

Author name: A. Anderson

Date of submission: Wednesday, 13 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

As a rate payer of Kempsey council (for 5 years) I have witnessed and heard how the council miss manages their funding. I do understand services cost more, everything costs more.. I feel like others, that the Council is approaching the SRV as a quick fix as a first solution instead of looking at their poor performance in running and navigating a business. Poor leadership results in poor results and us as the rate payers and the renters are paying for poor leadership. We are a low economic area as a whole, council needs to listen, otherwise there will be a lot of households that can not afford to pay the rate increase and the fall out will be council not receiving any monies. IT IS THAT SIMPLE We can not afford additional costs on top of the Peg rise Many thanks

Author name: A. Edwards

Date of submission: Wednesday, 6 March 2024

Please write your submission below:

I am an age pensioner and feel this special variation to increase rates will cause further hardship to residents of the Macleay, including myself. A few years ago KSC lifted the height of Plummers Lane, the road running along my front boundary. The Council owned land from my front boundary to the road has been made so steep I can no longer mow the area. Council are refusing to maintain this area and I have had to pay private contractors to keep it in reasonable condition. This has cost me \$400 so far for 6 months. I am not in a position to afford this huge rate rise on top of having to maintain their portion of land that I can no longer maintain due to the steepness on a small portion of my front boundary fence. I do maintain the rest of the frontage on my property. Photos unable to be attached in pdf. Could send in email if required. Many phone calls for maintenance have fallen on deaf ears, contact with local MP has been made and waiting for a follow up to this problem. Council have wasted huge amounts of money for a long time, I do not feel a rise in rates is fair when I have to pay others to do what Council should be doing with the rates I already pay. For the record, I am an age pensioner, with chronic kidney failure and have sensitivities to chemicals, so area cant be sprayed

Author name: A. Williams

Date of submission: Sunday, 3 March 2024

Please write your submission below:

My wife and I reside at Crescent Head NSW therefore fall into the Kempsey Shire Council area. We are self funded retirees with very low income. Since we have lived at Crescent Head our annual council rates have increased by \$1500 to \$4500 per year. If the current special rate variation is approved our rates will increase to approximately \$6000 per year. As self funded retirees we simply will not be able to afford this increase - this would mean we would need to go onto a pension so as to access a pensioner rate concession therefore we become a burden on the taxation system This is not our intent to be drawing on the welfare system Yours Allan and Teresa Williams

Kempsey Shire Special Rates Variation

As a run of the mill resident it is difficult to compare one shire with another however Clarence Valley Council might serve for a general comparison.

Clarence Valley applied for and received a 2.5% rate rise in 2022-3. After that rise their average general rate rose to \$1234.80, less than the current Kempsey average of \$1274.

Are we analysing differences in operations and outcomes for comparable rural councils? A rise in rates to the extent proposed appears exceptionally and unacceptably high compared to Clarence Valley.

Another substantial cost of living increase is unaffordable for a low income community with stagnant growth and income. The proportion of the cost increase is far greater than any rise in means or income. Rates are a form of taxation and no reasonable proposal to increase taxation can ignore proportionality to means.

We can question fine detail in the financial statements like a \$30,000 increase in employer travel costs, up by over 200%, but the amount is negligible in the overall scale of accounts. The 5 yearly cycle of revaluation seems to have a positive result recovering or reducing depreciation. This makes prediction of future (non-cash) expenditure unreliable.

Property plant and equipment disposals show disproportionate losses raising questions about sales. In 2022 there appears to be a loss of \$4123 on PPE sales of \$8,663,000 (.05%) but in 2023 a higher loss of \$5483 on substantially lower sales of \$515,000 (1%). The appropriateness of the sales results will of course depend on the type of PPE and method of sale.

Legal costs for debt recovery rose from \$15,000 to \$166,000 without significant apparent change in receivables and other legal costs rose from \$94,000 to \$307,000 which may have been abnormally incurred in issues flowing from a contested election process.

I accept that the NSW state government fails to compensate councils for discounts to pensioners. Based on the practices in other states of Australia this matter should be argued in the NSW and federal parliaments rather than passed on as a cost to ratepayers. Forestry impacts on roads should be dealt with similarly and these impacts are undoubtedly also borne by Clarence Valley.

I conclude that our council cannot in good conscience levy these rates at a higher level than comparable rural shires and other semi-rural shires in the state. The only acceptable course of action is limit rate rises to CPI and adjust service expectations and delivery. I believe the majority or residents would concur because they cannot afford to do otherwise.

Author name: D. Abel

Date of submission: Tuesday, 27 February 2024

Please write your submission below:

Hi, please consider my submission against a rate variation for Kempsey Shire council. 1. No communication - council had lots of opportunities to inform residents of a SV, including in the rate notices. Instead that was used to inform us of other charges going up, including water and sewerage, no mention of a SV until 3 months later. By this time it was spreading by word of mouth. Council has no 'what's on' sight either on the internet or otherwise to inform residents or ratepayers about anything, no set up a table or stall to inform people. 2. Strategy to lower Council costs. If councillors were more present in the community they may come across ratepayers and residents with innovative and helpful ideas to help with the bottom line. We all want the best for the whole shire. While I know they employ people to do this, obviously it is not working. For my 2 cents worth, roads and the welcoming or unwelcoming look of our towns need fixing. We need tourists and visitors to grow our community. If council used the good stuff to fill potholes they wouldn't have to be redone. Surely council staff are multi-skilled to work where needed. And they did find many millions of dollars in just a week. Look and find more. 3. Impact - Kempsey Shire is a low socio-economic area with an ageing population and pensioners, all on fixed incomes. The biggest employer in this area is health. This shows it is an area that will NOT be able to absorb any increase in council rates, especially with increases in mortgage rates and cost of living pressures. It effects everyone from ratepayers to renters, it increases everything, homes, shops, the lot. On a personal level, I have a mortgage and I am the carer for my husband and son. There are no specialist that come to town so all appointments involve travelling out of town, most if not all surgeries are out of town, I can't drink the water and it smells when having a shower. At the end of the day I am against this SV with council elections later this year, maybe new councillors will be able to balance the books, as I don't have confidence that rewarding this council with more money will make them more responsible with it.

Author name: D. Buckland

Date of submission: Wednesday, 6 March 2024

Please write your submission below:

I oppose the rate rise. The council needs to look at a user pay system. Dont tax the locals. Make the people who visit the area pay. No free water. Hot showers etc at Crescent Head. Paid parking for non locals as they do in Byron Bay. Employ people with forward planning, maximising the location for intercity industry . No to the rate rise

Author name: D. Colson

Date of submission: Monday, 11 March 2024

Please write your submission below:

To whom it may concern, I am a local home owner living with my partner who is retired. I have been employed full time by a local family run business for the past 3 yrs. I have grown up on the mid north coast of NSW. I also lived in Sydney, Port Macquarie and other parts of the this region. I do agree that there needs to be a rate rise, but not the high percentage over the next 3 years that is proposed. I don't have a recommended figure, at least half of what is being put forward. These rate increases are not just going to affect people like myself who own our home with a mortgage, it will flow on to people who are renting, small and medium businesses that all ready struggling through these hard financial times, higher rents, interest rates, Utilities, food, education etc. I believe one of the key issues as to why our local Council has become financially unstable and needing to request this much higher rate increase over the next three years, is infrastructure repairs which has been accumulating and has increased in costs exponentially over the last 15 years, especially bridge and road repairs: a bridge now cannot be timber and steel, it must be concrete and steel the average cost for a bridge in our region is now \$5M to \$7M (compared to what the original timber bridge it is replacing approx \$500k to \$750K; road building costs; Single lane bitumen road is \$1M a Kilometre. The Federal Government has been asked numerous times by State MPs, to adjust funding or extend what the Federal government is responsible for, to ensure compliance is met and first responders can safely access people and properties via bridges and roads. The other component I would like to raise is transparency and better tender processes on Council spending on projects in our region. One example would be the Kempsey Majestic Cinema funding. If this project had been project managed, risk, compliance of the money spent benefiting our community over the next 10 years, it would not have gone ahead. Majestic Cinemas is about to go into liquidity and if someone chooses to buy or take it over will realistically shut Kempsey down as it is losing money on a weekly basis. When I worked in a Council in regional Victoria, Swan Hill. I assisted on an administration level with Tenders and they had a very thorough points system, that encouraged local businesses to win projects, as the point system benefited, if you were a local businesses, if you used local employees (and/or contractors). Materials sourced from local area, and obviously cost breakdowns to ensure financial compliance. There would be a minimum of three people to screen the Tenders, and the third person would change on a monthly basis to reduce the chance of bias. Create better investments, to create income sources, rather than only relying on rates and Government grants. I recommend that Ipart investigate spending, tender compliance, Grant funding application and releases, and how the Federal Government can do a better job of supporting regional councils. Yours truly Dane Colson [REDACTED]

Author name: e. Walker

Date of submission: Saturday, 9 March 2024

Please write your submission below:

Hello The rate increase is one thing it is the fees and charges that the council has imposed that goes unchecked For example I have a block of three flats at [REDACTED] The rates and charges as follows 07 residential (925.05 AO1 environmental levy \$32.81 S99 water usage \$66.00 S22 water access \$984.00 S40 Sewer access \$4620 S81 waste standard MUD service \$1455.00 S89 stormwater charge \$25.00 Total charges \$8112.59 Every year for the past 4 years they have increased the charges by about \$1000 I have 3 pensioners living in these flats I try to keep the rents low with all these charges it is economical plus the maintenance, insurance. could you please investigate this cheers Ellis walker

Author name: E. Weston

Date of submission: Wednesday, 28 February 2024

Please write your submission below:

I strongly object to Kempsey Shire Council's SRV application given KSC's huge wastage of ratepayer funds largely due to incompetence and failure to consult with the community. Living in a small coastal village I currently have unrealistically high Council rates along with substantial strata fees and fear I will soon be priced out of my home. Where do I go from here? Governments claim older folk should remain in their homes for as long as possible...I'm not nursing home material yet! My nearest town Kempsey is heading towards being a ghost town...already many shops stand empty. Any rate increases are passed on to tenants whether in the already sad business sector or private one. I envisage more homelessness...more living on the streets. Crime is already rampant. Kempsey Shire Council is more interested in passing unsuitable DA's for further revenue than providing the services on their job description. Council is totally out of touch with the community and displays an intolerable arrogance. Our Mayor recently threatened us with service cuts...Council needs to look at Managerial/staff cuts [REDACTED] [REDACTED] Whatever sum of money was provided to them would never be enough due to the gross mishandling of funds. I have absolutely no confidence in Council's General Manager. Roads suffer, roadsides suffer, drains go uncleared etc etc whilst Council come up with one pie in the sky unrealistic (for our area) project after another knowing that their cash cows will prop them up. On the rare occasions community are consulted they are not listened to and our environment suffers for it...our services suffer for it. Those of us soon to be priced out of our homes have nowhere to go...this is very scary for the elderly. Rental accommodation is inadequate and pensions wouldn't come close to covering rent AND food. It's a very stressful situation as well as a frustrating one given Council's poor managerial skills and incompetence. I envisage the homeless in the Macleay area squatting in empty shops. Kempsey Shire Council urgently need independent auditing...the number of large costly errors are very questionable. The infamous very large industrial shed here in Crescent Head being just one...dropped into our CBD at the gateway to our surfing beach without even a hint of community consultation. The list of funding waste is large and the people are hurting...the cost of living is already very challenging. Our restricted incomes mean budgets are already unrealistic. Given our utility costs must be met food, clothing and health are our first cutbacks. We don't have cash cows to fall back on. The hardships of this community...one of high unemployment, and the greed of our Council will hopefully be looked into prior to the acceptance of a Special Rate Variation we can ill afford. Thank you.

Author name: G. Forsyth

Date of submission: Sunday, 10 March 2024

Please write your submission below:

Residential development is out of control at South West Rocks, leading to shortfalls and gaps in infrastructure development. Water supply and sewage treatment are at capacity, and insufficient in peak holiday times. Local Roads are being continually destroyed by developers trucks carting fill etc around and then we have to fix them \$\$\$. Numerous other infrastructure issues exist, eg parking, medical services are but two of many. The Council has steadfastly refused to open up new opportunities to raise revenue, for example: Charge non-ratepayers for parking at beaches and adjacent public areas; Charge Holiday park owners for the overflow parking that uses public streets; Increase the Rates for holiday accommodation properties, and leave owner occupied and long term rentals alone = the landlord can claim any increase on their tax return, AND will only pass the cost on to holiday makers. The Council fails to enforce its own Laws such as dog on/off leash areas and car parking matters. Both are areas ripe for raising revenue. Has the Council held the mirror up to itself and conducted a Waste-hunt to eliminate any activities that are not adding value to the Council Mission? There is no mention or evidence of this. Perhaps if the Council refocuses to a 'do what we do well' approach and follow through on it, combined with some new revenue streams, the need to force increased rates on those that can least afford it might reduce.

Author name: G. Riddel

Date of submission: Friday, 8 March 2024

Please write your submission below:

This rate rise is unsustainable it wasnt that long ago Kempsey Shire Council got a 70% rate rise, my pay increase is only 2.5% p.a. How many more empty shops does the Council want in town Id say I few more,as Australia is one of the most over governed Countries in the world per head of population I think its more than about time all councils were sacked & the State Government takes over Council roles due to their reduced work load by privatising everything. I have no debt I can pay my bills except for council rates which is always a struggle. End note: if this rate rise goes ahead I will have to become a recluse because I wont be able too afford to do anything. Stop this crazy rate rise!

Author name: G. Steele

Date of submission: Friday, 15 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

Kempsey Shire Council has failed its rate payers on several occasions. The Kempsey Airport is a much needed asset and is a significant cost to council and the rate payers. Council had a flight school company which was leasing the airport and still allow for emergency services to utilise. A community action group was formed from residents who had recently move to the area. This group fought council and council capitulated to a group of 20-40 residents. Now council is requesting that all residents pay for the airport at a cost of \$500,000.00 per year. The council was at the time receiving \$2,000,000.00 from the lease agreement. As a means of recouping some airport costs this council is attempting to cost shift to the emergency services. Council declined RESCRETE a prefabricate concrete construction company to set up business in the Kempsey Shire. This business would have provided employment, developed job skills and a significant rate contribution. Through the council's negligence again more mismanagement. Poor financial management council over several years has received a SRV and there has been an increase in council employees, however no enhancement in services as a result. Council conditions of employment are far too generous. The general managers wages are far too high and should be performance based. Likewise, most council employees have council vehicles that they can use like a personal vehicle. The only employees who should be entitled to a vehicle are those on call. The other employees can salary sacrifice. This would provide savings and shift the cost to the employees and not the rate payers who get no benefit. Public/private partnership of the Kempsey Ciminera cost ran a survey to investigate a Ciminera complex for the Kempsey Shire. The survey did not support the development however, Kempsey Council went ahead and provided \$2,000,000.00 towards the cost of development with no guaranteed return. The private partner has failed to make any profit due to lack of patronage. Another financial lost to the rate payers. How much more do the rate payers of Kempsey need to endure before this council is held to account for poor financial management? I do not support the SRV as it will only be wasted and used to prop up past financial mismanagement.

Author name: G. Stoneham

Date of submission: Tuesday, 12 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

The file SRV - Subm to IPART is my submission to IPART. The other file is referred to in that submission to you. Thank you.

Hello

I wish to make a submission to IPART about the rate rise sought by Kempsey Shire Council.

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EXECUTIVE SUMMARY

SRV Substantiation And Documentation

Council's documentation in this SRV Application has consisted of mainly biased forecasting and partial and selective information and disclosure, with very little to nothing being provided to enable reasonable assessment and substantiation of its major components at a higher level. Problems exist in the areas of:

- Financial Numbers
- Income Statement
- Assets
- Assessment Criteria, and
- Other Considerations.

Existing Operational Matters

There are operational matters that are almost certainly existing within Council that need clarifying and/or addressing:

- spending, policy and management issues
- issues of culture, accountability and competency, and
- binding commitments to ensure any future monies are appropriately managed and prioritised.

These operational matters, some of which are significant and chronic, make it almost certain additional ratepayer income arising from this SRV will not be appropriately managed and be further, unfairly and permanently detrimental to ratepayers, until they are all dealt with.

Request Of IPART To Reject SRV

I ask IPART to reject this SRV in its entirety due to Council's failure to meet the following Assessment Criteria:

- Exhibition and Sufficient Clarity of Documentation
- Explanation and Quantification of Productivity Improvements and Cost Containment
- Financial Need for Additional Income, and

- Community Reasonable Capacity and Willingness to Pay*,

arising from the combination of shortfalls in substantiation and documentation, and operational issues of a longer term nature and significance not being able to be satisfactorily dealt with in the time frame of the SRV Consultation and Assessment process.

