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(ADDRESS)

Independent Pricing and Regulatory Tribunal
e-mail: ipart@ipart.nsw.gov.au
Fax: 02 9290 2061
PO Box Q290
QVB Post Office NSW 1230

MUST BE RECEIVED BY MONDAY 24 FEB 2014

**Objection to the
Application for a Special Rate Variation (SRV)
By Richmond Valley Council (RVC) February 2014**

I oppose the application by RVC for a 12.5% first year rate rise and four (4) subsequent yearly rate rises of 5.5%, which will lead to an effective compounded rate increase of 39% over five years, on the following grounds:

1. Social and Economic Disadvantage Ignored by Council

RVC has failed to take into account the extent of economic and social disadvantage RVC local government area (LGA) on which it proposes to impose the SRV.

SEIFA Indexes of Relative Socioeconomic Disadvantage (2011)¹ show that the RVC local government area ranks 8th in NSW, the second highest level of **disadvantage** in Group 4 councils in which it has been placed, surpassed only by Kempsey which ranks 6th in the State. The mean SEIFA Disadvantage rank score for Group 4 councils is 69. It begs the questions is it appropriate for the second worst off council in Group 4 councils to be slugged with such a massive rate hike and how appropriate is the comparison with Group 4 councils. No allowance has been made for this level of disadvantage in council's deliberations. The very high level of disadvantage for RVC is tied to income levels and capacity to pay. In my view the imposition of the above-peg rate rise will further disadvantage this already struggling local government area and create new social and economic problems. Council has failed to demonstrate capacity to pay for this very poor council area.

2. Council Fails to Make Case: Provides Incorrect Calculations

RVC has failed to adequately make out its case and to convince residents of the merits of the above-peg rate rise. Council papers in support of their argument for an SRV contain serious calculation errors resulting in an exaggeration of figures to advance their argument. Specifically on page 2 of "Application for Special Rate Variation" prepared by the General Manager under the heading "Council has a low rate base"² the figures in column "RVC Percentage lower than group" are incorrect (see Figure 1

¹ Australian Bureau of Statistics Census of Population and Housing Socio-Economic Indexes for Areas (SEIFA), Australia, 2011.

² Letter from General Manager to Ratepayers 20 November 2013

area indicated by red arrow). In the first two instances the base applied was RVC’s own average rate and not the Group 4 comparison councils ‘Average’ rate while for Farmland there is another error but I am unable to decipher how this figure was arrived at. Such errors and inconsistencies, on the few figures I can check bring into doubt the reliability of the entire financial basis of the application. Figure 2 shows the discrepancy between the percentage provided by the General Manager (green) versus actual figures from the appropriate comparison.

Council has a low rate base

Council's rates in the comparison group of 31 councils are low in all categories.

Average Rate	Group 4 Councils (31 councils)	Richmond Valley Council	RVC Percentage lower than group
Residential	\$ 836.70	\$ 603.63	38.61%
Business	\$2,982.91	\$1,647.93	81.01%
Farmland	\$1,733.41	\$1,043.37	76.58%

Figure 1: Table from General Manager's Letter showing incorrect calculations in last column

I do not have the inside knowledge nor resources to check every figure Council gives us nor has there been sufficient time to do so. I take it on face value that the figures supplied to us are accurate but when a basic error can be so easily detected in public information it brings into question the very basis of figures presented to the public upon which the application relies. I have no confidence that the figures underlying the application can be relied upon. But more than that the revised comparison evidence shows that RVC does not compare as badly with other Group 4 councils as ratepayers have been led to believe by the General Manager’s letter.

