

22 February, 2015

## **Issues opposing Coffs Harbour City Council's application for a Special Rate Variation**

As a ratepayer of Coffs Harbour City Council area, I hereby submit my **objection** to the proposed special rate variation being sought by Coffs Harbour City Council.

I have analysed the rates charged on my property by Coffs Harbour City Council since 2012. These figures show a cumulative increase of 13.24% on Ordinary Residential Rates. [see **Annexure 1**] The cumulative CPI increase over the same period is 6.75%.

I, and the majority of other ratepayers, have clearly said NO to a FURTHER permanent 16.52% cumulative increase over the next two years.

### **Criterion 1 and 2: Need for the Variation and Community awareness and engagement.**

Last year, iPart refused Council's application for 3 consecutive permanent rate rises due to Council's lack of communication with ratepayers.

Despite, Council's assertion to the contrary, communication has NOT improved.

The Budget Allocator [part of last year's application] failed to make it clear that the survey was a mandatory precursor to lodging an application for a Special Rate Variation with iPart. It was, in effect, a wish list by ratepayers who were unaware of the consequences of completing the Budget Allocator. In any event, the tool was restrictive in allowable responses and was clearly unreliable.

This year, there was supposed to have been a 20 page information booklet for all ratepayers. Council's submission refers to Annexure 5A as being this booklet. The iPart website does NOT include this booklet, nor is it available on Council's website. Instead an advertisement [short on detail] is annexed to Council's submission.

I have not seen the booklet, but I understand that it refers to a backlog of over \$70 million in expenditure. Where is the supporting documentation for this assertion?

Residents were sent a reply paid post card asking ratepayers to vote yes or no to a rate rise. The options were - do you want reduced services, or do you want a rate rise. It was worded in such a way that it may as well have said "do you want to be hanged or shot". There was no alternative such as, do you want to see Council achieve its budget. [see **Annexure 2** for a comparison of budgeted to actual results from 2011 to 2014]

Despite the wording of the post cards, 88% of respondents voted against a rate rise. In an online poll, the result was 89% opposed. A random telephone poll resulted in a 71% NO result.

The results of these polls should be read in conjunction with Council's Community Engagement Strategy. The objectives of that Strategy are:

		<i>Comment</i>
Inform	Giving information to community	NOT all ratepayers were sent the 20 page booklet, nor is it available online
Consult	Obtaining community feedback	Feedback resulted in a resounding NO
Involve	Participating directly with the community	Information sessions held in Coffs Harbour ONLY – no sessions or workshops in other areas within the LGA
Collaborate	Partnering with the community to create solutions	NOT undertaken. Staff made recommendations based on “SPIN” – not consultation.
Empower	Placing final decision making in the hands of the community	Majority of Councillors ignored the decision of the community. These same Councillors supported the GM’s bonus.

### **Criterion 3: Impact on ratepayers**

A large proportion of Coffs Harbour ratepayers are on fixed incomes, such as unemployment benefits, disability support pensions, age pensions and self-funded retirees. The application does not assess the impact on the different [mainly low socio-economic groups] within CHCC.

The Age pension has increased by 9.72% from 2012 to 2014. Term Deposits Interest rates have fallen by more than 2.5%. This, at a time when Council is proposing to increase residential rates by 16.52% [and higher in some circumstances]

It is totally unaffordable and reckless to ask the residents to fork out for Council’s financial mismanagement and mishandling of community consultation.

I have compared the 2014 rates for a comparable residential property in the Penrith City Council area. Water and Sewerage rates are charged by Sydney Water.

The comparison of the two shows that [as a ratepayer of Coffs Harbour], I pay [in total] an additional \$573.32 combined rates for a property of a lower value [see Annexure 3].

	<b>Coffs Harbour Council</b>	<b>Penrith City Council /Sydney Water</b>	<b>Extra paid for lower land value</b>
<b>Land Value</b>	<b>236,000</b>	<b>240,000</b>	
Council	1,711.40	1,369.88	341.52
Water	922.00	690.20	231.80
<b>Total</b>	<b>2,633.40</b>	<b>2,060.08</b>	<b>573.32</b>

## **Impact on Rates**

The impact that land valuation increases have on rates has not been adequately explained to ratepayers.