Request Of IPART For Notification To Council

I also ask IPART to notify Council that future submissions for SRVs will be accepted only after an independent examination of the issues raised within this SRV has been undertaken and the contents and subsequent corrections have each been made public when available.

I have also listed another suggested determination option within the body of this submission, refer Conclusion/The Assisting Role Of IPART Now And Going Forward. I note Council's cash flows and position for the next few years will facilitate the above financially.

This submission to IPART complements a submission I sent to Kempsey Council on 2 January 2024, which is referred to within at times. It is attached. Thank you.

Note: * see detailed description in Assessment Criteria.

AUTHOR BACKGROUND

I have been the Chief Operating Officer, National Operations Manager and Consultant of several large stockbroking and banking organisations, a Member of the Australian Stock Exchange, a Grandfather and Practitioner Member of the Securities and Derivatives Industry Association and a Member of the Institute of Chartered Accountants for over 30 years. I have worked for and consulted to some of Australia's biggest, most successful and reputable organisations including ANZ, Bankers Trust, Challenger, ING, Investec, JPMorgan, Macquarie Bank, Ord Minnett, Price Waterhouse, Royal Bank of Canada and Westpac. I have also been a Director of several companies and businesses, have a Bachelor of Arts (Accounting) and Certificate Course of the Securities Institute of Australia. I am now retired and live at Hat Head, within the Kempsey Shire.

FINANCIAL NUMBERS

Summary

Ratepayers have been denied timely information and review of Council's most recent Financial Statements. There are overwhelming and unquantified numerical discrepancies in the SRV Documentation, numbers have been used that do not (but should) come from audited sources, and there have been withheld disclosures. This is not acceptable to me as a ratepayer when justifying a permanent rise in rates and must surely fail IPART's standards as well.

Justification

Untimely Ratepayer Information

Council released its 30 June 2023 Financial Statements only after its SRV application had been lodged with IPART in February 2024, preventing ratepayers from taking their contents into account in SRV submissions. I note the most recent audited financial information available for use in ratepayer submissions was thus 18 months old

Incorrect And Unquantified Numbers

The closing numbers in the 30 June 2023 Financial Statements do not agree to the 30 June 2023 numbers ie the starting point in the Long Term Financial Plan (LTFP) and the Asset Management Strategic Plan Policy (AMSPP) to almost every number. This renders the LTFP and AMSPP documents unsuitable for use in Council's SRV Application given the starting point numbers in the SRV documentation and calculations are not based on audited sources, the \$ affect of the numerical differences is unquantified and the SRV Application is one of permanent duration

Lack Of Quality Control

Council would have known that the numbers presented to ratepayers in the SRV documentation were going to be different, and outdated, to those in the 30 June 2023 Financial Statements because the statements were still being worked on when the SRV documents were released

Council however did none of: identify the differences, \$ quantify them, organise themselves to release the Financial Statements on a timely basis to assist with community consultation of the SRV or make any disclosures re the discrepancies to ratepayers

I certainly hope the delay in Council's release of their Financial Statements, their use of differing and unquantified starting point numbers and failure to disclose the latter did not occur because the impact would be favourable to future available cash inflows from this SRV

Undisclosed Information

The IPART Application Form contains significant amounts of information Council did not previously disclose to ratepayers eg detail on Asset Backlogs, cost increase details, productivity improvement details and more.

INCOME STATEMENT

Summary

The forecasting in the Income Statement is of unacceptably poor quality and trustworthiness. The adjustments needed to remove the bias of assumptions towards Council are so great as to eliminate the projected ongoing deficit more than completely. Council projections are insufficient to substantiate any rate increase, let alone one that is to be permanent, and applied immediately.

Justification

Understated And Unrealistic Rate Assumptions

Rate income assumptions for both rate peg % and rateable property volume increases are questionably understated and unrealistic. I ask you to refer to my KSC submission in Pre SRV 10 Year Income Statement for further information

Pre Vs Post Rate Peg % Understatement

The 2.5% rate peg used by Council was to be applied in SRV applications before the adoption of the new rate peg methodology but this SRV is post. This is possibly a crucial issue as prima facie it may have given Council the opportunity to "arbitrage" the pre and post rate peg methodologies to unfair and permanent advantage, at ratepayer expense. A more realistic number for post applications is needed and will dramatically reduce the projected deficit

Inappropriate Treatment Of Unusual Items

Depreciation numbers are questionably overstated and include TWO items of a large size and unusual nature (depreciation on disaster capital grant assets and asset backlog purchases) which have not been disclosed as such. The embedding of "unusual" items in projections for a permanent rate rise is flawed in concept unless specific and appropriate analysis and

adjustments are effected, which is not the case here, resulting in a deficit overstatement. I ask you to refer to my KSC submission in Pre SRV 10 Year Income Statement for further information

Inappropriate Inclusion And Treatment of Asset Backlog Item

Council has projected to spend an extra \$70m to reduce its Asset Backlog over ten years in one of those unusual items, which is \$40m higher than the Asset Backlog balance disclosed in the General Fund in the 30 June 2023 Financial Statements. Its inclusion is to "address current and forecast infrastructure backlogs for asset renewals" as per IPART Application Form page 4

It is inappropriate for Council to apply for a rate funding increase that is to apply immediately and permanently when it includes to the full extent an event forecast to complete over a number of years time into the future, that is non-permanent, there is no certainty of its occurrence (eg a binding commitment), it may not be a valid projection given it is higher than the current balance, and especially when funding to refurbish existing assets has already been paid for by ratepayers previously. Ratepayers are therefore paying immediately and twice for something that may never happen and will be in the future

The treatment of this item in the LTFP Income Statement needs specific review and adjustment, and this has not occurred. I ask you to refer to my KSC submission in Assets In The General Fund for more information re the pre-existing payment

Elimination Of Deficit By Reasonable Adjustment Of Items

Reasonable adjustment of the above items and resulting interest is of sufficient size to eliminate Council's projected 10 year deficit completely, and more, making the existence of an ongoing Council deficit not only seriously doubtful, but more than likely erroneous. I certainly hope Council's various Income Statement projections and treatments were not made because they would be favourable to future available cash inflows from this SRV eg rate % and volume increases, two major depreciation items and backlog purchases, because a number of their major assumptions do not withstand even a low test of reasonableness and realism

Additional Undisclosed Rate Increase Included

The rate rise actually being sought by Council is 6.6% and \$20m est over 10 years (!) greater than what is needed arithmetically to zero their projected deficit, contributing further to forecasting and rate rise levels being significantly biased towards Council. This adjustment has not been disclosed separately to ratepayers.

ASSETS

Summary

The amounts projected for funding (depreciation) and the expenditure needed to effect asset remediation and replacement cannot be reviewed and assessed holistically as they are unable to be related to or derived from a bigger (unknown) picture due to inadequate disclosure. The Asset information presented is unsuitable to justify any rate increase.

Justification

Council Has History Of Assets Needing Refurbishment

Council assets are in sub-par condition and have been for a number of years, evidenced by funding requests for Asset investments in two previous SRVs starting 2012/13

Council Has History Of Spending All Available Cash

Council has spent almost all of the available cash in its possession each year for a number of years now. Despite having collected approx \$350m of depreciation on existing assets from

ratepayers, NONE remains for the future improvement of those assets, or for contingencies. This is one of the major reasons cash flows are so frequently constrained (and cash is needed) because the cash entrusted to Council by ratepayers for future investment and refurbishment of assets has been spent, presumably on less appropriate and more politically expedient assets and expenses

It is grossly unfair for ratepayers to be asked to pay, even partially, for improvements and replacements to the same Assets a second time (Asset Backlog purchases is one example) because of Council's insufficient management of cash, via a rate impost that is permanent. I note Council Financial Statements typically show significant year end cash on hand but it is reserved for other purposes

Inadequate Preparation And Disclosure Of Asset Information

The condition of assets individually and overall, and what is needed to reasonably correct them has not been fully and adequately disclosed by Council. The AMSPP document includes pieces of current information and what Council has 'determined' as its projections for the next ten years, but it does not present a sufficiently complete, digestible and necessary bigger picture to enable a reasonable view and assessment to be made of Assets in their entirety and Council's projections for them

For example, the AMSPP does not include clear information of the gross and net values of all assets reconcilable to the financial statements and the LTFP, with easily identifiable best estimates of the method, cost and time frame needed to manage and remediate them and their sub-categories. Consolidated fund information is presented at times, and at others, information is presented about the specific Water and Sewerage funds not relevant to this SRV. The AMSPP does not include clear information as to what the "Asset Backlog" (the term used in the LTFP) is currently in total and sub-categories now and in the future, though it does show \$ values for a series of substantially undefined terms such as Projected, Planned, Deferred, Funded and Unfunded Renewals that may or may not refer to something close to that, resulting in even a skilled person like myself being unable to assess almost anything in this area. Clear understanding of this area is crucial, given the poor condition over time of Council's Assets, their need for remediation, the lack of cash to do so and the impact of the \$70m Asset Backlog expenditure noted in the Income Statement above. The capital values, estimated useful lives, refurbishment information and depreciation amounts of the \$80m disaster grant assets are not disclosed either, preventing ratepayers from understanding the quantum and assessing the reasonableness of their new and enormous annual depreciation expenses to almost any degree

Basic linking of the AMSPP document to the LTFP and eventually the Financial Statements is highly difficult and ultimately proved unachievable. Have a look at the entire 113 page AMSPP document, and the blur of its piecemeal, quantity over quality, approach will quickly be grasped. It is almost as if the AMSPP was designed without thought that it would have readers, and that they may wish to grasp its salient matters

[During the preparation of my attached submission, I was told that Council does not have complete information on its Assets, with my understanding being that issues existed, though were being worked on, in the completeness of the Asset Register and the completeness and accuracy of the information required for condition identification, the process of refurbishment etc, cost and timeline. This, or something akin to this, would explain the absence of co-ordinated high level information on Assets and how they are to be managed. I have been unable to confirm or refute this]

Unacceptable Overall Asset Position

Council's asset situation is therefore a combination of poor asset quality, no cash remaining for their remediation and insufficient clear and relevant information presented publicly, with ratepayers unable to grasp what the current asset quality, proposed remediation and projections

encompass and whether they are realistic or not. The Asset situation occurring “on the ground” and in totality has almost certainly been caused over quite a few years by poor expenditure decision making and prioritising, inadequate asset and reserving policies, and neglect of asset management within Council. The reasoning for this is explained in my KSC submission in Assets In The General Fund

Lack Of Disclosure On Previous SRV Condition

I note no information has been presented to ratepayers in the SRV documentation as to whether Council has satisfied the condition in the previous SRV that additional income was to be spent on the Asset Backlog, and I note this is not the same as reducing the Asset Backlog \$ figure in total.

If I could make a couple of comments at this point, until Kempsey Shire Council’s inadequate internal processes and asset problems are specifically addressed, it will almost certainly need to apply for SRVs into the future because these issues are chronic and will continue to cause (allow) further future shortages of available cash. Council may argue this is not the case, but they have NO money left from the \$350m depreciation they have been paid by ratepayers to remediate the assets still on their books. That is completely inarguable, and despite being specifically asked, they have provided no evidence or explanation as to what those funds were expended on.

And they have seemingly given no consideration, and certainly made no statement or offered any commitment whatsoever to improving their expenditure/reserving policies or changing their processes so that any funds emanating from this SRV will actually be used in their stated aim of “improving their financial sustainability”, giving them the opportunity to spend any extra funding they receive, at any time, on any project or purpose they deem.

This is most concerning, given their long track record of not prioritising ratepayer assets and needs, spending available cash, and doing almost nothing to correct matters. A very strong argument exists that they should not be entrusted with a permanent increased level of rates until ALL core areas of their business are able to demonstrate a sufficient standard of ongoing competence in providing reasonable quality assets and services to ratepayers and the management of the money needed to make that happen. Ratepayers cannot and should not have to continue to prop up Council’s ongoing and chronic inadequacies.

I also note that the general clarity and succinctness of the LTFP and AMSPP documentation is appalling. I spent weeks trying to grasp the core components of this SRV proposal and almost every person in the Shire would have no hope. I was personally asked by four Councillors to explain the position the Council is in and help them understand my attached submission (of 2 January 2024), and one had already engaged the services of a University Accounting Lecturer to personally assist them in the SRV overall. I don’t think it is unfair to say that even they were having major problems, hence the offer for a Joint Working Group in the Open Letter.

ASSESSMENT CRITERIA

Summary

Council has failed to sufficiently justify four major Assessment Criteria, being:

- Explanation and Quantification of Productivity Improvements and Cost Containment
- Financial Need for Additional Income
- Exhibition and Sufficient Clarity of Documentation, and
- Community Reasonable Capacity and Willingness to Pay*,

arising from shortfalls in substantiation and documentation issues.

Justification

Ramifications Of "Absent" IPART Inefficiency Assessment Criterion

When I read both the OLG and IPART papers and guidelines for SRV submissions, it surprised me I could initially find no criterion where IPART should specifically assess and take into account the degree to which an SRV Application may have been caused/driven by things such as waste, lack of competence and misguided priorities etc, but I now appreciate this cannot be a core part of IPART's role, which is to assess future "pricing" ie not look into claims about the past. At some point however, in regard to this SRV Application, IPART needs to form a view about the integrity and fairness of the future price increases this SRV is requesting, and whether they make sense for our Shire

And that is where the difference between problems that are occasional or intermittent, problems that have caused some negative consequences and problems that are chronic and causing significant and ongoing impact, becomes paramount, because what Council is experiencing overall is clearly chronic, has been for many years, has a near 100% chance of continuing into the future, and is further evidenced by what has been presented in this SRV, which is nowhere near the standard of operational, documentary and factual justification most people would expect from a mature Local Government Entity in a State like ours. Most importantly, what Council is experiencing is creating significant and ongoing impact to ratepayers and unnecessary additional risk to Council itself

It is obvious that a point has passed whereby IPART cannot now exclude, and may well be obliged to positively take into account how Kempsey Council's chronic past is GOING to impact its ratepayers' and its own future, because the question is now not whether or if, but what and by how much. And the single most important factor in all of this is the severity and chronic nature of Council's:

- inadequate expenditure decision making and prioritising,
- inadequate asset and reserving policies, and
- neglect of asset management.

These issues of spending control, policy creation and ineffective management, cause Council to fail to meet the following two IPART assessment criteria:

Failure To Meet Criterion Of Explanation and Quantification of Productivity Improvements and Cost Containment

At a fundamental level, Council has consistently failed to meet the bar in this area, and this is clearly evident in their recent Financial Statement numbers. They show, in the period from 2018/19 to 2022/23, that Council's cash costs of Employee, Materials and Other increased by 8.1% pa while the ABS All Groups CPI average was 3.9% pa - 208% of CPI for the last four complete years (!). Though Council is claiming they have saved \$5.6m pa for this period approx (p68 IPART Appln) and there have been \$1.5m pa of extra costs (p15 IPART Appln), these are "headline" items and not the bigger picture, which is what really counts. I note also in the \$5.6m of savings, that 66% is depreciation, so NOT cash savings/productivity at all, but the correction of prior asset oversight and management, something I have documented in my KSC submission in Assets In The General Fund

The genuine savings Council has made are welcome, but that other areas of expenses have skyrocketed during this time is not good enough, especially when it is highly likely that the vast majority of the expense reductions Council have cited have been sitting unnecessarily in their books for many years, being painfully funded by ratepayers, and the (skyrocketing) expenditure

increases began at the same time as the new management at Council in 2018 and both have continued thereafter

The big picture level therefore shows how much of a LACK of productivity and cost improvements Council has really had, and how selective and misleading their statements concerning productivity and cost efficiency are. Even their "commitment" for future \$0.5m pa cost savings in the LTFP focuses on individual \$ saving "achievements", but ignores the bigger picture. If you were to ask almost any ratepayer in this Shire about Council waste, you would receive multiple examples. The piecemeal rhetoric produced by them in this area is polar opposed to the real-world experience of their constituents

Failure To Meet Criterion Of Financial Need for Additional Income

Council may be claiming they have a need for additional income, but this need has not arisen from genuine "financial" shortages - it has come about from the biased and unrealistic assumptions and treatments I have documented in their forecasting and the cash shortages created by the problems that have embedded themselves into their operations over a number of years. It is so much easier and face-saving for Council to create an impression of "financial" need by making pessimistic assumptions and asking the ratepayer for additional funding than to admit they have an "operational" need and fix their ongoing problems themselves. The issue Council is facing here is not an ongoing lack of income vs genuinely efficient costs, but an ongoing lack of control over cash and costs in the first instance. That is NOT a financial need. It is operational

Past SRV Income Enabling Chronic Issues To Remain In Place

To put these points into further perspective, you would be aware Council received approval for two SRVs similar to this application in the last 12 years, for reasons IPART determined were appropriate at those times. It is the increased funding provided by those two approvals over 12 years that has substantially enabled Council's core inefficiency problems to remain in place over that time, unaddressed, because that funding has covered the deficits and cash shortfalls that followed and meant Council could choose to ignore the issues that were causing them. I can't imagine any ratepayer in the Kempsey Shire would find it acceptable to have paid increased rates for 12 years for them to be used for an outcome like that. And nor would any of them approve of that situation continuing

Failure To Meet Criterion Of Exhibition and Sufficient Clarity of Documentation

I have documented a large number of instances in this submission where Council documentation to ratepayers has been one or more of absent, untimely, piecemeal, selective, incomplete, inconsistent, unfit for purpose, unclear, misleading, incorrect, unquantified and withheld. I have found it particularly disappointing that the starting point for Council's LTFP projections does not agree to their most recent audited Financial Statements and that those differences were never quantified or advised to ratepayers, and that IPART received access to the (additional) information in Council's SRV Application Forms and Financial Statements but ratepayers did not. Council has failed to meet the required level for both the Exhibition of Documentation and its presentation having Sufficient Clarity

**Failure to Meet Criterion Of Community Reasonable Capacity and Willingness to Pay*

I believe Council will also fail to meet this Assessment Criteria because I am aware of the contents of work being conducted in this area by several other ratepayers, but I have chosen not to submit to you concerning the affordability of this SRV to ratepayers because they will.