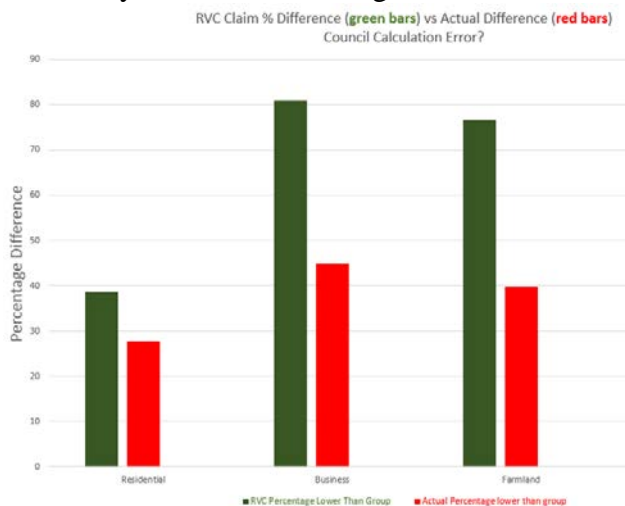


Figure 2: Comparison of % differences from average group 4 councils calculated by Richmond Valley Council versus actual differences for Residential, Business and Farmland rating categories (source Letter to Ratepayers from General Manager 20 November 2014)

3. Problems with Council’s Survey

RVC has not demonstrated that it’s telephone survey to have been independently conducted in accordance with standard robust statistical methods and cannot be relied upon or given any credibility to support a decision of this magnitude. At the time of writing three days, before the

council meeting at which council will vote for the Special Rate Variation the survey material has not been made available for public examination.

Ratepayers are aware from previous surveys undertaken by council that questions have been ‘conditioned’ to suit council’s purposes³. Council has failed to undertake community consultation either effectively or in good faith.

Council could have issued a tagged survey⁴ to all ratepayers when it posted out the General Manager’s letter about the SRV or when it posted out the rates notices or when it posted out information regarding the payment of rates on-line but failed to do so. It is also to be noted that at least some of the telephone survey was done before all the information⁵ was provided or available to ratepayers. This begs questions about how well ratepayers were informed before they were required to answer questions.

Council’s on-line survey also has further problems. For example on the 16th of February, 2 days before Council is scheduled to vote on the proposed SRV Council is still providing information on-line with regard to the survey that is either incorrect and/or not consistent with information contained in the letter from the General Manager of 20 November 2013. The General Manager’s letter tells us that the proposed SRV is 12.5% in the first year following by 4 consecutive years of 5.5% whereas the Council website indicates the following:

How much is Council asking for?

Council is seeking a rate increase of 12.3 percent in the first year, followed by an estimated 5.2 percent for each of the following four years on general rates only. The variation will not apply to water, sewerage or garbage rates.

And later in the same part of the website RVC also tells us that the funds raised will be spent over a four year period, not five:

A total **\$13,031,000** will be raised and spent with the following projects delivered over a four-year period subject to approval from the community and IPART:

But more - the total figure to be raised is shown above as \$13,031,000 whereas the actual figure adds to \$12,931,000, \$100,000 less. The same ‘total figure’ error is repeated in the General Manager’s letter. That the discrepancies between the GM’s letter and Council’s website are not large is beside the point. It is the fact that the figures are not consistent and not correct which is important. Not only does it convey a message of sloppiness in reporting but again begs the question ‘what else is not correct’?

The on-line questionnaire also has issues in that it does not allow the respondent to comment on the proposed package of items that the SRV will be spent on. It is an all-or-nothing package with no opportunity for prioritisation from the community. While a respondent might agree that it “is very important to implement programs that will provide better

³ See RVC Community Strategic Plan Community Priority Research (March 2013)

⁴ Tagging reduces risk of duplication

⁵ Draft Amended Delivery Program, Draft Financial Estimates, Draft Long Term Financial Estimates

infrastructure and services” the lack of opportunity to say in which areas programs might be implemented is not available and so it may lead to the respondent rejecting the whole package when this may not be the intent of the respondent. I, for instance, might want to say ‘yes’ to better roads but may not want my money to be spent on amphitheatres by the river and wi-fi.

The on-line questionnaire also asks about the area the respondent is from but then does not take the time to say what the average rate increase will be for an area, or outline what the rate increases will be for a range of property Unimproved Capital Values (UCV) on which the proposed SRV will be based. This could have been done simply in a number of forms and respondents would have been able to see what the proposed SRV would cost ratepayers over the five year period. In Figure 3 the effects of the rate hike on various UCVs are represented in one format. Other simple formats might have been used which would have allowed ratepayers to see, at a glance, what would happen to them over time.

