake a balanced consultation process, but used a stage managed procedure and carefully omitted critical submissions from their deliberations;
3. offer a no rate rise alternative and not taken into account the massive rises in waste collection rates;
4. base long term financial plan assumptions on realistic cost estimates; and
5. consider major adjustments to the management structure or measures of staff productivity.

Moreover, Council has:

1. embarked on costly, unnecessary grandiose projects;
2. failed to contain costs on projects; and
3. benchmarked expenditure, not efficiency.

1. Need

Whilst the community has needs and a desire for higher levels of service and particular projects to be delivered by the council, service levels are to be reduced and specific projects have faulty cost benefit estimates and have not been benchmarked or measured against alternatives.

Council did consider some of the implications of a no rate rise option but failed to offer this to the community. It omitted to consider significant measures that might have rendered a rate rise unnecessary.


Council has considered its current and projected financial sustainability but this is based on little change to its current unacceptable performance.

2. Engagement

Rather than engage directly with consumers of services Council chose to use a “citizen’s panel” of handpicked ratepayers to advise on priorities. The Panel was intensively and selectively provided with information designed to achieve the outcome being sought by Council officers. Even then, Council did not accept a number of recommendations of the Panel, but cherry-picked those that suited the outcome sought.

The key results from the exhibition of the alternative rate rises proposed was responded to by less than 1% of households despite a brochure being mailed to each. Unexpectedly, 260 of the 800 responses supported the highest rate rise. However the 1,500 people on Council staff were not embargoed from voting which may explain this result.

Council has set up a number of Neighbourhood Forums, independent of Council but supported by it, to advise on local issues. They have been largely ignored by Council, and provided with little explanation of the measures being considered by Council and little opportunity to debate them with Council officers. Several spent considerable time and effort making submissions to the exhibited options, but these were not reported to Council. All these submissions called on Council to commission an independent benchmark and unit cost assessment of services and infrastructure expenditure against industry standards.

 our representative was refused permission to address Council at its meeting on 17 February 2014, when councillors adopted the proposed rate rise and application to IPART.

3. Impact

Wollongong average rates as a percentage of taxable income are at the average for Category 5 Councils, as are outstanding rates and annual charges, indicating the current rate level is appropriate without a supplementary rate rise.

Only half the categorised small areas in Wollongong are at or above the Socio-Economic Index (SEIFA) for Australia and 20% are well below and should not be further discriminated against. Capacity to pay is a significant issue for a substantial part of the city.

We note that Council’s application for a special rate variation excludes the City Centre even though that is a principal beneficiary of the major projects we detail later in this submission.

Council have ignored the impact of rises in the waste charges:

- a. Waste Charge represents about 40% on top of the charge for Rates for many properties;
- b. Waste Charge for the vast majority of residents has increased by **over 60%** in the last 5 years;

- c. average annual Waste Charge increase is more than 4 times the government's allowable increase for residential Rates; and
- d. Waste Charge increase has been still more than twice the residential rates increase, even when the effect on government levy increases are taken into account.

It is incomprehensible why staff have still not developed a Waste Management Financial Assessment, Funding Strategy and Action Plan for consideration by Council when determining the annual Domestic Waste Charges.

4. Assumptions

The principal concerns with the assumptions under the plan relate to the failure to benchmark outputs as opposed to money expended and manifest issues with project management and productivity.

5. Productivity

Council continues to perform badly, as even a cursory analysis shows.

The unreliability of cost estimates for projects (eg the Mall, Information Centre and Grand Pacific Walk) cast doubt on the viability of future projects.

Moreover project costs seem to be consistently higher than industry norms. For example it would appear that:

- a. the IPAC cafe kitchen replacement and up-grade cost \$788,000 for 97 m², or about \$8,000 per m² roughly double what could be expected;
- b. the enclosed section of the new Corrimal Tourist Park Kiosk cost over \$4,000 per m² roughly a third more than could be expected;
- c. Kembla Street footpath cost \$670,000 for paving 580 m² or \$800 per m² again about double what might be expected;
- d. Project Unit Rates advised by Council for Brick Paving \$486/sqm - this is 3 times the recent draft IPART Local Infrastructure Benchmark Costs rate of \$162/sqm, which also seems in accordance with Rawlinsons; and
- e. Project Unit Rates advised by Council for Polished Concrete Paving for Blue Mile of \$616/sqm – again 3 times what might be expected.