OTHER CONSIDERATIONS

Lack Of Genuine Consideration Of Ratepayer Submissions

There are many options and genuine ratepayer submissions Council did not seriously consider before submitting this SRV to you, including mine. A number of highly pertinent questions I and others raised publicly were not answered, seemingly not being considered "important enough". They have not genuinely listened to what ratepayers have genuinely communicated to them

Council Inadequate Response To Ratepayer Questioning On Chronic Issues

Council has completely ignored or failed to address in detail all questions by ratepayers on these issues and their only concessions have been mention in the IPART Application Form (significantly less forthcoming in their SRV Documentation) of efficiency improvements not covering forecast shortages, the widening gap between income and expenditure, that it is not possible for the General Fund to return to surplus and that an external review of their operations in 2017 reported significant organisational issues of culture, accountability and competency

With regard to that review, while Council has made mention of subsequent improvements occurring in specific areas afterwards, it is noticeable they did not make the statement that the issues reported in that review have been fixed, and the contents of the review and its ultimate result were never made public. This is another example of their closed and selective, rather than open and big picture, approach to justifying and dealing with so many matters

Chronic Inadequacy Of (High) Income Levels And Ongoing Need

Yet, in the 12 years from June 2012, Council's average compound rate increase pa was 7.7% pa when the equivalent ABS All Groups CPI in a low inflation environment for (almost) that period was 2.8% pa - and that vast level of income, 275% of CPI for 12 entire years (!), was still not enough to negate the need for this SRV which asks for 43% on top of all of that (!). Because of Council's inability to manage with even such high levels of income and their reluctance to deal with their problems in any meaningful, measurable and demonstrable way, I find it very hard to believe things will magically be sorted with more income from this Application

The Reason For Differing Community and Council Perspectives

If I take a step back and try to make some sense of this situation in its totality, the view of the vast majority of ratepayers is that this SRV is not justifiable, and has not been justified, and this is diametrically opposed to what Council is saying. Ratepayers have no access to the information necessary to prove their view to Council and IPART however and so are relatively powerless in that regard, but there are thousands who somehow all have the same view

This view might be explained by their financial self-interest in not wanting to pay more rates, but the far greater likelihood is that the polarising of the views (and the loss of community trust that has accompanied that) has been caused by the financial self-interest of Council itself, as they are the ones who have submitted multiple SRV Applications over the last number of years, who have failed to provide common sense explanations and reasons for all of the issues raised in the current SRV and whose on the ground attitude to ratepayers has been so consistently inconsiderate and dismissive. There is then the matter of how high our rates are already, Council's apparent indifference to the poor financial position of too many ratepayers, their failure to address ongoing operational problems and their clear track record in spending all of the cash and significant rate increases benefacted them in the last 12 years

Causes, Explanations And Solutions

At a high level, I know that ongoing financial problems are generally fixed by significant ongoing increases in income (which Council has certainly received for many years now), whereas operational problems aren't, because their correction requires procedural, policy and management changes. THIS is Council's experience of the last 12 years, perfectly, and because the necessary operational changes have not been made, here we all are again for a third time...And the explanation? In my view, there is absolutely and only ONE thing that can explain this in its entirety - all is not well inside Council, the same as was reported in the external review 7

years ago. This situation has not been caused by a lack of ratepayer income - it has actually been sustained by an amplexness of it - and neither will it be fixed by more.

CONCLUSION

Summary

Council's documentation of this SRV Application has consisted of mainly biased forecasting and partial and selective information and disclosure, with very little to nothing being provided to enable reasonable assessment and justification of the SRV's major components at a higher level. As a result, major problems exist in their Financial Numbers, Income Statement, Assets and Other Considerations, which have caused them to fail three (and probably four) Assessment Criteria.

There are also operational matters almost certainly existing within Council that need clarifying and/or addressing, being spending, policy and management issues, issues of culture, accountability and competency identified, and binding commitments to ensure any future monies are appropriately managed and prioritised. These operational matters, some of which are significant and chronic, make it almost certain additional ratepayer income arising from this SRV will not be appropriately managed and be further, unfairly and permanently detrimental to ratepayers, until they are all dealt with.

This SRV Application should be rejected in its entirety for these reasons.

Justification

Overall Deficiency And Inadequacy Of Council Case And Position

In respect of Council's SRV Application, the provision of words, achievements and numbers in spreadsheets and forms by Council presents a case, but one that is superficial and piecemeal, and not one that meets even a reasonable overall standard of evidence and justification, especially when applying for a rate rise that is permanent - and I note both its substantiation and documentation are deficient. It is likely Council has needed to take this selective approach as genuine overall substantive and documentary justifications for the major components of the SRV generally do not (cannot) exist, because their core operational problems remain unaddressed

And, until those problems are addressed, the cycle of Council seeking SRVs to prop its finances will continue, and this and all future SRV applications will be further, unfairly and permanently detrimental to the already economically challenged ratepayers of the Kempsey Shire. Even large numbers of high %age SRVs will not solve matters - they will simply further enable Council's problems to remain in situ. In many ways, Kempsey Council is like a bucket of water with holes in it, with ratepayers continually being asked to refill it lest they run out, or until ratepayers have no water left to give. That is one way to address the problem....but it is not the right way

The Assisting Role Of IPART Now And Going Forward

I believe IPART may be able to play an important and worthwhile role in addressing this situation

IPART's determination as to the meeting of Assessment Criteria in this SRV Application is relatively straightforward as it is based on the substantive and documentary information at hand

The determination regarding Council's operational issues however is somewhat more complex. This is because Council's issues are significant and chronic, and will continue to have a deleterious affect in the real world, in the future, somewhere, possibly in multiple areas, no matter what the decision IPART makes on rate increases based on the Assessment Criteria only. They are truly fundamental and go to the future of almost everything within the Council and the

Shire, including the effectiveness, purity and impact of IPART's rate increase decisions. As a result, I believe IPART cannot leave them unconsidered

There are numerous permutations as to how the decision you make on Assessment Criteria may intersect with consideration of Council's operational problems. For example, if you choose to deny an increase in rates for reasons that even partially include the high ongoing risk/impact of the chronic issues, such a decision cannot be made with 100% certainty and may not be completely fair to Council because of the lack of access to Council's internal practices to obtain the necessary information with the level of confidence required. If you choose to increase rates irrespective of the chronic issues, it is almost certain any increased pricing you approve will serve only to support the ongoing existence of an unacceptable situation that is already overwhelmingly unfair to ratepayers. Neither of those situations are satisfactory. But not bringing the chronic issues into your considerations at all is not a viable choice either, because Council will continue on, and so will their issues, which at some point will require specific action that is hopefully not when the door of insolvency is being held open

The major component needed to move forward is quality information on Council's issues, as there is virtually no doubt as to their existence, but there is regarding exactly what they are and their degree. How such quality information is obtained must be up to you, and we all understand you may be bound by internal guidelines, but if I could be forward, what initially comes to my mind is you reject this SRV Submission for reasons of failed Assessment Criteria due to insufficient substantiation and documentation and the presence of long term issues not being able to be appropriately dealt with in the time frame of the SRV Application ie the operational issues. This makes it perfectly and comprehensively clear why the Application was rejected

You then advise Council that any future submissions for SRVs will be accepted only after an independent examination of the issues raised within this SRV has been undertaken and the contents and subsequent corrections have each been made public when available. I would expect rates would be adjusted to appropriate long term levels at its conclusion using information everyone could rely on. Such an approach would cover IPART for the impact of ALL possible future situations of Council's issues not being dealt with, re-establish the true effectiveness of IPART rate decisions in practice and provide the highest likelihood that Council's issues will be rectified once and for all

Another option exists, if IPART felt it was appropriate for Council to receive some short term assurance for its finances, or some form of payment to cover the cost of the review and the (very small) risk that the review would not discover issues, though at a stricter level it may be unjustified and unfair to ratepayers. That would involve granting a rate increase (additional to rate peg) of perhaps 10% in total over the next three years in equal proportions, on the condition no further rate increases would be entertained by IPART until Council provided the same independent information and public evidence of comprehensive issue correction as per above

The "overall accommodation" inherent in this suggestion may well be acceptable to ratepayers as the lesser extent of extra rates would be manageable financially (just?) and offset by the benefits that would almost assuredly materialise in the longer term, no services would need to be reduced for financial reasons for the three years while the review was being effected and the time allotted for this should be sufficient for all requirements to be fulfilled. I would expect long term rate levels would also be adjusted at this time. There would definitely be some resistance though given how much funding ratepayers have contributed to Council of late. My preference is for the initial suggestion because of its clearer reasoning

I note Council's finances over the next few years would support either of these options

The Changing Role Of Council Going Forward

In the medium to long term, I believe Council first needs to get the basics of its operations into proper order, via requirement, coercion or choice, provide independent evidence of this publicly so as to re-obtain the trust of its ratepayers and IPART, and then dispassionately and co-operatively look at all other options with us, its ratepayers, and you IPART, so together we can once more make our entire LGA the place we have known and loved, and still do

The active shroud of fact and ongoing rate rises that currently permeate and confine our Shire will eventually only result in misery for everyone, Council included. Indeed, I am confident most ratepayers would be delighted to see an appropriate longer-term balance established by Council between an improved quality of services and value for money rather than just immediate and short-term cost savings and/or service reductions, but not while they are being continually required to pay the high levels of ongoing rate increases they've been subjected to in recent years

My Final Comments For IPART

I have confidence IPART will find a way to stay within its remit whilst contributing the best way it can to helping transform the current "cycle of more" that we all find ourselves in to a "cycle of better", thus kick-starting the journey towards an appropriate long-term solution

So, I urge you, IPART, in the process you are about to carry out, to listen to what Kempsey Shire Council's ratepayers say to you. There are many issues within our Council we see, that impact us, every day of our lives and that are the complete opposite of what our Council has presented to us and you in their SRV Documentation and Application. They haven't listened to (almost) anything we've raised with them, and the reason for this is that the best future for all of us requires initial introspection and change on Council's part, which is harder (and probably more embarrassing) for them to face up to and execute than asking for more money. We have virtually shouted out about what is REALLY happening in this Shire but Council has decided to ignore us and take the easiest way forward again

An opportunity to do so many things, so much better and in a co-operative manner with constituents (refer the Open Letter, petitions and Joint Working Group), exists within our Shire right now with this SRV, but it will dissipate should we be told once more we need to bear the burden of our Council's ongoing inadequacies. That is going to be even harder to accept than the additional financial imposition of increased rates, because it will take away our hope for the future

We all understand the need for our Council to be financial, but not at the expense of many of our livelihoods and living arrangements when real, effective and sustainable solutions are available but not being considered because they aren't as readily accessible as the lid of the Kempsey Shire ratepayer honeypot.

If you have any questions or need further clarification, I am happy to assist.

Thank you for your time,

Greg Stoneham



Kempsey Shire Council

Proposed Special Rate Variation - 2024/25

Date Prepared: 2 January 2024

1. Introduction

I wish to make a submission re the proposed Special Rate Variation.

KSC has recently proposed a rate increase via a Special Rate Variation (SRV). Important supporting documents include the Long Term Financial Plan containing projected Income Statements, Balance Sheets and Cash Flow Statements for 10 years, before and after the effect of the SRV and the Asset Management Strategy, Policy and Plans (AMSPP) document covering asset management.

For background, in my business career I have been the Chief Operating Officer of several large stockbroking companies, a Member of the Australian Stock Exchange and a Member of the Institute of Chartered Accountants for over 30 years. I have also been a Director of several companies/businesses. I am now retired and live at Hat Head.

2. Pre SRV 10-year Income Statement

The projected Income Statement for 10 years (before Capital Grants) shows a total deficit of \$-79m. Post the SRV there is a surplus of \$+1m.

1. IPART have indicated a rate rise of 4.7% is now the most current rate rise applicable to Kempsey Council, not the 2.5% used in the Long Term Financial Plan. I have done some hand calculations and if it applies for the duration of the planning period, it will increase rate income by approx. \$37m.
2. Included in the \$-79m deficit is depreciation for Disaster Capital Grants. Figures for this have not been made available by KSC, so I have estimated the aggregated Disaster Capital Grant Assets being depreciated over the 10 year period to be around \$80m, and the corresponding depreciation to be around \$32m. This depreciation has come about because expenditures of an extraordinary size were made on disaster affected assets by a higher Government Authority and caused a very large amount of new assets, and therefore depreciation, to appear in Council's books. I note this degree of asset expenditure could not be funded by either Council or ratepayers and so was Grant funded. By including the massive annual impact of this newly introduced depreciation in full into the Income Statement for the next 10 years, you (KSC) are requiring ratepayers to fund its full annual cost via depreciation and failing to recognise its once in a lifetime nature and size. For a higher Government authority to make such a one-off expenditure because Council could not afford it, it is unfair and wrong for Council to then expect ratepayers to start paying for it, based on accounting figures, via depreciation, instantly, in full and in perpetuity, which is exactly what this SRV is proposing. The funding that ratepayers should be paying for a one-off item like this is a lifetime event for them too, and the amounts they pay need to be tailored using a long term societal impact driven by an ultimate overall community objective, not a set of accounting conventions. If you were to tell a ratepayer their rates were going to rise because the State Government paid to fix roads and bridges etc damaged in recent fires and floods, they would react negatively, because it simply doesn't make sense or pass the "pub test". Properly explaining the overall societal impact of the repair and maintenance issues and requirements of this

item and why and how ratepayers need to be part of the maintenance of the Shire longer term is what is required. This however is not what has happened. I could only find one reference to depreciation in one of your fact sheets, no mention of the figures, and certainly no proper explanation or analysis of the issue in the Long Term Financial Plan. This entire concept should have been prominently discussed and disclosed rather than briefly mentioned somewhere.

3. Also included in the \$-79m deficit is depreciation for Backlog Capital Purchases. These purchases amount to \$70m over 10 years and I have estimated their depreciation to be \$28m, a figure not disclosed by KSC. This depreciation has arisen because major additional purchases are going to be made as part of an exercise of asset improvement that will take a large number of years to complete. While I understand you are required to record the depreciation of these assets as per accounting standards, by making the decision to very significantly increase the level of purchases (and depreciation) and including the full annual impact of this in your Income Statement for the next 10 years, you are significantly and immediately increasing the amount of rates you are recovering from ratepayers via SRV in perpetuity. The better and more appropriate societal treatment of the decision to commence wholesale asset quality improvement is to ask ratepayers to pay for the depreciation over a much longer generational basis. To do otherwise is unfair. And, given its size and recent introduction, this depreciation should have been prominently disclosed and discussed in the SRV documentation. I could find no mention of this depreciation, and no figures, anywhere in the documentation.
4. By receiving an additional \$37m of rate income, over 10 years I estimate the corresponding reduction in borrowing costs to be \$10m. This reduces the deficit in the Income Statement.

The overall impact of these four items on the Income Statement over 10 years is as follows.

Currently Projected Deficit pre SRV in 10 years excluding Capital Grants is \$-79m.