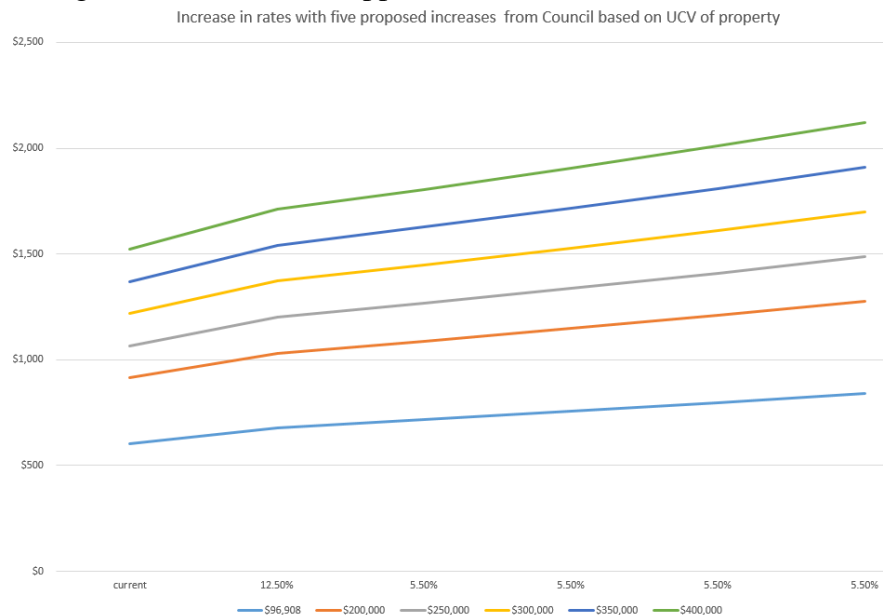


Figure 3: \$ impact of SRV over 5 years by UCV. Blue line shows average rate changes over time

4. Failure to Notify Ratepayers of Public Meeting By The Most Effective Means, and in a Timely Fashion

When the General Manager of Council issued a letter to all ratepayers dated 20 November 2013 he failed to advise in that letter when public meetings would be held to discuss the proposed SRV. Council proceeded to hold a meeting at Evans Head to discuss the proposed SRV in the first week of December 2013. However this meeting was advertised in one paper which has virtually no circulation in our town, and in another other which is a free fortnightly paper and so locals read it over that fortnight not on the day it issues. The major local paper that circulates in the town was not advertised in nor was there any notice of such meetings given by the General Manager even though he subsequently wrote to all ratepayers advising us of the ability to register on-line to receive and pay our rates.

Only 7 people attended the Council public meeting at Evans Head. However 40 people from the community attended a public meeting on 13/02/2014 organised independently by two local residents with only 2 days notice. It appears that Council wanted to only pay lip service to the “community consultation” requirement of the application to IPART, not to argue their case but simply to ram their application for an SRV through with limited scrutiny and public debate. Our concerns are heightened by the fact that Council has a dedicated ‘communications officer’ who provides advice to council. What happened to communication with the community about such an important matter and why do we have a communications officer?

5. Capacity to Pay

The RVC application to IPART does not take into account people’s capacity to pay and specifically the high proportion of fixed income retirees at Evans Head. On paper such ratepayers may appear asset rich but in reality they are cashflow poor. Examination of various data sets including Census data and council’s own demographic material confirms this problem. Council has made no attempt to provide any evidence to support its claim regarding capacity to pay, rather the General Manager’s letter states “While this percentage seems high [the SRV], in real dollar terms **we believe** [emphasis ours] it is manageable for most people”. On what basis has the GM formed that opinion? In view of the fact that RVC is ‘second from the bottom’ of Group 4 councils, the comparison group for RVC, for social disadvantage under the SEIFA data, it seems that council has a responsibility to base its argument on fact rather than simply on a mere ‘belief’.