**Annexure 4** shows the impact of the cumulative increase in **ordinary residential rates** where the land value is increased from \$236,000 to \$264,000.

The two year cumulative increase is 26.54% [not 16.52%], and the cumulative increase from 2012 is 43.3% [not 31.95%]. As if 16.52% permanent [and therefore compounding into the future] was not high enough. The proposed impact on rates is totally unacceptable.

## **Criterion 5: Productivity improvements and cost containment strategies**

Before considering the Special Rate Variation, iPart should be asking Coffs Harbour City Council to demonstrate that it has examined ways to provide existing levels of services within existing budgetary constraints.

Given the resounding NO response, Council has clearly **not** demonstrated to the community that it has undertaken productivity improvements and cost containment strategies.

I have analysed the financial results achieved by Coffs Harbour City Council over the past 4 years. These results show that this Council's financial management has taken us from a surplus of \$11,979,000 to a deficit of \$12,227,000 in 2014 [**see Annexure 5**]

Over that period of time, employee costs have risen by a cumulative 15.26% [compared to a CPI increase of 6.75%] [**see Annexure 6**]

The General Manager's remuneration has increased by 10.41% from 2012 to 2014 [**see Annexure 7**].

The General Manager was recently granted a \$20,000 bonus for taking this Council to a loss. [**see Annexure 8**]. Compare this to Penrith City Council which has consistently produced a surplus. The General Manager was awarded a 2.5% pay increase from 2013 to 2014.

Perhaps Council staff and GM can afford the rate increase, but they are not the majority ratepayers. The majority ratepayers are low income singles/families who cannot afford further special rate increases. The impact of the Federal Government announcement that it is freezing indexation of the Age Pension in the future should also be considered.

The number of Directors were increased from 3 to 4 during 2014, increasing the total remuneration from 2012 to 2014 by 43.18% [**see Annexure 9**]

In an ABC radio interview recently, ██████████ advised that the number of Directors has since been reduced, but the resultant redundancy had to be paid at Director's rates [as opposed to a Manager's rate if the surplus Director had not been needlessly appointed]. This is a blatant waste of Council's financial resources – one that we [the ratepayer's] are being asked to fund.

Other sources of revenue are not adequately examined. A glaring example is the Airport Advertising and Parking. When the contract for Airport Advertising was awarded in 2008 there were many unanswered questions. The secure parking facility was originally granted without tender, and the more recent long term parking was awarded to a related party [again without tender – and without adhering to the original agreement].

Expenditure is not adequately scrutinised. The secure parking facility was recently purchased back by Council under extremely secretive circumstances [details of what was being purchased was not disclosed to the public, nor the price paid to “buy back” this asset which was so casually originally awarded]. Council could do a great deal more to engage in transparent communication with the ratepayers, and to demonstrate that it has taken all possible steps to “live within its means”.

Please note that I do not belong to any special interest group. The content of this submission is not confidential, but I would like my name and address to remain confidential.

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**Annexure 1**

**Coffs Harbour City Council  
Rates Increases**

	<b>Year ended 30 June, 2012</b>	<b>30 June, 2013</b>	<b>30 June, 2014</b>	<b>30 June, 2015</b>	<b>cumulative increase</b>	<b>cumulative increase %</b>
Ordinary Residential Base	285.00	295.00	305.00	330.00	45.00	15.79%
Ordinary Rate - Residential	773.34	777.03	803.77	868.50	95.16	12.31%
Special Environmental Base	18.50	19.00	19.65	20.15	1.65	8.92%
Special Rate - Environmental	22.96	23.00	23.98	24.50	1.54	6.71%
Water Access Charge	131.00	135.00	139.00	143.00	12.00	9.16%
Sewer Access Charge	720.00	760.00	783.00	806.00	86.00	11.94%
Domestic Waste Charge	400.00	460.00	534.00	566.00	166.00	41.50%
Stormwater Management Charge	25.00	25.00	25.00	25.00	-	0.00%
<b>Total</b>	<b>2,375.80</b>	<b>2,494.03</b>	<b>2,633.40</b>	<b>2,783.15</b>	<b>407.35</b>	<b>17.15%</b>
Ordinary rates increase %	1,058.34	1,072.03	1,108.77	1,198.50		
cumulative increase		1.29%	3.43%	8.09%	140.16	13.24%
<b>CPI increases</b>						
Ordinary rates	1,058.34	1,079.51	1,103.26	1,129.73		
CPI	99.80	101.80	104.00	106.40	71.39	6.75%