Add Rates \$37m, Disaster Grant Depreciation \$32m, Backlog Purchases Depreciation \$28m and Borrowing Costs reduction \$10m.

Resulting Surplus pre SRV in 10 years is \$+28m, which then provides room to start including part of the two depreciation items in the period while a more appropriate and acceptable longer term treatment is determined.

Given these adjustments now provide a considerably better representation of ongoing finances and result in a surplus rather than a deficit, a permanent rate rise is no longer needed and indeed it is wrong and unfair to even apply to IPART for one. Interestingly, by also excluding all Depreciation numbers from the \$+28m Surplus, you obtain the projected \$ (cash approximation) value KSC will generate from its Core and Ongoing Operating Activities over the next 10 years which is \$+143m. This provides significant additional weight that the proposed SRV is neither appropriate nor needed.

In respect of the Income Statement for the 43% SRV it is worth noting there is seemingly an inconsistency in the year-on-year rate increases used for 24/25, 25/26 and 26/27. The rate increases proposed in the SRV are 7.9%, 15% and 15% but the actual year on year increases in the Income Statement for those three years, that have brought the \$-79m deficit to zero, calculate out at 6.9%, 12.1% and 12.3% respectively. Why then is KSC seeking higher SRV rate increases when lower rate increases are all that are needed to "balance the books"? The impact of this would be a "surreptitious" increase in collections from ratepayers by around \$20m over 10 years.

It is also interesting to note that the IPART percentage cap for KSC has been 2.5%, which was changed to 3.7% in 2023/24 well before the SRV decision and then to 4.7% immediately before its adoption. While there can never be full certainty in forecasting or planning, that KSC has used the most conservative 2.5% in all of its base rate income forecasts when it knew of the updated

3.7% and the likelihood of there being a further increase, even when that increase, in fact any increase, does not at the moment officially apply for another 10 years, is troubling. This entire premise of the SRV process uses 10 years of "forecasts" to justify "permanent" rate increases, the combining of which is always going to provide inherently and highly risky results in terms of accuracy, manipulability and relevance. The use of "conservative" interpretations because of future "uncertainty" or "a lack of complete certainty" is not legitimate in these circumstances because of the potential for numbers to be seriously mis-stated over 10 years, even more so given the effect of compounding. If any conservatism is to be used, it should be granted in the favour of ratepayers (not KSC) given the permanence of the impact and the uncertainty of budgeting generally. Best estimates are better however.

It is disappointing though, even disconcerting, that KSC has not provided any public information to the date of this submission on the effect the two most recent IPART rate rises have on the \$-79m deficit 10 year Income Statement in the SRV. This is still a live process with continuing community consultation, and the budgeted rates income line is one of the most important in the SRV calculations. How ratepayers can be expected to provide informed views to Council and IPART on the SRV when fundamental information about one of the most important aspects of the calculations has changed, but they are not aware of its impact, is problematic. One might even question whether the absence of this important further information is because it might draw attention to the inadequacies of the assumptions and projections used in the rates income line in the first instance.

Additionally, in all Income Statements, and on budgeted rates levels generally, the assumption used by KSC for population and economic growth over the next ten years is 0%, with the reasoning claimed to be because this is "conservative". Clearly, there are major subdivisions and developments being constructed in quite a few places across the Shire right now. That is, it is almost certain there will be more properties that will become rateable over the next ten years which should be included in these calculations. By being "conservative" and potentially understating the volume base on which rates are charged, deficits are inflated, which then sees you asking for a higher SRV.

Every time an income or expense line in a budgeted Income Statement is not calculated to the best level of accuracy possible, the more likely the ending result over a 10 year period is going to be mis-stated, even wrong. It is a major concern that every single question mark I have raised in the Income Statements above has been favourable to Council and unfavourable to ratepayers, either from understating income (rates), allowing expenses (depreciation and borrowing costs) to be fully charged, or overstating the level of rate increases needed by Council, thus creating an unfair, unnecessary and permanent burden on ratepayers. And this is all the more worrisome given the inherent uncertainty surrounding all forecasts, let alone those trying to cover a ten year period which then convert to a permanent rate rise.

In the absence of suitable and believable explanations for all of these things, which I consider need to be provided, and the lack of questionable items offsetting them, the totality of the assumptions and calculations adopted by KSC in the Income Statements work in favour of KSC and against ratepayers to a significant enough degree to warrant a considerable question mark being placed over the overall integrity of this proposal because they go to the heart of its bias/neutrality. The bias of the proposal is further confirmed by noting you have not tried to separately and distinctly identify, highlight and discuss any "unusual items" within your Income Statement numbers - a simple mention that depreciation costs will be rising post fires and floods is insufficient - because unusual items become embedded into new rate levels via SRVs, forever.

Overall, the highly questionable assumptions used for a number of important line items in the Income Statement overstate the projected deficit, as do the two major depreciation items which are fully included in the Income Statement. The rate rise sought by KSC, which in %age terms is greater than is needed mathematically, also penalises ratepayers without justification.

Combined, and reasonably adjusted, all of these items bring the projected deficit into surplus, thus rendering the SRV unnecessary. Council has failed completely to justify this SRV and has compounded matters by inadequately disclosing significant items to ratepayers.

3. Assets in the General Fund

As of June 23 Net Assets totalled \$918m. I have not been able to precisely determine the accumulated depreciation recorded on them, but by using the most recent audited consolidated financial statements of June 2022 I have estimated the number to be \$350m.

Because of the way you calculate rates, which includes full recovery from ratepayers for depreciation, it seems fair to conclude that the entirety of this \$350m has been collected by KSC from ratepayers in the past. I fully appreciate how important it is for KSC to have cash flows to fund future purchases etc which is affected through this type of recovery of depreciation. However, when I look at the amount of funds you are holding in your reserves to help cover future purchases of new assets, refurbishments of existing assets, replacements of existing assets and other cash flow requirements such as the risks of disasters or unusual circumstances, I can see nothing. You currently have nearly a billion dollars' worth of assets but you are holding no (or next to no) cash reserves to support your future operations or the long term obligations you have to provide appropriately conditioned ongoing assets and services to your community. The last few years of your public financial statements show much the same.

The first question I have that arises from this is - What have you done with the \$350m you have collected? I surmise your budgets in past years showed these funds would be collected, then spent, primarily on asset purchases and refurbishments etc. But because there is no requirement or publicly available policy I can see that necessitates these funds to be corralled and spent for the "same purpose" they were collected, and indeed such a strict requirement may be overly restrictive for every occasion operationally, these funds have no doubt actually been spent on a mixture of asset improvements and your organisation's internal requirements, with the final choice being at your discretion.

Considering the inadequate overall condition of your asset base though, it is completely fair for a ratepayer to question whether you have been significantly under investing into assets the funds collected for them via depreciation and correspondingly over expending into your internal areas on an ongoing basis. And when the combination exists of you having collected significant funds from ratepayers for asset replacement over the years, you having nothing put aside for future asset purchases, improvements or general uncertainties, and the quality of your asset base is below par, the significant cross use of these funds by KSC becomes a very plausible, even likely, explanation. Given that you are projecting to collect a further \$175m depreciation from ratepayers over the next 10 years, the answer to this is something your ratepayers should know. And they do not, either in years gone by or in your current SRV documentation that I can see.

The very process of collecting rates to operate the Council involves ratepayers paying you sufficiently for your budgeted net expenses, plus additional amounts to cover the purchase of new assets, and refurbishing etc, the latter which occurs via a proxy mechanism of reimbursing annual accounting depreciation. This latter amount is paid to you in advance, not in arrears, so ratepayers cannot see what it has been spent on before they hand it over. In other words, they entrust you with it. I would have thought KSC would, from an ethical perspective alone, manage this money with recognition of its entrusted status and \$ size in mind, but that seems not to be the case.

It is also then fair to consider whether KSC has an internal culture where, if money is available, going to be made available or can be made available, the greater the propensity (and political desire?) there is for it to be spent. I can see the most recent SRV calculations have no visible or

formal cash reserving and financial conservatism built into them, cash from ratepayers can be spent when and how the Council sees fit, the last few years of financial statements have not shown any sizeable cash or cash reserves of this type i.e. nearly all cash has been spent, there is no mention in the SRV documentation that cash needs to be held or treated in any particular way and KSC seems to be continually seeking more available cash to spend:

- this is the second SRV in a few years, with rates last rising via SRV in 2017/8;
- the current SRV is for a similar purpose to the preceding one;
- the final measure of an SRV is to ask for more cash “in perpetuity” rather than asking for more cash “if it is needed”; and
- your original request for this SRV sought absolutely breathtaking rate increases of 51%, 85% and 94% and then asked ratepayers which increase they preferred!

KSC certainly does not have a record of keeping cash aside.

Another significant flow on affect from not having reserves is that when cash is needed, such as during the recent disasters or attempting to improve overall asset quality, or even investing into a completely justifiable and useful new asset, funding must come from borrowings. When interest rates are low this is of less consequence, but because the costs of borrowing are higher than they have been, the impact is now high, and evident in the significant increase of interest costs in your projected numbers.

And while on disasters, the Macleay Valley will always experience floods and fires, and without cash reserves to enable KSC to respond (even partially) to their consequences in the short term, a much greater reliance is then placed on borrowings or recovery grants from higher levels of government. It makes complete sense for Council to have a publicly available policy that identifies the risks for this and provides appropriate reserves to balance self-sufficiency and recovery grant assistance, because of the certainty of periodic fires and floods and the uncertainty of grant funding, the conditions that accompany it and how long it takes to be received, as well as the overall unpredictability that surrounds events like these generally.

Given the current requirement to borrow and the propensity of KSC to not save cash, a ratepayer may also easily conclude if KSC is forced into increased borrowings, they might never be repaid, thus cementing increased borrowing costs into their already inflated rates bills in perpetuity. This is a tough position for a ratepayer to accept given they have already provided more than sufficient depreciation funding over the years to expect this to not be an issue.

When it comes to the use of cash generally, a public company, when it obtains profits/cash for example, needs to determine how to use its funds by apportioning between dividends to shareholders, retaining cash for future use and reinvesting cash into near term projects. They also have the option of using capital raisings and debt to supplement funds when genuinely needed. KSC seems not to operate anything like this because all funds look as though they are directed to investment, reinvestment and expenditure, nothing is held for the future and funding reliance is placed on borrowings, and when they become uncomfortable, SRVs from ratepayers. All of this is a bigger problem than it first seems because public company capital raisings are a one-off event whereas long term borrowings impact ratepayers over a long period, short term borrowings impact only those ratepayers within the Shire at that time and SRVs impact ratepayers forever. Poor and questionable decision making to this degree can readily be explained by a combination of a desire to spend and inadequate financial management.

To provide further clarity here, every time money is expended on a non-core or questionable asset purchase that is internally funded, the cash that ratepayers have paid to Council in advance provides the funding for it, those funds are no longer able to be used for their original purpose and ratepayers then immediately commence paying for its accounting depreciation, thus increasing the risk of future rate increases. Every time a non-core or questionable asset

acquisition is made via Grant funding, ratepayers immediately commence paying for its accounting depreciation, which also increases the risk of future rate increases. And when asset purchases use borrowings, this incurs additional interest. When funds are spent on non-core or questionable expenses, Council expenses rise, funds are possibly no longer able to be used for their original purpose and the risk of future rate hikes increases. But, and most important of all, every time the flow-on effects of any of these items are included in an SRV application which is approved, because the inefficiencies are recorded in KSC's accounts, ratepayers start making higher rate payments every year in perpetuity thus providing Council with the funding to continue its underperforming over the long term. Rates are therefore higher than they should be over the long term. I wonder how many SRVs have been approved for this Shire over the years and to what degree rates have been unduly inflated by the aggregation of past inefficiencies.

So, non-core or questionable asset acquisitions impact ratepayers significantly no matter the source of their funding, and this occurs via a combination of the depletion of ratepayer entrusted cash, cash and increasing rates. I can understand a mistake by Council in assessing non-core asset acquisitions and expenses occasionally, but given the number and size of less than satisfactory acquisitions KSC has been involved with over the years whether self-funded or grant funded, and the anecdotal evidence of the poor productivity being obtained from its expenses, questionable asset acquisitions and expenses must surely have been degrading your finances gradually and contributed significantly over time to your current position of little to no cash, poor asset quality and unnecessarily high rates. Imprudent, inappropriate and undisciplined expenditures always cost (ratepayers) in the long run and may well have been doing so for quite a few years.

The simple answer to what you've done with the \$350m therefore seems to be it's been spent as you've chosen, with those choices resulting in a less than satisfactory asset quality, little or no cash reserves, increases in rates, and rates likely being higher than they should be. That is not good enough from any perspective.

The second question I have that arises from not having reserves is - Why has the KSC Asset Management Strategy, Policy and Plans (AMSP) or its predecessor not been a success in reserving funds, or for that matter keeping the condition of your asset base up to scratch? It is clear your policy does not sufficiently well consider the prudent funding of KSC and ratepayers, allowing reserving to be ignored and permitting unrestricted cross funding between assets and internal needs. Even given the deficiencies of this policy though, I question how KSC could still have allowed cash reserves to be depleted to their current level, especially when this was occurring at the same time as asset quality was deteriorating, deferred renewals were increasing (which is where an asset would normally be renewed but it is deferred) and KSC was receiving significant funding from ratepayers for issues such as these to be dealt with. Surely the upper levels of KSC must have been aware of these matters and that the objectives and standards set for Asset Quality and Internal Operations were failing to be met concurrently over many years, but still the problems were not sorted. It is possible and even likely the addressing of Asset Quality may simply have taken second priority to Internal Operations and other expenditures, productivity inefficiencies, unnecessary investments and poorly prioritised investments too many times. The documentation presented for this SRV, which describes the problems of Asset Quality as being greater than those of Internal Operations, and lists many recent system and other improvements within the operations area, would seem to confirm such. I cannot think of any explanations for this that put KSC in a good light because the failure to appropriately manage the Assets your ratepayers actually use and need in practice cannot be denied.

In respect of the 119 page document on your assets you have prepared to support the case for an SRV, a significant amount of weight cannot be accorded to it when you, your document and your policies do not consider or mandate the reserving of funds taking all available information into account, provide sufficient constraints or guidelines for the (cross) use of funds you are

receiving from ratepayers, keep deferred renewals in check or maintain the condition of your assets at a sufficient level generally.

And I note there is no Executive Summary in the Asset document or the Long Term Financial Plan, or close linkages and references of them to and from your fact sheets, making the entire documentation package nearly impossible for even knowledgeable people to read and understand or make constructive suggestions. Given the skills I have built over my working life in operational, accounting and management spheres, and the considerable time I have needed to spend to prepare this submission, I question how you can actually assert to IPART that genuine community consultation has occurred when it is glaringly obvious that almost every person in our community has no hope of understanding the substance and relative importance of what they are being presented with and making an informed assessment of it, thus rendering them fundamentally unable to grasp why the SRV is (in fact NOT) needed. This distinct lack of succinctness, lack of descriptions of relative importance and inability to move logically and sequentially through and across the documentation is exacerbated by there being no easily identifiable mention in the Long Term Financial Plan of the unusual circumstances and size of the depreciation on Disaster Grant Assets, the depreciation (and extra borrowing costs) of the Backlog Purchases and the significant impact those items have had on the Income Statement deficit, and that there is no obvious, direct and complete linkage between the Asset document and the Long Term Financial Plan - though it likely exists, I could not agree the numbers.

Given the difficulty of becoming genuinely and fully informed and how strikingly obvious it is to me that the SRV is insufficiently well based, one must then surely question how KSC's decision to proceed with the SRV was made. Very few people would be able to understand the documents to a degree where they could draw reasoned and justifiable conclusions from them, yet voting for the proposal saw eight out of nine persons approve it, with the decliner citing mainly ratepayer empathy reasons. The same difficulties are experienced by ratepayers. Consultation by definition requires the requesting of opinions and views, and if those opinions and views cannot be appropriately formed, surely consultation cannot have occurred, and certainly not to the degree required for this SRV to be approved. This goes straight to the integrity of the proposal, because it cannot then have been "sufficiently well" understood for it to be "sufficiently well" reviewed, checked, tested and commented on by all necessary parties before being sent to IPART.