6. SRV Inequitable

The proposal for a SRV is inequitable in that the burden of the SRV falls upon one local area of the Council area (Evans Head) which contributes disproportionately to the more populous section of Council (Casino), a long-standing problem. The reason for this inequity is that Unimproved Capital Values (UCV) are much higher for Evans Head compared with inland Casino. The ‘average’ UCV shown by council in its comparison materials is \$96,908 by ratepayers’ calculations⁶ whereas it is known from historical data that the UCVs of Evans Head are much, much higher. For many properties at Evans Head the rates bill after five years of the proposed SRV will be more than 100% above the average. It is thought that Council consciously did not make the data available for comparison calculation by area in order to avoid comparison which would again confirm the serious disparity in rates between coastal and inland properties. The very fact that the average UCV for the whole council area is less than \$100,000 and much less than the average UCV for Evans Head confirms that the historic disparity continues. Council has refused to make allowances for the area differences in UCV which can be accommodated under Sections 528 and 529 of the *local government act* in order meet its obligations under its Charter (Section 8 of the *local government act*)

⁶ Council did not provide actual UCV, only average rates paid from which we calculated actual UCV

namely “to raise funds for local purposes by the *fair* imposition of rates[emphasis ours].....” The proposed SRV will particularly punish the ratepayers of Evans Head and we will be continuing to provide a subsidy for other areas such as Casino which we have been doing for many years. Figure 4 shows the disparity between average rates after application of the SRV against UCV.

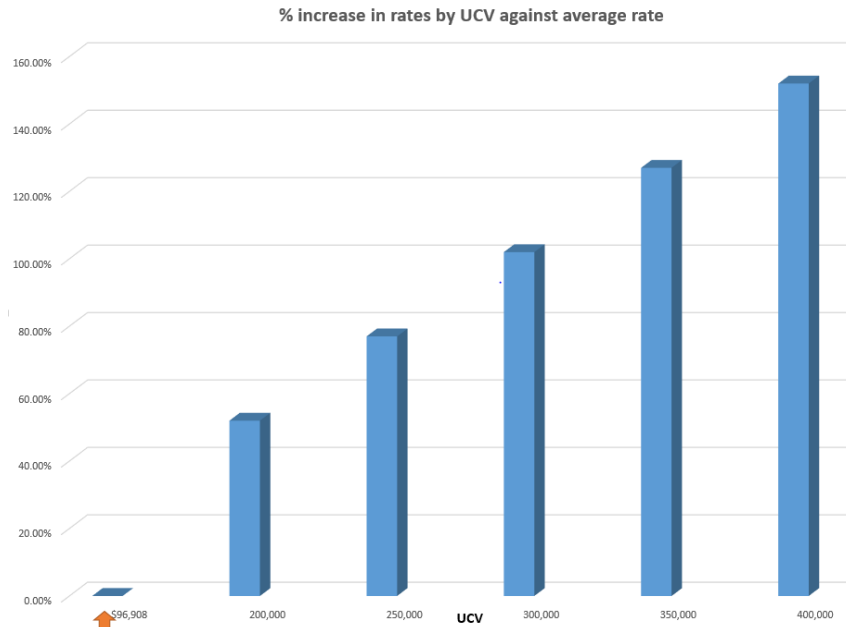


Figure 4: Increase in rates with increase in UCV as a function of average rate (orange arrow)

7. Community Shut Out of Ultimate Priority Choices

Council erroneously relies upon the *Community Strategic Plan* as a basis for its SRV application. Council represented the *Community Strategic Plan* (CSP) to the community as a ‘wishlist’ and encouraged people to think widely (and perhaps wildly!) as to their ideal Council area and what they would want in it. Now in the clear ‘economic’ light of day the CSP needs to be seen for what it is, a wishlist, from which priorities must be drawn by the community. Council failed to consult publicly with the community about priorities in light of cost repeating a similar costly error for the same CSP process from the previous council⁷.