## Annexure 2

### CHCC Financials - comparisons Year ended 30 June 2011 - 2014

	Comparison to Budget			Comparison to Previous Year	
	Budget	Actual 2012	Variance (under)/over	Actual 2011	increase/(decrease)
<b>Income</b>					
Rates & Charges	67,098,000	66,452,000	(646,000)	62,713,000	3,739,000
User Charges and Fees	26,305,000	26,482,000	177,000	22,296,000	4,186,000
Interest and investment revenue	6,303,000	10,877,000	4,574,000	10,993,000	(116,000)
other revenues	4,506,000	6,227,000	1,721,000	5,029,000	1,198,000
Grants & contributions - operating	14,170,000	18,240,000	4,070,000	19,034,000	(794,000)
Grants & contributions - capital	15,545,000	16,809,000	1,264,000	27,963,000	(11,154,000)
Gain on disposal of assets		17,000	17,000	328,000	(311,000)
<b>Total Income</b>	<b>133,927,000</b>	<b>145,104,000</b>	<b>11,177,000</b>	<b>148,356,000</b>	<b>(3,252,000)</b>
<b>Expenses</b>					
Employee benefits and on-costs	25,896,000	36,690,000	10,794,000	33,947,000	2,743,000
borrowing costs	17,118,000	17,465,000	347,000	18,433,000	(968,000)
materials & contracts	52,313,000	37,089,000	(15,224,000)	32,750,000	4,339,000
Depreciation and amortisation	32,947,000	37,781,000	4,834,000	42,007,000	(4,226,000)
Other expenses	4,773,000	9,777,000	5,004,000	9,240,000	537,000
<b>Total Expenses</b>	<b>133,047,000</b>	<b>138,802,000</b>	<b>5,755,000</b>	<b>136,377,000</b>	<b>2,425,000</b>
<b>Operating result</b>	<b>880,000</b>	<b>6,302,000</b>	<b>5,422,000</b>	<b>11,979,000</b>	<b>(5,677,000)</b>

	Comparison to Budget			Comparison to Previous Year	
	Budget	Actual 2013	Variance (under)/over	Actual 2012	increase/(decrease)
<b>Income</b>					
Rates & Charges	71,889,000	71,430,000	(459,000)	66,452,000	4,978,000
User Charges and Fees	26,188,000	26,493,000	305,000	26,482,000	11,000
Interest and investment revenue	5,438,000	15,419,000	9,981,000	10,877,000	4,542,000
other revenues	4,796,000	7,365,000	2,569,000	6,227,000	1,138,000
Grants & contributions - operating	14,729,000	17,388,000	2,659,000	18,240,000	(852,000)
Grants & contributions - capital	12,683,000	11,143,000	(1,540,000)	16,809,000	(5,666,000)
Gain on disposal of assets	-	-	-	17,000	(17,000)
<b>Total Income</b>	<b>135,723,000</b>	<b>149,238,000</b>	<b>13,515,000</b>	<b>145,104,000</b>	<b>4,134,000</b>
<b>Expenses</b>					
Employee benefits and on-costs	26,073,000	37,716,000	11,643,000	36,690,000	1,026,000
borrowing costs	16,257,000	16,355,000	98,000	17,465,000	(1,110,000)
materials & contracts	56,590,000	43,314,000	(13,276,000)	37,089,000	6,225,000
Depreciation and amortisation	44,970,000	45,479,000	509,000	37,781,000	7,698,000
Other expenses	5,532,000	10,781,000	5,249,000	9,777,000	1,004,000
Loss on disposal of assets		2,419,000	2,419,000	-	2,419,000
<b>Total Expenses</b>	<b>149,422,000</b>	<b>156,064,000</b>	<b>6,642,000</b>	<b>138,802,000</b>	<b>17,262,000</b>
<b>Operating result</b>	<b>(13,699,000)</b>	<b>(6,826,000)</b>	<b>6,873,000</b>	<b>6,302,000</b>	<b>(13,128,000)</b>