To put these Asset issues into some sort of scale or perspective, your projected Balance Sheet post the SRV in ten years' time shows KSC's net value to be approx. \$1.1 billion dollars. Almost every dollar of that is held as Assets. The single most important and the only significant item in your entire financial position is your Assets and you are consistently failing in multiple areas to manage them effectively. Another, perhaps more understandable measure of the scale (and risk) here is to compare the original estimate of your 10-year deficit to your 10-year total assets, which is \$-79m vs \$1,100m and calculates at 0.72% per annum. In other words, it only takes a small degree of mismanagement of assets to occur on an annual ongoing basis to currently put ratepayers at the risk of ongoing and unprecedented SRV rate increases. The appropriate management and the financing needed to support your assets are both crucial and missing, and have probably been for many years. Such shortfalls in practice bring considerable and real long term risk to both KSC and its ratepayers and should not be primarily addressed by the permanent burden of periodic rate rises obtained through SRVs. Fundamental addressing of the underlying problem is the only solution.

The simple answer to why your Asset Policy has not been effective therefore seems to be because your policy and decision-making processes are deficient, impacting Asset Quality and financing to such an extent where major and frequent rate rises are required to keep Assets from deteriorating further and your deficits and borrowings in check. That is not good enough, just like the quality of your SRV documentation.

The mere existence of these sorts of issues, let alone to this degree and the high likelihood of them being chronic, confirms KSC is not a sufficiently prudent and competent asset and financial manager. This also reflects poorly on everyone who has held a responsible position within KSC for many years. And it begs the further questions - What state are the Sewer and Water funds in? Is the General Fund only one part of the problem that KSC and ratepayers need to solve? And why are the last available annual audited accounts over 18 months old? The assured information in your annual accounts MUST be the starting point for this entire proposal and that this SRV has progressed without this information is unfair, and in many ways shameful and indicative of the level of consideration you have for your community.

With all of this in mind ie considering both your Income Statement and Asset base, any impartial, informed and reasoned person will reject this SRV with complete confidence. They will understand that:

- the shortage of surpluses and cash KSC is claiming to have is due mainly to poor management and processes, not rising costs and insufficient revenue;
- ratepayers are almost certainly already paying higher rates than they should;
- SRVs are very likely proposed by KSC as short-term mechanisms to periodically offset underperformance, reduce deficits, increase cash flows and enable changes to take place when significant items arise, whilst also increasing available cash flows and spending capacity longer term;
- even if this SRV succeeds, the money KSC will collect from it is going to be spent if history is any guide, and when a situation occurs that requires further expenditure out of the ordinary, borrowings will be needed and ratepayers will yet again be asked for immediate rate support in perpetuity; and
- no amount of SRVs is going to fix this situation until KSC's AMSPP properly covers everything it needs to and operates successfully.

I note your documentation, especially Fact Sheets #1 and #2 (undated), goes to some length to describe the myriad of improvements you have instituted within your overall organisation in recent times. It is seemingly impressive, especially in the Operations area. Well done.

From my working career I know that I have a good ability to understand complex financial and operational matters, but no matter how I try to justify things to myself, things like these improvements confuse me when trying to understand the totality of what you're presenting in this SRV. While everything in the Fact Sheets, Long Term Financial Plan and Asset Document seems to have a story or slant as to why it is or isn't an issue or that it is being or has been addressed, the explanations don't always feel to me as natural, confidence inspiring and complete as they should, especially when looking at things from a higher level. For example, despite the above long list of significant recent improvements, why are there still so many other significant problems in your (mature) organisation that haven't seemed to even come within scope yet; how could the implementation of these internal efficiencies have taken almost complete and absolute preference to the proper caring of Assets used by ratepayers daily; you admit you wish to improve the quality of Assets in your organisation, but the only avenue of correction you're seemingly willing to pursue is the seeking of additional ratepayer funding, and you already receive full funding from ratepayers for this; you regularly promote new projects, but simple services, maintenance and improvements in many areas are not being carried out; and you prepare masses of documentation that discloses so much of your organisation, but there are enormously important matters that do not even warrant mention. There are too many things in your proposal that just don't make sense.

So what might be causing such obvious problems to remain unaddressed? I suspect it could well be something as simple as placing too much emphasis on your detailed policies and processes and not enough on the bigger picture of your organisation.

The three most important and simple characteristics in running most organisations that involve people are to focus on people's (employee and customer) needs, and manage and supervise well. Without being overly critical, I can't see a single mention anywhere in your SRV documentation that would give a ratepayer any confidence these things are important factors to KSC and the manner in which it operates. There is no mention of how your business is managed, how you ensure your employees and ratepayers understand and get on board with what you're trying to do, how you supervise things, how your staff are made accountable and how important the fulfilling of your obligations to ratepayers is to you. These cultures and values are considerably more important than any number of systems and processes, and while systems and processes obviously help, they can only do so much. Every organisation needs quality human input, direction and oversight for it to work holistically, and anecdotally and in this documentation, I'm not seeing enough of it. There's plenty of focus on implementing procedures and solving issues with money, but little on the management and supervision of your people and ensuring ratepayers needs are met.

This then is a perfectly plausible explanation why so many issues aren't being addressed, because your organisation isn't seemingly valuing its high-level obligations enough for your people to raise, champion and fix the things that aren't right. People who are focussed on their allocated tasks and processes become self-interested when they are judged mainly on that, rather than also being managed and judged on how well they contribute to the organisation fulfilling its overall responsibilities to ratepayers. Over reliance on systems and processes can work to a high degree in well run and stable organisations, but when issues exist, they can have the unintended consequence of diverting the main focus from, in your case, "doing things well for the ratepayer" to doing things "because your internal systems and processes require it", and this "self-interest" can occur at all levels in all areas. A disproportionate emphasis on procedures would also explain to me why so many things seem complicated.

The result of your issues though has not been as hard for me to understand. KSC has failed to appropriately manage everything within its responsibility over many years, the quality of your assets is unacceptable and you are seeking two large SRVs within a short time frame; and any solution needs to find a way to spend (to improve asset quality) whilst simultaneously building cash (to improve asset and general financing) without unfairly burdening ratepayers. This is not an easy thing to do in an environment of rising costs, scarcer resources and increasing interest rates within a Council that has done things the same way, insufficiently well, for many years. It will need (further) significant and fundamental changes and improvements in almost every area of your organisation because you will have real trouble in obtaining future financial assistance from your ratepayer base. They, we, have already paid you considerable amounts of money for this over many years.

You will also need to manage the major collateral damage and loss of trust that will likely emanate from your ratepayer base who will eventually become aware they have not been given clear, concise and complete explanations for the current SRV, the budgeting for which contains assumptions and inclusions that are unfair and unnecessarily burdensome, and the overall result of which will see too many people seriously and unnecessarily disadvantaged.

Some ratepayers will even view this SRV as being an opportunistic grab for money, in perpetuity, that has been driven by the concurrent materialising of five circumstances:

- the previous and lower IPART rate peg percentage that was just about to be increased;
- the accounting depreciation on the recent Disaster Capital Grants that was newly introduced;
- the accounting depreciation on the Backlog Purchases that was newly introduced;
- borrowing costs were about to increase due to the expenditure of all previous cash and rising interest rates; and

- inflation had recently increased, meaning people were less resistant generally to paying more for goods and services,

all of which may then have been exacerbated by the possible additional overstatement of your SRV percentage increases.

Each and all of these items have made it easier for KSC to prepare unfavourable forecasts which, together with the substantial absence of useful ratepayer information, have enabled a (poorly supported) argument to be put that rates need to be raised well above IPART rate pegs. Rate pegs are set for highly considered reasons using costings and calculations from many Shires, so when a Council requests an SRV, let alone requests SRVs of large percentages in close succession, this needs to be considered as a possible red flag in its own right.

Further justification for this view may also be found in KSC having nothing, or very little, to lose by asking for more money via this SRV and preparing inadequate documentation to support it. I cannot confirm or deny this because I simply can't tell, but that this view is definitely a possibility should make every ratepayer in this Shire really angry.

For the nearly eight years I have lived in the Macleay Valley, I have observed the encounters many of my fellow ratepayers have had with KSC and assumed they were just typical of the dissatisfaction people have with all Councils. But having seen, and now understood, the consequences of your behaviour and actions in pushing for this SRV, a few other of your less than obviously satisfactory "expenditures" in the last few years, the history that has contributed to the current situation and the shroud of fact that seems to cover your organisation which is lifted only to allow positive aspects of KSC to go public, you have given me no choice but to involve myself too. The people that live in this valley are the most generous and community minded I have ever met and I feel for how captive they (we) are to your sub-par internal machinations and performance, because truly, we don't deserve it, and indeed deserve way better. How much pain and damage must you inflict on the invaluable and irreplaceable community positivity and spirit that exists in your Shire before you eventually figure out that the degree to which the Macleay Valley blooms or withers over current and future generations is in your hands with the attitudes you adopt and the decisions you make?

All of us find ourselves at a major tipping point now. What to do?

4. A Better Way Forward

My suggestions as to how you should start to fix things are...

4.1 Suggestions re Income Statement

You adjust it over 10 years.

1. Recalculate rates at current numbers 4.7% \$37m
2. Reduce Backlog Purchases by \$30m
3. Adjust corresponding Borrowing Costs \$10m
4. Accept smaller deficits may arise in the next couple of years.

By changing nothing else, this will give you a cash position in 10 years as follows:

Your projected cash position in 10 years' time pre SRV is \$-100m debt.

Reduce this by Rates \$37m, Purchases \$30m, Borrowing Costs \$10m.

The adjusted cash position in 10 years' time therefore reduces to \$-23m debt, which is the same level you are proposing to accept post the SRV. That a similar option, something simple like this,

was never seriously put to ratepayers as a viable alternative to enormous SRV rate increases in perpetuity borders on reprehensible.

I note your Core and Ongoing Operating Surplus (cash approximation) will be \$+143m over this period which should provide more than enough cash to cope financially over the next couple of years. And should actual rate peg increases not end up at 4.7%, backlog purchases can always be adjusted downwards or upwards further.

4.2 Suggestions re Assets and Operations

In the next couple of years, you publicly disclose in both simple and detailed form the full extent of the state of your assets and what is needed in operational and financial terms to bring them to a level of KSC and community satisfaction. You consult with your community and review, alter and implement an updated AMSP that will resolve the issues noted above and address any other issues the community is not yet aware of. This would include how to better and fairly fund the costs of asset refurbishment and replacement from ratepayers especially in extraordinary, abnormal or one-off circumstances (incl disasters and backlog purchases), other than immediately via rate rises in perpetuity using accounting depreciation numbers over a nominal 10-year budgeting period. You determine how to better calculate rates and any other collections from ratepayers by identifying unusual items and better separating your asset and core operations segments rather than unilaterally combining their outcomes, to be the start of a fairer and more transparent collection, apportionment and expenditure of cash within your control and a better ongoing maintenance of the quality of your assets and cash reserves. You investigate and determine why so many operational and overall problems are still existing, despite many initiatives, and fix them, including examining all issues of organisational management, supervision and accountability and how the needs of employees and ratepayers are determined, prioritised and met. To obtain trust from ratepayers on your progress, you may also need to engage independent oversight and reporting. The resistance and self-interest that will exist from entrenched Councillors, Management and Staff in this may be difficult to overcome.

4.3 Suggestions re the Proposed SRV

You drop it completely, apologise to the community and concentrate on sorting out its underlying causes. Your SRV proposal is logically flawed, realistically highly questionable and morally insulting, but most of all it is not needed, and the chronic issues facing KSC mean any SRV funds received have a very high likelihood of not being well managed. That you even considered an SRV was needed after your failures to prudently manage the large amounts of money that ratepayers have entrusted you with over many years says it all. All ratepayers need to know the level of competence and disclosure displayed by KSC in the past will not continue into the future. I think I have some level of understanding of the financial position of the General Fund at the moment and what is needed to fix it, and given ratepayers are likely to increase their awareness of it as well over coming months, in particular the way it has come about, the last thing KSC needs to do is to overcharge ratepayers via this SRV using justifications that are unfair or unrealistic and see them rail against the Council in a truly organised, even disorderly, manner or class action. The Shire will suffer immeasurably should this eventuate.

4.4 Suggestions re KSC generally

Kempsey Shire Council is not in a good enough state operationally and financially and the entirety of the Shire, its businesses and ratepayers are suffering because of it. Whether everyone likes and acknowledges it or not, it is the primary creator of its current position and (pretty well) its only saviour. It does not presently need an Administrator (as has been suggested) because its finances are within scope of being corrected and the source of its problems lie operationally, which can also be corrected. That correction however can and will only take place if fundamental changes occur internally, including the attitudes, values and competence of Councillors,

Management and Staff, KSC's internal processes, more than likely some (or more) of these people, and how you manage, supervise and make people and your organisation accountable. Particular emphasis needs to be placed on the Senior Management Group as these are the roles that are best able to contribute to the betterment of the organisation from all of strategic, on the ground and attitudinal perspectives over a number of years. And, of equal and perhaps more relevance, to obstruct or prejudice such if they have different views, political leanings, entrenched positions, poor values or insufficient competence. Though an Administrator would affect operational change and cut through any internal resistance with ease, the future of KSC would then be taken out of all of our hands.

KSC, I encourage you to seriously consider how you see things, think about what your role should be in the Macleay Valley, look hard at the values and attitudes of your organisation and employees, understand why so many ratepayers are so angry, overcome your inertia and fears of doing things differently and embrace the opportunities and growth that real change and renewal can bring. Change and renewal lessens the weight of old habits and memories that prevent us moving forward and create room for innovation and ideas, opening all sorts of doors, and though you may not yet see it, the difficult process and the tenuous position we all currently find ourselves in from the proposing of this SRV has laid before you the perfect opportunity AND reason to go down a new fork in the road, not the same old and worn path you have travelled wonkily and tried to stay on for too long. Trust, tolerance, a new attitude, co-operation and "a new way in the Macleay" CAN be brought about, as your ratepayers in particular want change and will get on board with you if you choose to let them. They may even surprise you with the usefulness of their contribution if you open your door. I strongly and genuinely encourage you to develop and follow a new direction and vision that frees everyone from the past, works with your community and focuses on all of our futures and potential, something that I am confident will be well received by ratepayers when it comes to voting at the upcoming 2024 Councillor elections. And vice versa.

5. Conclusion

If I look at Kempsey Shire Council as of today, 2 January 2024, I ask this question to the entire Shire...ratepayers, Council staff, Management, Councillors, visitors alike, everyone:

Is this the Council we really want?

I know the overwhelming and resounding answer to this is no, but if we all continue to stand by silent and indifferent it is the Council we will continue to have. The voice of reason exists in our community, and while it says real change and renewal is needed, it is currently hidden and suppressed within thousands and thousands of people in the Macleay Valley...ratepayers, business people, farmers, pensioners, First Nations custodians, tourist park operators, homemakers, shopkeepers, fishermen, Council staff, Management, Councillors and visitors, all of them, and every hour, week, month, year and decade it remains like this, time is frittered away, benefits are not realised and pain is caused to too many. It is time the voice of reason spoke, was listened to, and acted upon. All of us have had enough.

From the very first time I saw the Everest that comprised the supporting documentation for this SRV, I must admit I was hoping to not have to actually carry out the work, reading, thinking, discussing, drafting and writing that was going to be needed to create this submission. But so deeply did I feel in my heart for those less capable than I in this area, particularly those currently considering relocation through no fault of their own, I feel satisfied I have made a genuine attempt at climbing my mountain to better their lives. I look forward to the day when I am able to see those very people thanking you, KSC, for finding the courage to climb what is now YOUR mountain.

Kempsey Shire Council, your ratepayers deserve better, and better lives, for all the above reasons. But if you could, in the meantime, please record my disagreement to moving forward with the SRV.

Yours sincerely,
Greg Stoneham



Postscript

I would hope readers appreciate I have had no access to Council staff to help me research and check the accuracy of all of the facts and arguments in this submission and that a number of questions I have raised therefore have needed to be put forward without answers. I have however tried very hard and done what I reasonably can to present everything clearly, logically and with substance as well as trying to be constructive.

I have had multiple discussions with a number of contacts obtained during my life including a person with over 30 years (mainly budgetary) experience in Councils and a currently qualified and registered accountant with considerable experience in Council financial affairs, both of whom have additionally gone through this specific submission in detail with me. I thank you both enormously for your time and frank opinions.

The whole situation I've faced in the preparation of this SRV submission has been very difficult, because it's required me to become almost a complete expert or dedicate a part of my life to it if I wished to make comments that were within range of informed and relevant. This shouldn't be required for something as far-reaching and impactful as a large SRV, as most of what I have looked at should have been disclosed and presented clearly, accurately and accessibly by KSC to ratepayers in the first instance. It is our ratepayer money and services they are dealing with after all. KSC knows intimately how complex and specialised this area is, and they should have gone out of their way to make it easy for every person in the Shire who wishes to be involved to genuinely inform themselves and make comments, no matter what their skill level.