6. Projects

There seems to be a continued failure to quantify in a rigorous way, benefits against expenditure or alternatives made worse by the fact that enormous overruns in expenditure on projects seem to be accepted as a matter of course. For example:

- a. In 2009 the Wollongong Mall was authorised to proceed to the next stage on the basis of a flawed estimate of \$10.7 million (excluding Globe Lane). This was then escalated to \$15 million. The community suggested the final cost would be nearer \$20 million and presented an alternative design for refurbishment rather than

rebuilding for around \$2 million which also offered a much better result in design, marketing and attractiveness terms. The current latest estimate is \$20.5 million and rising. The disturbance caused by rebuilding rather than refurbishment has forced the closure of an increasing number of Mall businesses and is still less than half complete.

- b. Council resolved to construct a Tourist Information Centre at the top of the escarpment despite all advice that the location was totally inappropriate not least because of contorted access. The QS estimate was \$3.3 million in 2004 and the final cost was reported as \$11 million in 2009 and it has been a dismal failure in terms of its anticipated function. Security costs alone are \$70,000 a year.
- c. Council purchased a large site near the City Centre ostensibly to ensure a rational master plan for the whole block was implemented and for it to be used as a car park in the interim even though it was not part of the City Centre Access Strategy. It was quite unnecessary to acquire the site in order to introduce a masterplan to control development on the site. Council is now under contract to sell the site on the basis of a masterplan that requires massive and unwarranted changes to the zoning for their site, but not others in the block. However, it is believed that the contract gives all windfall gain from the re-zoning (should it proceed) to the proponent and Council's clean-up of the site is rumoured to have cost them \$1.5 million against a \$0.5 million budget allocation.

7. Options

As a community group Save Our Services Wollongong does not have access to all known Council statistics and believes that an independent audit and review would generate further, more accurate, more relevant and more reliable statistics on Council's actual performance.

We note that the rate increase applied for will yield **\$14.5 million per annum** and that there is already a very considerable (\$10 million per annum?) cross subsidy from the industrial and commercial sector to the residential ratepayers.

Specifically we suggest that investigations could show that:

- a. total costs per employee are 10% higher than comparable Councils, possibly in part due to the sharp pyramid as opposed to a flat management structure, which **represents some \$10 million per annum;**
- b. infrastructure costs (c. \$65 million) that are widely believed to be significantly higher than industry norms and IPART standards, again possibly in part due to the management structure, but have not been benchmarked – a 15% difference would **represent \$10 million per annum;**
- c. asset replacement cost estimates (c. \$20 million) which could also be in error – a 25% difference **represents some \$5 million per annum;** and
- d. new capital works (c. \$45 million) could be reduced by 10%, which would **represent \$5 million per annum.**

8. Conclusion

Council's application is predicated on an "efficiency target" of \$4.5 million, "service level adjustments" of \$1.5 million, increased fees and charges of \$0.5 million and a rate rise yielding \$14.5 million. Council details the rate rise sought, but does not detail what efficiencies, service level adjustments or increases in fees and charges it intends to achieve.

We submit that the process and methodology by which Council has arrived at its application contrasts markedly with that adopted by, for example, Lake Macquarie City Council before it made its application for a special rate variation.

Council adopted its course of action by 11 votes to 2. [REDACTED]

[REDACTED]

[REDACTED]

We support the alternative course of action that Councillors Petty and Curran proposed, that:

- a. the application to IPART for a rate increase be suspended;
- b. a moratorium be placed on all new expenditures proposed, both capital and operational;
- c. Council engage external consultants to prepare a full review of all Council services and operations; and
- d. upon receipt of the consultants report, a new application to IPART be considered.

We urge the Tribunal to make any rate rise above the cap dependent upon Council commissioning an independent benchmark and unit cost assessment of services and infrastructure expenditure against industry standards, and as well a review of corporate overheads.

Save Our Services Wollongong
24 March 2014