Instead we were given a list by the General Manager in his letter to ratepayers of 20 November 2013. It was an ‘all-or-none’ list with no opportunity for choice by ratepayers. Moreover the list was provided in November BEFORE council had finalised its own revised figures which went to an Extraordinary Meeting of Council on 3rd January 2014 during the Christmas holiday period when many people were not available. How is it possible for the General Manager to put forward a list of priorities in the absence of finalised data on assets and long term management plans, etc.? It seems that this was putting the cart before the horse. RVC had clearly made up its own mind and told the community before all the final data were in. This makes a mockery of the process of *Community Strategic Planning*.

⁷ That CSP was subsequently abandoned

At the end of the day we had no choice in establishing priorities in light of appropriate financial information. Choice is by necessity always tempered by financial considerations!

8. Council Timeline Impairs Public Opportunity for Analysis and Comment

It is to be noted that the Council meeting at which RVC will make its final decision about the SRV is some six days before applications to IPART close on the 24th of February with final information being made available to the public by Council just 10 days before.

The problem is compounded by the fact that council recently decided to cancel mail-outs of council business papers making it more difficult for those who are not on-line (a significant proportion of Evans Head residents) to obtain a copy of council business papers. For those at Evans Head the business papers will not be available in paper form until Monday 17 February at 9.00am when council offices open with opportunity to address council about areas of concern closing at 9:30 on the same day, a half hour later! Council offices are not open at Evans Head on Fridays. To obtain copies of council papers on the Friday so as to have reasonable time to consider and frame a response before the Tuesday Council Meeting a two hour, almost 120km return trip to Casino is required!!

9. Living Within Our Means.

We must live within our means and our ability to pay so the focus must be on the core work of Council the infrastructure – a return to roads, water and sewer. Accordingly only the section “Infrastructure Renewal” budgetted at \$6 260 000 can be contemplated at this time but as indicated previously we have been given an “all-or-nothing” choice.

All other capital and wishlist projects must be deferred for consideration in less stringent times.

It is noted from Treasury Corp documents⁸ that Council has capacity to “undertake additional borrowings of up to \$14.7 million”. While loath to increase council’s debt burden, the current interest rate climate is attractive and should be investigated particularly in view of the significant downgrading of the Council-reported backlog of Infrastructure work from \$80 million.

It is appreciated that this is a disappointment for a Council which wishes to undertake large capital projects for projects which we do not regard as essential, etc. However ratepayers do not have inexhaustible supplies of money to fund these notions as pointed out previously.

⁸ April 2013 Commercial in Confidence Report to Council

10. Return to Focus on Core Business

Council needs to return to and stick to its ‘knitting’, to its core business of roads, water, sewer, waste collection and recycling and storm water and assessment of development applications. Much of Council’s poor financial condition can be traced to ill-fated commercial ventures, property development, dubious investment strategies, obedience to rent-seeking from developers and other large operators, failure to seek compensation for loss of income from the Silver Sands Holiday Park⁹ and the enormous legal and consultants fees in highly questionable actions eg Iron Gates, Ocean Outfall, RSL LifeCare, Evans Head Memorial Aerodrome, Broadwater land acquisition, and also to sale of its assets without tender at bargain basement prices¹⁰.

It is to be noted that there has been no independent audit of council’s management for a number of years, a function once carried out by council’s auditors. In my view this is a serious problem which diminishes capacity for scrutiny and accountability.

Based on the information provided here I believe the application for a Special Rate Variation by RVC should be rejected.

Sincerely

.....
(Full Name)

(Date)

⁹ Other councils such as Ballina negotiated a significant ‘dowry’ when it lost control of its holiday parks to the State Government. Not so RVC. It received nothing yet the parking problem at Evans Head for which council is now seeking \$500,000 is primarily caused by the Holiday Park.

¹⁰ For example sale of the Evans Head Memorial Aerodrome in its entirety for \$2.5 million which does not even cover the cost of the ill-fated decontamination of the site for more than \$4 million which has not been recovered.