Indeed, I don't understand how Councils can even be permitted to make SRV proposals without being required to present an independent report that makes sure everything of relevance has been taken into account, the SRV stacks up and it is appropriately described and disclosed for a person on the street. This SRV is a perfect example of why that is necessary.

If I have made any errors, particularly any that are significant enough to cast overall doubt on this submission's substance, which is always a risk in these circumstances and when public submissions need to contain facts and arguments that cannot be independently verified, I apologise to KSC and ratepayers.

With all of that said, it has been absolutely necessary to face and deal with the difficulties and risks as best as possible, because the drawbacks from NOT preparing and lodging this submission are vast.

I advise this submission will be made public and that it will form the basis of my communication to IPART.

Author name: G. Thomas

Date of submission: Friday, 8 March 2024

Please write your submission below:

I write to you to strongly reject the Kempsey Shire Council's proposed 42.7% rate increase over the next 3 years. I purchased 2 new homes for rental in 2016. Currently I need 7.2 weeks rent to pay the rates. If this proposed rate increase was granted, I would need 10.3 weeks rent to pay the rates. This together with the 32% increase in insurance premiums, I need 15.2 weeks rent to pay these 2 fixed costs. With the current market, we are limited with how much we can increase rent to cover these extra costs. We need to be fair to our tenants. I would expect if this type of increase is passed, the market to sell rental house will decrease as the return on investment, would be poor. In addition the Council showed disrespect for the opinions of the community. To allow community input they had a open meeting in a public venue. There are just over 16,000 rate payers in the district and over 9000 people signed a petition against this proposal. In a democracy we need 50% plus 1 to pass a decision. The Councillors are elected to represent the community. It was passed 8 to 1 to pass this proposal. If they were to represent the majority of the community, they would have rejected this proposal, they would have rejected it. As a resident who owns the property we live in plus 2 rental houses, I am seriously considering selling the 2 rental houses before they loose significant value. I have not see a council proposal cause so much dissent in the district before. I would urge you to reject this proposal for the betterment of the district and suggest to the council that they concentrate their efforts on the areas of local council and be more effective in doing those tasks. Regards Graeme Thomas

SUBMISSION TO IPART AGAINST KEMPSEY SHIRE COUNCIL

Proposed Special Rate Variation – 2024/25 of 42.7% x 3 years

I wish to make a submission against the proposed SRV.

INTRODUCTION

I am a local resident within Kempsey Shire Councils LGA. I have lived here for 9 years and currently work for NSW Health at the South West Rocks Community Health Centre. Prior to moving here I worked for Blue Mountains City Council for a period of 12 years as Centre Coordinator for a multi-million dollar Leisure Centre. Within this role I worked closely with their Senior Leadership Team and gained a high level of understanding of Local Government operations, finances and governance. I am a chef by trade and have previously operated 2 successful restaurants in both the Blue Mountains and Wollongong.

CONTEXT: IPART CRITERIA

Within this submission I will address the following criteria required by IPART for an application -

- (1) Need for SRV
- (2) Community Awareness and Engagement
- (3) Impact on ratepayers
- (4) Productivity Improvements and Cost containment strategies

NB: These criteria will be outlined with reference to KSC published documents and exerts from submissions to council and presentations at council's Public Forums, specifically November 2023 and January 2024 (audio and visual available on Youtube via subscription to Kempsey Shire Council).

The supporting documents provided by KSC include the Long Term Financial Plan (containing projected Income statements, Balance Sheets and Cash Flow Statements for 10 years) and the Asset Management Strategy, Policy and Plans (AMSPP). *Noted here that the Statutory and Additional Detail Statement and Audited Financial Statements for 2022-23 are still not available.*

1. The projected Income statement for 10 years (before Capitol Grants) shows a total deficit of \$-79M with a post SRV surplus of \$+1M.
IPART have indicated a rate peg this year of 4.7% whereas KSC has used a 2.5% peg in the LTFFP. (Applying the current IPART peg would allow for an additional rates income of approx. \$37M.) Whilst it is understood that council needs to take a conservative view IPART also needs to consider that previously conservative rate peg amounts are unlikely to continue and IPART itself has admitted that the current rate peg methodology is unsustainable. Also included is depreciation for Disaster Capitol Grants (approx. \$32M). This was a one-off Grant funded by state government for disaster relief as neither KSC or ratepayers could possibly have funded this. It is not reasonable for KSC to expect ratepayers to start paying for the depreciation immediately in full, and be included in the application for SRV when it should be explained in more detail to ratepayers and agreed to be paid over a much longer period. There has been no process of consultation.
There is also the depreciation for Backlog Capitol Purchases which can only be guesstimated as this figure is not disclosed by KSC (approx.\$28M). Again why is this decision to significantly increase the level of additional purchases and their depreciation not spread across a significantly longer period of time rather than be included in the 10 year financial statement?

So, the additional rate income based on the higher rate peg amount should reduce KSC's borrowing costs (approx. \$10M) which will improve the deficit predicted in the Income statement.

If we apply the above to the Income Statement over the next 10 years it can actually create a surplus (\$37M + \$32M + \$10M) which then allows for some of the depreciated items to be included in the 10 years period and community consultation can begin regarding the longer term approach to the others.

2. The stated SRV of 42.7% over 3 years (7.9%, 15% and 15%) doesn't add up. It appears that KSC are seeking higher amounts in rate income than what is actually required to balance their books (\$-79m).

Assuming that KSC are applying the initial 2.5% rate cap in their 10 year forecast is unfair as last year it was 3.7% and this year is 4.7% so predictably you could assume that this trend would continue giving a much higher rate income just based on current IPART trends.

In all Income Statements KSC use population and economic growth over the next 10 years at 0%. According to KSC's own Kempsey Local Growth Management Strategy there will be around 1500+ new builds and an increase in population of 32% across the next 20 years yet none of this has been factored into their Statements. This can't be considered as a "conservative" view when it is not considered at all, this should be called unfair as it inflates the deficit amount. What this does indicate is a bias always in council's favour and shifts the burden back onto us, the ratepayers.

3. If rates have been calculated and collected correctly each year KSC should be in a financial position that reflects a sustainable financial position. The last few years of financial statements show no cash reserves being held to help cover future purchases and the assumption is that all depreciation income already collected has been spent with no clear disclosure shown to ratepayers as to where. This makes their position very vulnerable if these reserves have not been accounted for in respect to any future asset renewals, refurbishments or replacements, or in the event of natural disasters where the community has assumed that you are able to assist financially based on their rate contributions. So what are the affects of this? Continual applications for SRVs (last one in 2017-18), borrowing more money or recovery grants from State or Federal government. Quoted from approved SRV document 2014/15 - "In 2014/15 the council estimated that if its requested special variation is approved, its permissible general income will increase from \$14.08m in 2013/14 to \$19.32m in 2017/18. This will generate additional revenue of \$10.0m above the rate peg increase over the period from 2014/15 to 2017/18. The council intends to use the additional revenue above the rate peg to address its infrastructure backlog (currently \$120.2m), while maintaining the community's desired levels of service. During the 4-year special variation period, the council will spend the proposed special variation of \$10.0m on roads and bridge works, while maintaining the community's desired levels of service."
4. KSC has a history of spending ratepayer money on non-core or unneeded asset purchases which means that these funds are no longer being used for the original purposes that they were paid for, then we immediately commence paying for their accounting depreciation which increases the risk of future rate rises. This also applies to Grant funding in the same context. If KSC has to borrow money for these purchases this incurs additional interest. If any of the above are included in a SRV application which is approved, ratepayers start paying higher rates every year in perpetuity providing KSC

with the funding to continue its under-performing over the long term. Rates are therefore higher than they should be over the long term. There have been quite a few large and unnecessary projects over recent years which have poor levels of productivity in comparison to the expenditure which have significantly contributed to the current position on no cash, poor asset quality and unnecessarily high rates.

5. The AMSPP, and whatever was previously in its place, has not been successful in keeping funds in place or maintaining assets at a suitable level. There has been a clear pattern of cross funding between assets and internal needs. It appears that the priorities of KSC lay more with Internal Operations and other expenditures, productivity inefficiencies and investments instead of Asset Quality and management. It has become very clear to ratepayers that the management and financing of their assets, which are crucial, are missing and this situation is historical. This underlying problem needs to be addressed not by continually looking for SRVs at ratepayers expense but by looking at the Senior Leadership Team who are responsible for managing KSC's business. Why are the latest annual Audited Accounts over 18 months old?! Surely the latest annual accounts are the starting point for this proposal and ratepayers have the right to ask why has this SRV has even been considered when their financial situation is apparently a mystery?
6. *“Council’s labour costs increase in line with the new Local Government (State) Award which came into effect on 1 July 2023. Council has used the proposed Award increases of 4.5%, 3.5% and 3.0% over the three years of the Award and added 0.5% to each year for salary progression and then assumed 3.0% per annum over the remaining life of the LTFP, all in excess of the future rate peg. The LTFP also includes a \$1,000 one off payment to staff in both the 2024-25 and 2025-26 financial years, in line with the new Award as well as the legislated increases in the Superannuation Guarantee Charges (SGC).”*

NOTE Proposed Award increases over next 3 years then a continuation of 3%/year. Recent award increases are the highest seen in this sector since 2010 and this is only due to current inflation pressure. Using council assumption process of nil growth then should not be factored in and a far more conservative approach should be used.

Average wage increase over last 10 years is 2.3% in public sector.

The addition of a yearly 0.5% salary progression cannot be assumed across the entire council workforce. Salary progressions can only be applied after individual staff performance reviews and not all staff will meet this criteria. There will also be high numbers of staff who have already reached the progression caps for their positions so no increase will ever apply unless they transfer to a different role on a different pay scale. (Do the \$1000 one off payments to staff apply to the total number of staff currently employed? What is the purpose of this payment and who set it?) There should also be a natural attrition percentage applied to staff leaving their current roles prior to these payment dates.

7. KSC appears to have a culture of internal fixes that have no consideration for the people who they actually work for. The focus on systems and processes may look good on paper but how do these actually work on the ground? At no time in this application have the community's voices been considered (approx 9,000 petition signatures plus previous submissions), all of the documentation supplied to us by council is very difficult for most people to understand and at no time has council actually engaged with the community to fully outline its intentions. The printed brochures, small meetings (max. 30 people at each) and ever-changing website were just tick-offs for the IPART application. At no time has council had the integrity to stand up and admit their

own internal problems, instead they have bombarded us with an overriding grab for cash and distanced themselves even further away from us – the biggest asset! KSC need to make some fundamental changes to it's management, processes and policies and start making itself accountable.

8. At no time has council considered the social and financial impacts that this SRV would actually have on our community apart from publishing it's Hardship Relief to Ratepayers procedure and Recovery of Unpaid Rates, Charges and Other Debts procedure.

I took the time to speak with the Mental Health team at Kempsey District Hospital to get some feedback on what type of issues that this may cause within our community. For some of our most vulnerable people their situations are already dire but further increases to the cost of living would see them becoming homeless, going without food, unable to afford the costs involved with travel (to keep vital appointments for the health and well being) and desperation leading to suicide. It will create changes to how our society will live, multiple families living under 1 roof to afford accommodation (an example given to me was 4 adults, 3 children with pets living in a 3 bedroom house with 1 bathroom and the garage being converted to another living space/storage area). Pensioners being forced to move back into their children's homes and renting their own homes out for cash in hand to afford to live. This creates an environment where domestic violence becomes more common and our Police Force's valuable time gets taken up sorting out petty affairs. Normally quiet suburban streets become places where violence and fear are a reality. The very way we live will start to change as budgets are tightened even further than they already are meaning families won't be able to afford to go on holidays, children will miss out on playing sports as their parents can't afford the fees and uniform costs, people will use their vehicles less which may mean less contact with family and friends, pensioners won't turn their lights and air conditioners on for fear of the bills they will get, some may have to change their diets as some foods will be out of reach, clothes will be bought from op-shops rather than new, etc, etc. Businesses and farmers will be forced to consider their viability, look for outside work to supplement their income streams, put staff off, and generally cut costs which could impact the quality of their products. This will create real trauma in our society which is already struggling with increased cost to living not being met by current wage levels. Mental health issues are at their highest levels since the on-set of Covid-19.

So how do we all resolve the current issues we face?

Firstly a review of Income Statements to better reflect what would happen over the next 10 years based on current IPART trends with rate capping. Rather than using 2.5% (which pushes the application in council's favour) why not use the current rate of 4.7% which would generate more rate income (> approx \$37M).

Include some of the expected growth that is identified across our LGA. At least 750 new rateable blocks of land/apartments out of the expected 1500+ in the next 10 years (average \$1200 x 750 = \$900,000/year). *To note here also is that 56% of this new development will happen at South West Rocks where rates are considerably higher than the average which would push this number up.*

Include revaluation of properties by Valuer General due in July 2025. The last valuation saw a massive increase for those properties on the coastal strip and it is highly likely that this trend will continue.

Grant funding summarised for various spends for 2023-24 will leave a cost to council

after the funding of \$13,490,409 (total council contributions \$83,700,498 less grant funding \$70,210,089). In light of our current financial situation there must surely be some projects which could be deferred/reviewed to alleviate such a burden off ratepayers. This of course doesn't include depreciation/maintenance on these new assets as outlined in the Grant Summary Report.

The Operational plan states that 124 works were completed, 9 deferred and 31 are behind completion. This is the backlog of works which should be reviewed to save the council money which would in turn reduce the need to borrow at a time when interest rates are high.

There were also successful contracts (over \$150,000) given to external providers totalling \$15,556,757 in the last financial year mainly for road and bridge work (assumed part of Grant funding but not identified). There is no record of what contracts KSC were successful in getting and what the final cost to ratepayers was. There is also no record of the cost of contracts under \$150,000 publicly disclosed. A complete review of the AMSP in an open and transparent manner with the community is required so that there is a full disclosure of the state of council assets and what is needed in operational and financial terms that is fiscally responsible for all parties involved.

Construction of new infrastructure should be scrutinised. Council will consistently state that previous plans that have been ratified are forced to stay in motion – not true. Revision of historic plans are absolutely necessary in this instance.

Sewer Fund should not be included in the broader Capitol Works Program as this is a separate fund paid for by Grant monies applied for and ratepayers contributions.

Sewage Fund - An increase of 13.3% (6.3% CPI and 7% real price increases) in the 2023-24 year and then 5.0% (including CPI) year on year for the following 4 years and then reverts to 2.5% CPI increases thereafter.

Sewer Fund financial forecasts are currently in the process of being reviewed. This review will include the timing and funding sources of the large capital expenditure program and as a result sewer access fees in future years. Burden beyond Grant funding to come to ratepayers.

Sewer Fund currently in \$26M surplus. Sewer fund is forecasting a sizeable capital program nearing \$250M over the next 10 years. The Sewer fund has been steadily increasing rates and charges in recent years to fund this large capital program.

Recently, this program has been re-estimated resulting in a significant increase in these forecasts. This level of expenditure would require significant borrowings of about \$170M, but to meet the loan repayments, rates would still need to be increased by another 40% over the next 5 years. This would put Council's rates for sewer among, if not the highest in NSW. Council is currently reviewing options for the Sewer Fund, including additional funding options from the State and / or Federal governments.

Again shows burden to come on ratepayers and their capacity to pay.

CONCLUSION

KSC itself can resolve some of these issues by making changes internally and do something differently to embrace the opportunities of real growth and reinvention. This council need to move forward by becoming a contemporary and open organisation not constantly plodding along in the same repetitious manner that historically hasn't succeeded in leading this community with security and equal opportunity.

This proposed SRV needs to be scrapped as it has been presented to ratepayers in a manner that is

biased and flawed in it's nature. It won't rectify the problems which exist and at best will cost this community both financially and socially. This has sparked tremendous interest from the ratepayers who are now becoming very engaged with KSC for all the wrong reasons.

Repetitious applications for SRVs are red flags for local councils (and IPART) and our elected councillors should be questioning why this process is continuing and how council itself can fix these issues rather than putting the burden back onto us who already pay very high rates which are not sustainable in this current financial climate.

Author name: J. Dennis

Date of submission: Friday, 1 March 2024

Please write your submission below:

Being a aged pensioner who has lived in the Kempsey Shire, South West Rocks 2431 for 44yrs , the rates now are very high without further increases. I will have to look at selling my house of 33yrs as I will not be able to pay for the increases. I was a professional fisherman before having to retire early due to a genetic heart deficit without any superannuation & find it just about impossible to now live on the aged pension due to the huge increase in the cost of living & cost of repairs to car ,house etc.