	Comparison to Budget			Comparison to Previous Year	
	Budget	Actual 2014	Variance (under)/over	Actual 2013	increase/ (decrease)
<b>Income</b>					
Rates & Charges	76,928,000	75,971,000	(957,000)	71,430,000	4,541,000
User Charges and Fees	28,292,000	30,878,000	2,586,000	26,493,000	4,385,000
Interest and investment revenue	6,835,000	9,449,000	2,614,000	15,419,000	(5,970,000)
other revenues	4,873,000	7,386,000	2,513,000	7,365,000	21,000
Grants & contributions - operating	14,209,000	12,198,000	(2,011,000)	17,388,000	(5,190,000)
Grants & contributions - capital	17,061,000	11,878,000	(5,183,000)	11,143,000	735,000
Gain on disposal of assets	-	-	-	-	-
<b>Total Income</b>	<b>148,198,000</b>	<b>147,760,000</b>	<b>(438,000)</b>	<b>149,238,000</b>	<b>(1,478,000)</b>
<b>Expenses</b>					
Employee benefits and on-costs	28,353,000	39,128,000	10,775,000	37,716,000	1,412,000
borrowing costs	15,224,000	15,316,000	92,000	16,355,000	(1,039,000)
materials & contracts	60,655,000	46,569,000	(14,086,000)	43,314,000	3,255,000
Depreciation and amortisation	40,296,000	44,941,000	4,645,000	45,479,000	(538,000)
Other expenses	5,980,000	11,203,000	5,223,000	10,781,000	422,000
Loss on disposal of assets		2,830,000	2,830,000	2,419,000	411,000
<b>Total Expenses</b>	<b>150,508,000</b>	<b>159,987,000</b>	<b>9,479,000</b>	<b>156,064,000</b>	<b>3,923,000</b>
<b>Operating result</b>	<b>(2,310,000)</b>	<b>(12,227,000)</b>	<b>(9,917,000)</b>	<b>(6,826,000)</b>	<b>(5,401,000)</b>



### Annexure 3

#### Rates Comparison 1/7/13 to 30/6/14

	Penrith City Council	Coffs Harbour City Council	Extra paid to CHCC for lower value
<b>Land Value</b>	<b>240,000.00</b>	<b>236,000.00</b>	
Residential rate	1,022.88	1,152.40	129.52
Domestic Waste	322.00	534.00	212.00
Stormwater Management	25.00	25.00	-
<b>Total land rates</b>	<b>1,369.88</b>	<b>1,711.40</b>	<b>341.52</b>
<b>Water Rates</b>	<b>Sydney Water</b>	<b>Coffs Harbour Council</b>	<b>Extra Paid to CHCC</b>
Water access	135.12	139.00	3.88
Sewerage access	555.08	783.00	227.92
<b>Total Water Rates</b>	<b>690.20</b>	<b>922.00</b>	<b>231.80</b>
<b>Total combined rates</b>	<b>2,060.08</b>	<b>2,633.40</b>	<b>573.32</b>

## Annexure 4

### proposal by CHCC

	y/e 2015	y/e 2016	y/e 2017		
land value \$236,000	1,198.50	1,296.06	1,396.50	198.00	<b>16.52%</b>
<b>increase since y/e 2012</b>				338.16	31.95%
land value increase to \$264,000		- 1,407.49	1,516.57	318.07	<b>26.54%</b>
increase since y/e 2012 taking into account increase in land value				458.23	43.30%