Regards Jeff Dennis [REDACTED]

Submission in respect of SRV Application made by Kempsey Shire Council

It should also be noted that this 2024 SRV application is just one of many SRV applications by KSC in respect of the land-value based proportion of the annual rates bill and they have not explained why they have not “learnt to live within their means”.

I believe that IPART needs to be made aware that Kempsey Shire is not at all upfront about the unusually high total rates and annual charges that it levies. In KSC’s rather muddled community consultation, it did not mention their large additional annual charges and failed to explain that their Long Term Financial Plan includes provision for jacking-up this year’s \$2561 additional annual charges by 5% year on year, cumulatively. So that by 2026/27 those charges will have increased by \$403 to become \$2963. Apart from failing to make this very relevant point clear in its community consultation, it has failed to make it clear in its SRV application to IPART.

KSC’s Capacity to Pay Report is a very haphazard document that spouts figures and conclusions that are very unconvincing when examined closely.

In its Capacity to Pay Report KSC only considers capacity to pay average land-value based rates. It doesn’t mention that KSC’s charges residential ratepayers large extra annual fees for sewerage (\$1540), water (\$391), garbage collection (\$485), stormwater (\$25) and environmental levy (\$120). **The Capacity to Pay Report doesn’t mention that the total additional annual fees for residential properties amount to \$2561, which is over twice the average land-value based rates of approximately \$1200.**

KSC also ignores the fact that many residents are already reeling from last year’s adjustment to annual fees which amounted to a 12% increase and that increases to these fees have occurred annually without applying for an SRV.

Despite the average residential land-value based rates, apparently being around \$1200 for 2023/24, the actual amount KSC is currently charging the average residential ratepayers annually is approximately:

Land Value Based Rates -	\$1200
Annual Charges -	<u>\$2560</u>
Total Average KSC Rates and Charges -	<u>\$3760</u>

When Kempsey Council presents figures suggesting that the 42.7% increase they seek in respect of the land-based rates averaging \$1200, is affordable for most of the Shire's population, this is simply misleading. They are failing to mention the larger annual charges. In their financial plan, one of the assumptions is that the Annual Charges will be increased by some 5% year on year, but of course they are not bound to restrict the increases to 5% if past increases are anything to go on.

So with its SRV application, by 2026/27 KSC intends charging its average residential ratepayers annually:

Land Value Based Rates (42.7% increase - \$512.40) -	\$1712.40
Annual Charges (5% year on year increase - \$403.52) -	<u>\$2963.52</u>
Total Average KSC Rates and Charges – (\$915.92 increase)	<u>\$4675.92</u>

KSC's October 2023 Capacity to Pay Study, Table 15, purportedly analyses trends in Cost of Living over 5 years for a typical household in the KSC LGA and from that KSC concludes :

"in the 5 year period, total disposable income across the Kempsey LGA has increased due to an increase in annual net savings. This may indicate some potential capacity to absorb increased rates, though some mortgage holders may have less net savings due to higher interest payments."

Firstly, there is a problem with this statement. Total disposable income does not change due to increased savings. One must presume they had meant the opposite, that savings increased because of an increase in disposable income.

Secondly, **the glaring problem is how it assumes that the typical Kempsey Shire household in the 2021/22 year had a disposable income of \$107,395. This was despite Figure 4 of the Capacity to Pay Report showing that 74% of households in the Shire are in the lowest two income quartiles and it being well known that Kempsey is one of the most socio-economically deprived Shires in NSW. Also, the Australian Bureau of Statistic's 2021 Census showed the Median Weekly household income in Kempsey to be \$1085, which equates to an annual typical household income of \$56,000.** (just for reference the census listed the median weekly household income in NSW to be \$1829, which equates to \$95,108 per annum). I gather that the census figures show gross income, not net income, which means that after paying tax, the typical household disposable income in Kempsey Shire will actually be quite a lot lower than \$56,000.

Many families and retirees in the Shire, live on so little and have such big expenses that they cannot heat their homes in winter and they struggle to put food on the table. **Whoever came up with the idea that in 2021/22 the typical Kempsey LGA household had disposable income of \$107,395 must be coming from another planet.** Perhaps they misunderstood figures obtained from NIEIR.

Thirdly, despite the SRV being lodged this year, in 2024, the 5 years compared in Figure 15 are somewhat behind the times, being from 2016/17 to 2021/22. This might be because despite loudly proclaiming that the Council is struggling with increasing costs, it did not want to acknowledge that recent jumps in living costs are badly impacting their ratepayers who to a large degree are people depending on benefits, pensions, low wages or savings and who are already struggling to retain their homes.

Fourthly, the glaringly unrealistic percentage of change over 5 years in respect of costs of transport, housing and utilities and the lack of provision in respect of household asset depreciation, raises many extra questions about the facts and methodology used not only in Figure 15 but in the entire Capacity to Pay Report.

Residents of Kempsey Shire Council are already paying very high rates and annual charges. They are now also struggling with many increases in non-discretionary expenditure, such as the cost of food, larger mortgage or rent payments, huge increases in insurance costs, high electricity costs and like the Council, increased building and maintenance costs.

KSC's totally misleading and unsubstantiated assumptions in respect of typical household income and expenditure makes it pretty obvious that KSC has not properly researched or considered whether many of their ratepayers will be able to afford to live in the Shire if KSC's SRV application is approved.

There is no recognition by KSC, that many ratepayers in the more highly valued areas of the Shire, such as the Coastal North (which had the biggest proportion of retirees) have, through no fault of their own, other than their longevity, found that their properties now have a much greater than average land value for the shire, so that they will be disproportionately affected by any increase to rates. Many long-term residents are proudly retired and are very attached to their homes and gardens and would starve rather than claim hardship or move. Some coastal properties have very much higher than average rates yet their owners may have lower than average incomes.

I live in the Coastal North area. My property is only 670.3 square metres, which is not particularly large, it isn't a seaside property and it doesn't have sea views, yet it has a government valuation of \$629,000 (quite normal in Arakoon) which is going on for three times the average for Kempsey Shire. Our overall rates and annual charges are currently \$4765.16 (\$2204.16 land-value based rate and 2561.00 annual charges). But if IPART approves KSC's SRV application and there is a 5% increase to the annual charges year on year, by 2026/27 our rates and annual charges are likely to increase to a whopping \$6108.63 (\$3145.11 land-value based rate and \$2963.52 annual charges).

Some of our retired neighbours pay more rates than us. Most are retirees with limited ability to cope with this unexpected leap in rates coming on top of other big non-discretionary cost increases. Most are unaware of just how much the Council annual rates and charges will increase, because of KSC's confusing communication.

I respectfully submit that IPART should refuse KSC's SRV application on the grounds that it has not

- 1. clearly demonstrated fiscal responsibility with its repeated need to apply for SRVs,**
- 2. consulted with the community adequately or honestly,**
- 3. clearly shown the impact of the rate rises and annual charges on the community,**
- 4. properly considered the community's capacity and willingness to pay increased rates,**
- 5. established that the proposed rate increases are affordable having regard to the community's capacity to pay.**

Author name: J. ROBINSON

Date of submission: Monday, 11 March 2024

Please write your submission below:

The proposed rate rise is going to make it extremely difficult for macleay residents who are already finding it hard to survive with the cost of living so high already, There has to be ways council can cut costs and function well without sending us to the wall especially pensioners who make up a large proportion of the shire, I hope our voices are heard

Author name: L. Keay

Date of submission: Friday, 15 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

Kempsey Shire Council (KSC) Have failed to provide any evidence of Need. Others have presented more fleshed out evidence of the financial details (Greg Stoneham). KSC have certainly not made the community aware of the need and extent. Please look at the KSC publication "OUR FINANCIAL FUTURE - Special rate variation"(Doc 1). This was sent out with the last possible rate notice making it hard for rate payers to effectively respond. The text is wordy and unclear. Keys figures (notably the projected size of the deficit) are WRONG. The list of the 'What do my rates pay for' is not clearly presented and contains no totals. This is a council who will make much of their online engagement which, unless externally energised, engages less than 1% of the rate payers. Furthermore if you asked every local resident the worst thing about KSC they would largely say "They don't listen". This is not a new problem. As a result KSC can not pass this criteria because frankly very few residents believe a word they say. Kempsey Shire Resident have been hit by so many SRV increases in the last two decades that they have effectively reached their capacity to pay. In the submissions (from residents) you will see many people who are claiming immediate financial distress. The KSC figures for average rents are laughably wrong. Homelessness is an increasing local issue that barely existed ten years ago. We are one of the highest socioeconomically disadvantaged communities in NSW. The Shire averages are heavily skewed by the very wealthy people living in the costal villages. This proposed SRV is by no measure reasonable. Like most KSC exhibits it was hard to find, hard to negotiate and hard to understand. Yay!?! Cost Containment? They wouldn't know what it was if it hit them from 20 000 meters doing mach 1. I refer you to your own document concerning the 2014/15 determination (IPART Kempsey Shire Councils application for a special variation for 2014/15 - page 9)"has a debt service ratio below the TCorp benchmark and has limited capacity to use further borrowings, on top of the \$5.6m subsidised loan for the Kempsey Business Corridor Project." The long term financial plan which was attached to this covered up till 2024/25. KSC now has outstanding ADDITIONAL BORROWINGS OF ~\$60 Million. They don't stick to the agreements they make. In their Doc 1 they list "How has Council reduced expenses?" Dot point 2(DP2) is completely uncheckable and more importantly uncoded, ditto DP3 DP4 DP5 DP6 DP9 DP10. I'll give them DP1, Bravo, ~ \$600K P/A going forward*. That's their leading item. I'll also give them DP7, Bravo, ~ \$100K P/A going forward**. However DP8 is a case of saying the quiet part out loud. This facility will COST the ratepayers \$1.32 Million P/A going forward in the form of a contract to provide the service to a company. This company will then be effectively gifted a ~ \$13 Million dollar facility which KSC will then have to maintain and depreciate. They do not understand Critical Path Analysis and Management. To the point that a local group have identified around \$30 million dollars in recent waste and around \$3 Million P/A in ongoing waste.

<https://www.facebook.com/groups/1316256382389146> Nobody mention the Majestic Cinema debacle! Saying yes to this SRV is effectively rewarding profligate financial management and general bad behavior. * & ** My figures, they provided NONE.

Submission to IPART on Kempsey Shire Council’s Special Variation Application – March 2024

By Mark Walker

[the author is a builder, writer, journalist, energy efficiency consultant and marketing executive of 40 years experience, having worked for and been on the boards of social research companies, publishing companies and international construction firms. Prior to retirement he was active in political organisations and environmental campaigns involving all levels of government, and is passionate about participatory democracy and political accountability.]

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EXECUTIVE SUMMARY

It is our contention that KSC has not adequately met several of the necessary criteria to enable IPART to approve the SV application by KSC.

It is my carefully considered view that Council has failed to meet the following Assessment Criteria:

- Explanation and Quantification of Productivity Improvements and Cost Containment
- Financial Need for Additional Income, and
- Community Reasonable Capacity and Willingness to Pay

The documentation provided by KSC to justify its application to its own Councillors is so opaque they have struggled with understanding both content, inference and relevance.

My own empirical research indicates clearly the alleged ‘capacity to pay’ simply does not exist, and this throws into contention the entire Morrison Low report, which is clearly riddled with errors, relies on out-of-date data, and delivers several unjustifiable conclusions.

In short, IPART should reject this application by KSC for a Special Rate Variation. As I and other community leaders have suggested, an alternative methodology needs to be ascertained and followed to ‘fix’ the REAL issues underlying, and providing justification for, KSC’s application for this Special Variation.

PART A – NO NEED FOR A SPECIAL RATE INCREASE

1. The Reasoning

When Kempsey Shire Council (KSC) first mooted the case for a Special Rate Variation several months ago, it took the local community by surprise. Especially as we had already had several Special Variations (SV) in recent years.

KSC's justification for this latest SV was that "residents expectations" required them to spend an additional \$100 million dollars over the 10-year forward estimates, blaming this huge additional revenue requirement on "inflation and cost increases generally".

Yet in KSC's own 'Financial Sustainability Strategy 2019-2023' (FSS) document (page 5) KSC acknowledges "extensive consultation with the community will be required to define the community's expectations on delivery of best value services".

There are two principal issues with those statements: firstly, ratepayers and residents were not adequately consulted about any alternate proposition that might NOT have led to an SV.

We were simply presented with a 'fait accompli' and expected to just suck it up.

Secondly, while the present 'inflation bubble' was not well predicted, as it developed largely due to international supply constraints brought about by firstly COVID restrictions and later by trade restrictions caused by fallout from the Russia/Ukraine conflict, some measure of allowance for inflation and 'cost increase shocks' is a normal facet of all business operations, and ratepayers were previously informed, at the time, that previous SVs had been designed to combat this issue and ensure future SVs would be unnecessary.

For example, the same KSC document (FSS p5) asserts that "LTFP forecasts accumulated Net Operating Deficits (excluding Capital Grants and Contributions) of \$29.97M from FY19 to FY28".

Yet the current accounts show no sign of this mythical \$30 million. Rather, they show an INCREASED deficit of \$79 million. Which, it should be pointed out, was initially stated as being a \$108 million deficit in early versions of the 'SV justification' documentation.

Yet somehow, seemingly overnight, and prior to the first Public Forum opportunity for the community to actively engage directly with Council on the issue, an additional 'saving' of \$30 million was found. Subsequent 'justification documents' claimed this was due to savings from 'street lighting'. That's a heck of a saving!

As a former energy efficiency consultant I know LED bulbs are good. But that good? It's simply not credible.

It's also clear that KSC doesn't believe its own feel good motherhood statements, as point three of *2.0 The Challenges Ahead* (FSS p6) states that one of the challenges facing KSC is "aligning service delivery to the expectations of the community and balance [sic] that against the community's capacity to pay".

As we will go on to demonstrate, they have neither engaged adequately with the community to ensure ‘alignment of expectations’ nor have they properly considered the lack of residents capacity to pay.

2. Community Reaction Ignored

As many local residents and ratepayers pointed out to KSC, they, too, had been affected by inflation, cost of living increases, increases in mortgage repayments and rental costs, and did NOT have a pool of untapped resources into which to dip to ‘balance their books’.

Implicit in these comments is the clear understanding that KSC should also be required to ‘live within its means’. KSC should be required to ‘tighten its belt’ and go without, as the rest of the community and small businesses are being forced to do in the prevailing economic climate.

Explicitly, ratepayers stated that KSC should NOT be using its monopoly and statutory powers to ‘balance its books’ by effectively double-dipping into the pockets of already financially stressed ratepayers.

KSC should be required, as ratepayers are, to “live within its means”..!

A petition organised by a local community group, *Figure it Out KSC*, compiled almost 10,000 signatures opposing the application for an SV. To put that figure into perspective, Kempsey Shire has approx 14,500 households (according to ABS data),¹ whom KSC is choosing to completely ignore. It’s just not good enough!

Our contention is that Council has not done anywhere near enough work to reduce its outgoings, reduce overheads, revalue assets, or re-align proposed asset maintenance plans to better account for the constrained financial circumstances in which it finds itself.

We also question the financial acumen of the KSC executive who, just four years ago, predicted a deficit of only \$30 million dollars, that, despite inflation only reaching 7% in the interim, has somehow, suddenly and inexplicably, ‘blown out’ to a \$108 million dollar deficit. It is simply not credible to accept that ‘costs’ have increased 300% in the face of an inflation rate of just 7%.

We do not argue the point Councils are making regarding the slow erosion of recurrent funding over the past 40 years. This is a ‘given’ in the sector. Everyone knows and is aware of this failing by the State and Federal governments to adequately fund local government.

3. Executive Management NOT Tackling the Issues

However, it is clear that this lack of additional funding from governments has been ‘known’ for many years more than the current executive team have been employed by Kempsey Council. It is not just a situation that affects Kempsey council, but is one that affects EVERY council in NSW. Right across the country, for that matter.

It is, to paraphrase Donald Rumsfeld, a “known, known”.

As such, it should, one imagines, have been equally “known” by any member of any local government executive team over the past 20 years, and therefore WELL known to the current executive of Council, many of whom have been in place for more than five years, and employed in the local government sector for many more years than that.

Yet this executive’s ONLY response to this ‘known known’ set of facts has been to add further hardship to already long-suffering ratepayers, by requesting Special Variation after Special

Variation – without ever really attempting to find any other way forward that might avoid the necessity for such additional rates and variations.

It is equally clear, to those of us with the capacity to interpret Council’s bewilderingly complex accounts, that there are several significant options to immediately reduce Council’s outgoings, and to significantly reduce the expected outgoings over the forward estimates.