## Annexure 5

<b>summary Financial results</b>	<b>Surplus/ (Deficit)</b>	<b>Increase/ (Decrease</b>
2011	11,979,000	
2012	6,302,000	(5,677,000)
2013	(6,826,000)	(13,128,000)
2014	(12,227,000)	(5,401,000) -202.07%

summary Employee costs	Employee costs	Increase/ (Decrease
2011	33,947,000	
2012	36,690,000	2,743,000
2013	37,716,000	1,026,000
2014	39,128,000	1,412,000 15.26%

Summary GM remuneration	General Manager	Increase/ (Decrease
2011	not known	
2012	244,488	
2013	256,865	12,377
2014	269,936	13,071 10.41%

<http://www.dailytelegraph.com.au/news/nsw/pay-rise-for-coffs-harbour-city-council-general-manager-as-rates-bill-soared/story-fni0cx12-1227209673895>

## **Pay rise for Coffs Harbour City Council general manager as rates bill soared**

*Ms Cowling has accused the pair of failing to properly consult all councillors in a decision to increase the salary and pay a bonus to general manager Steve McGrath.*

*Ms Cowling said Mr McGrath, who midway through last year was paid almost \$270,000, received a bonus supported by Ms Knight and Mr Rhoades.*

*"The pay increase was granted at a time when the council had a \$6 million deficit," Ms Cowling said.*

<http://www.coffscostadvocate.com.au/find-your-local/browse/coffs-harbour/>

## **GM is re-signed as Cowling votes against renewal**

*Cr Cowling was the only councillor to vote against renewing Mr McGrath's contract.*

*She said that between 2009-10 and 2012-13, Coffs Harbour's financial position had turned downwards, with net profits falling, contract costs growing strongly and council's cash holdings diminishing.*

*She complained of reports brought to the council with short deadlines, staff costs increasing with the need to appoint an extra director, no business plan for the Economic Development Unit, Coffs Harbour City Council's level of governance and administration fees being 60.6% above the NSW average and "a lack of honesty over the rate rise"*

<http://www.coffscostadvocate.com.au/news/just-not-rated-call-for-inquiry-into-councils-fina/2535699/>

## **Call for inquiry into council's finances**

*COFFS Harbour City Council's plans for a rate rise have hit another pothole, with Cr Nan Cowling's call for an inquiry into the operations and financial management of the council by the Office of Local Government.*

*Cr Cowling has written to the Minister for Local Government, Paul Toole, asking for a public inquiry, saying the council is not using the correct procedures for some matters, which has led to injustices to local community members.*

*Complaints have also been made that just two councillors were responsible for a "significant" pay rise awarded to the council's general manager Steve McGrath, which she thought was inappropriate while the council was struggling to balance its books.*

*"The bonus comes at a time when Coffs Harbour City Council is seeking a 16% special rate variation and has reported an increase in deficit across two financial years which, in my opinion, is a hit in the eye of all residents," Cr Cowling said.*

*She said Cr Keith Rhoades and Coffs Harbour Mayor Denise Knight had supported a larger 2014 pay rise for the GM than originally debated by the General Manager's Performance Review Panel and the mayor had used her casting vote to approve the pay rise after the vote was locked 2-2 in the four-person committee.*

*Cr Cowling said the final proposed pay rise was opposed by the other two committee members, deputy mayor Cr Sally Townley and herself.*

*The pay rise was subsequently approved by a 4-3 vote of seven of the nine councillors in open council.*

*Cr Cowling said yesterday that large bonuses paid to senior executives in private industry were different. They were in recognition of large profits, whereas the council had a \$12 million deficit.*

<b>Summary</b>		
<b>Directors' remuneration</b>	<b>Directors</b>	<b>Increase/ (Decrease</b>
2011	not known	
2012	570,566	
2013	586,075	15,509
2014	816,915	230,840 43.18%