4. So Much Room To Improve

Yet Council, and the executive branch, have done very little to explore any of the – what I might call ‘controversial’ options – that might require significant communications and interactions with the ratepayers and the public more broadly. Here are several examples where Council could have taken an economically more responsible approach:

Example 1: KSC’s recently commissioned report into the four **swimming pools** it provides (and subsidises) in the Shire (Kempsey Shire Aquatic Strategy 2023-2033) clearly showed that at least one of these smaller local pools was being subsidised at what might be termed a reckless, or at least, unsustainable amount.

According to that report, the shire of Kempsey has a population density that elsewhere would see it provide only a single, regular Olympic or half-Olympic-sized pool. Not the four pools we currently support and subsidise, in four geographically separate locations. As the cost provision in the accounts for the four pools is approximately \$750,000 per annum, it would appear some trimming of service provision might be immediately advantageous to Council’s bottom line.

Example 2: Other obvious areas for cost reduction are embodied in the **Kempsey Aerodrome**, which even the local flyers who use the airfield accept is a total overkill for the type of flying done most often in the valley. The ‘drome is certified for use by aircraft up to Boeing 737 size, and was originally intended as a ‘reserve airport’ in the event that some unexpected catastrophe closed either of the three larger airports within easy range of Kempsey (Tamworth, Coffs Harbour and Port Macquarie).

Sadly, this ‘albatross’ was ‘gifted’ to KSC by the Federal government some thirty years ago (a process LGAs refer to as ‘cost-shifting’), and is now – under local govt accounting rules – required to be ‘maintained’ by the ratepayers of Kempsey.

Cost-shifting by State and Federal governments is costing ratepayers too much..!

It is on KSC’s books as a \$550,000 annual depreciation cost, with an income of less than \$150K to offset that huge cost. I personally don’t think anyone, anywhere, seriously expects that Kempsey ratepayers should foot the bill for the (eventual) replacement of this ‘asset’, and that in all likelihood such eventual replacement would be provided in the form of Federal tied-grant funding. But in the meantime, KSC is required to keep it on the books where it forms a serious book ‘loss’, helping to justify the ‘need’ for the SV.

Example 3: Then there is the **Slim Dusty Centre**. Located eight kilometres from the town, making it very difficult to access, especially for those without transport, it has always struggled financially, has never made a profit, and was recently ‘gifted’ to KSC to prevent it being sold off for some other purpose. It has been added to KSC books as a \$7.5 million dollar “asset” that at present produces virtually no income, and costs in the vicinity of \$100,000 per annum to simply have it sitting there, an under-used and poorly designed ‘white elephant’, that will require an additional – unknown and secretive – sum to be spent to secure the land adjacent the building,

through which visitors must pass to access it from the main road. Whoever signed off on this ‘deal’, I have a very large tower in Paris for sale. Going cheap!

Example 4: The most recent and most visible of these ‘errors’ saw a ‘maintenance shed’ located across the middle of a regular walkway in Crescent Head, blocking ocean views from the town centre and creating a total eyesore – erected with zero consultation with the local community.

KSC was eventually forced, by community pressure, to **relocate the shed at an eye watering cost of \$98,000 dollars.**

To which, needless to say, should be added the \$28,000 wasted in building an access path around the shed, after the original walkway was built over.

Add to this a motion currently before Council to simply ‘write off’ \$125,000 of unrecoverable debts, which when added together with similar losses over the past four years, sees almost \$2.5 million dollars simply wasted. Most of it thanks to poor planning, poor decision-making, clerical errors, or simple incompetence. **\$2.5 MILLION dollars..!!! It’s staggering..!!**

5. Fake Community Engagement

Every option to reduce KSC’s outgoings should be on the table, and being discussed and debated within the shire. Yet this option to avoid an SV has not been presented to the community, nor even debated within Council. “We must give the people what they want” is the justification for not pursuing ‘difficult’ choices.

KSC has, in the past, “surveyed” ratepayers on “what they want”, seeking their opinions about various elements of Council’s ‘services’, in order to enable them to justify this position.

As a professional questionnaire designer I can assure IPART’s commissioners that these ‘surveys’ lacked anything even remotely involving integrity, and were clearly biased – written in such a way as to achieve a pre-desired outcome, or at least to prevent respondents from freely advising their actual views.

For example, most questions had only ‘Yes/No’ options, without any provision for ‘Maybe’ or any other option to add an alternate view, and were written in such a way that the ‘Yes’ option made sense, whereas the ‘No’ option did not. The descriptive term for this is ‘inherent bias’, and no questionnaire designer worth their consultants fee would so format questions unless specifically instructed to do so by the client.

KSC has consistently treated the local ratepayers with what can only be described as contempt, treating the community as fools to be directed, or a hindrance to be avoided. While their actions could best be described as ‘partisan’, or ‘biased’, they fall very far short of the communities expectations for a proper, participatory democratic process.

Example 5: Perhaps the most classic example of this callous disregard for proper democratic process was the 2018 donation of \$2 million dollars of ratepayers funds to the commercial owner and operator of the Riverside supermarket/mall complex, as part of a refurbishment to enable the addition of a cinema complex on Riverside’s Belgrave St site.

The total cost of the works, including the reinforcing of the basement footings and columns supporting the building – essential so that the cinema complex could actually be safely built on top of them – came in at over \$5 million dollars.

This is the ‘planning threshold’ that would have required approval by the Joint Regional Planning Panel, had the works been put before Council as a single Development Application.

Instead, the applicant was advised to submit the Application as two separate Development Applications – one for the footings only, and a separate DA for the cinema extension. Clearly designed to avoid the scrutiny of the JRPP, and to reduce the opportunity for the community to scrutinise and object to the development.

As a result of this – totally legal – skullduggery, by the time the elected Councillors, never mind the public, were made aware of the extent of the development, and the existence of **two separate DAs**, it was already too late to challenge the initial DA which had simply been ‘rubber-stamped’ through the Council approval process by a complicit ‘political bloc’ that dominated the Council at the time.

This Council, and this executive, clearly cannot be trusted. At least in the eyes of ratepayers and voters, who ‘raised Cain’ when they realised what was being done in our names – to no avail.

Two weeks ago, the cinema’s operator announced the business was being put into administration.

No return on the communities investment was ever even contemplated, much less applied as an ROI, not even if the building were one day to be sold.

We certainly could have used that \$2 million over the forward estimates to help offset any need for a Special Variation. Never mind the ROI inflation would have added to the building’s value, and ratepayers share in it, had such a provision been applied. As it arguably SHOULD have been.

Based on this and other similar decisions, ratepayers have zero confidence in the financial management skills of the current Council executive.

6. The Way Forward

We want to form an oversight panel, consisting of elected Councillors, local experts and community leaders, to oversee KSC accounts and forensically diagnose the issues within those accounts, enabling the ratepayers to have a much better idea of what ALTERNATIVE methodologies there might be available to us to prevent the “necessity” (alleged) of the proposed Special Variation.

Because we KNOW the local community cannot afford the Special Variation. Too much of the community is already in ‘housing related poverty’, and clearly has no additional ‘capacity to pay’.

PART B: NO CAPACITY TO PAY

Debunking the Morrison Low “Capacity to Pay” report that forms a significant part of KSCs justification for the Special Variation.

As part of its long-planned proposal to apply for a large SV, the KSC executive identified that IPART would require them to demonstrate that the community had a ‘capacity to pay’ the massively increased rates that they wish to inflict upon us.

To this end, they commissioned from social research firm, Morrison Low, what has been tabled (and supplied to IPART) as “10.1.3 – Attachment 3 – Capacity to Pay Report Kempsey Shire Council October 2023”.

As I am sure IPART’s Commissioners are aware, there has been significant upward movement in rental costs and mortgage repayment costs in the years since the COVID pandemic.

It was immediately clear to many local ratepayers (and renters), upon viewing the figures in the Morrison Low report, that they had relied on older, **out of date data** for some of their calculations, so their conclusion there was ‘capacity to pay’ within the Kempsey Shire community is **completely erroneous**. Further analysis showed that there were other issues with the report.

1. Immediate Impact on Renters

We especially take exception to their utterly ridiculous assertion that renters will not be affected by the SV.

In their ‘Conclusion’ (p34) the authors claim ‘minimal or no impact of this SRV on those residents’.

This statement is simply not true, according to the real estate agents we spoke to.

They confirmed that, should the SV be approved and applied, they would IMMEDIATELY advise landlords to increase rents accordingly, to cover the increase in rates. This is ‘straight from the horses mouth’ stuff, not remote, academic speculation!

Renters – ALL renters – will be immediately impacted, as the agents will advise their landlords to increase rents accordingly.

2. Currency of Research Data

Our own independent (and current up-to-date) research demonstrates clearly that far more households are in far greater financial and housing stress than is indicated by the figures in Morrison Low’s report.

Looking at figures in Table 14, (p17) of Morrison Low - *Analysis of median weekly household income and rental payments*, it was immediately obvious to local people that the rental figures on which Morrison Low relied were inaccurate, and in no way reflected the actual rents being paid in the Shire today.

Our own empirical research into publicly available data online, and personal communications with local real estate agents (who supplied additional data from their files), enabled us to compile up to date median rental figures to substitute for the inaccurate figures in Table 14. (See Appendix One on p11 of this submission)

What this demonstrated most clearly is that the proportion of homes paying more than 30% of their income in rent payments, was **significantly higher** than that found by Morrison Low.

3. Using the Real Numbers

For example, Morrison Low found that in only ONE area of the Shire would renters find their rents exceeded the 30% of household income threshold that is widely accepted as putting the household in ‘**housing related poverty**’. And this area, Coastal North, according to Morrison Low, saw only 1% of households exceeding the poverty line figure. According to Morrison Low, the rest of the Shire was doing okay.

Yet substituting the CORRECT and up to date rental figures WE collated – direct from the local agents managing the properties – clearly shows that in ALL areas of the Shire, renters will be exceeding the 30% ‘housing related poverty’ threshold.

In ALL areas of the Shire, renters are ALREADY experiencing ‘housing related poverty’.

Some of these areas are seeing almost 50% of renters ALREADY in ‘housing related poverty’. This means that this 24% of households in the Shire (according to the ABS figures on rentals)¹, are already in ‘housing related poverty’.

Given that Morrison Low themselves indicated (based on out-of-date figures) that “as with the indicators for mortgage stress, rental stress is [sic] could be an issue in Coastal North”, we feel it is reasonable to assume that the mortgage data on which they relied is likely to be equally out-of-date, and so similar differences as we found for rental stress probably also exist for ‘mortgage stress’.

Especially as Morrison Low pointed out that the Coastal North area was the one with ‘potential stress’ in both Table 13 and Table 14. We found what can only be described as ‘extreme stress’, once up-to-date data was applied.

In the absence of more accurate data, or the ability to interrogate the data on which Morrison Low relied, we can only make an ‘assumption’. But considering OUR data saw ALL areas of the Shire experiencing rental stress, we believe it is entirely credible to infer the same for mortgage stress.

We therefore conclude that ALL mortgagees in the shire are also ALREADY experiencing financial stress.

4. Situation Will Worsen Further if Rate Increase Proceeds

Please do note that essential point! These figures in (the updated) Table 14 relate to median incomes and median rentals TODAY. Not AFTER they will no doubt be increased should the SV be applied, as our real estate agents assure us they will.

So, the application of ANY rate increase will IMMEDIATELY have a further detrimental effect on ALL renters in the Shire, increasing the level of poverty we are already experiencing and unnecessarily increasing the hardship for a significant proportion of the Shire’s residents.

5. Morrison Low Report should be Rejected

It is on this basis alone we argue that the Morrison Low report must be discounted completely, as clearly households already in housing related poverty have zero ‘capacity to pay’ any increase in their weekly rental payments. Especially given the other increases in food costs,

medical expenses, insurance costs, fuel costs and every other cost that has also increased exponentially over the previous few years.

Being unable to physically check any of the other data on which Morrison Low relied, we can only (not unreasonably) assume that it is probably just as out of date, or just as flawed, as the data we CAN check, and therefore their entire methodology, never mind their conclusions, must be called into question.

Their erroneous ‘Conclusion’ stated that there are both pockets of disadvantage, and pockets of relative advantage within the Shire.

These terms are indeed ‘relative’. It is clear from anecdotal evidence presented to SPADCO and at Council Forums that FAR more people than only the renters will be significantly impacted financially should this SV be approved.

While we are calling for IPART to reject the conclusions of the Morrison Low report, it should be acknowledged that where they simply reported available ABS data – such as the Socio-Economic Indexes for Areas (SEIFA) scores, the ABS-derived data is bang on, with Kempsey showing an IRSD score of 903.3, and an IRSAD score of 880.7, putting the Shire in the bottom decile on each score.

Indicating that Kempsey households are in the bottom 10% of households facing significant financial disadvantage, and are therefore worse off than the other 90% of Australian households.

7. More Bad News Ahead for Households

We further understand that the NSW Valuer general will re-assess property valuations this year, so that when those (inevitably increased) valuations are applied to the General Rate on our Rates Notices, many of those in the ‘relatively’ better off areas will suddenly find themselves hit with yet another increase in their rates, due to the increase in property valuation.

As residents in the more affluent areas are already paying more (per lot) than residents elsewhere in the Shire, this could push their rates to unaffordable levels, even without the application of an SV.

Even the better off may soon have their begging bowls out!

It is probably also pertinent to point out at this point that Minutes of the most recent meeting of the Council of Financial Regulators (CFR), a group that includes the Reserve Bank, Treasury, the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission, showed a lift in the number of hardship applications to the nation’s banks for relief from home loan mortgage repayments.²

To reinforce this point, last month National Australia Bank’s outgoing chief executive, Ross McEwan, warned that the country’s second-largest bank was facing higher mortgage arrears than in previous years, as cost of living pressures begin to bite harder.³

8. A Dire Situation

The strain on borrowers is also evident in the latest Suicide Prevention Australia survey, released on Monday, showing a four percentage point increase (over the March quarter) in the

number of people reporting a higher-than-normal level of cost-of-living and personal debt distress. This is up since the December quarter and brings the total increase to 12 points for the past year.⁴

We also draw to the Commissioners notice that, while the topic of this inquiry is an application to increase the ‘General Rate’ only, it is also equally clear to those of us with any financial acumen, that the projected \$170 million dollar shortfall in KSC’s ‘Sewer Fund’ will soon require a further increase in the Sewer Rate in order to meet that predicted shortfall.

While the ‘rules’ may not provide an opportunity for IPART Commissioners to review this forthcoming Budget shortfall, and future predicted rate rise, it is clear enough to those of us who will be expected to pay for it, that KSC will need to increase the Sewer Rate within the near-term foreseeable future.

So we will also soon be required to pay more on our Sewer Rate.

Ratepayers already overburdened NOW will first be expected to cough up for the SV (if approved) and then, in the not-so-distant future, cough up for Valuation increases in the General Rate, and be again expected to cough up an additional significant amount to offset the projected deficit in the Sewer Fund.

CONCLUSION

We submit, respectfully, that this has to stop. Ratepayers are NOT a cash cow Council can milk as and when they like, especially to avoid investigating any alternate budget balancing pathway that might require hard decisions and difficult conversations.

Other means must be found to EITHER find a different way forward that avoids the apparent ‘necessity’ for the SV, or an entirely different solution needs to be found to fund local service delivery.

Clearly, based on the actual, up to date evidence, a significant proportion of Kempsey residents do NOT have a ‘capacity to pay’, and for this reason alone, the Special Variation Application should not be approved.

ENDNOTES

1. ABS data accessed from <https://abs.gov.au/census/find-census-data/quickstats/2021/LGA14350>. Accessed 10/03/2024

2. CFR – Quarterly Statement – March 2024
<https://www.cfr.gov.au/news/2024/mr-24-01.html> Accessed 12/03/2024

3. SMH online, Wright, Shane; *Pressures grow as more buyers fall behind on their mortgages*, March 11th 2024, 11:10am; Accessed 11/03/2024.

4. SMH (ibid)

APPENDICES

APPENDIX ONE – Morrison Low Table 14 (from p17 of Morrison Low Capacity to Pay report Oct 2023)

Table 14; p17, Morrison Low ‘Capacity to Pay’ report, Analysis of median weekly household income and rental payments.

Grouping	Median weekly household income	Median weekly rent payment	Rental as a percentage of income
Kempsey	1,053	278	26%
Coastal North	1,035	317	31%
Coastal South	1,335	320	24%
Rural (West)	1,114	250	22%
Aldavilla/Airport	1,369	340	25%
Kempsey LGA	1,114	300	27%

NB: Above 30% of total household income is considered ‘housing related poverty’.

Updated with REALISTIC rental figures procured from local real estate agents in Feb/Mar 2024

Grouping	Median weekly household income	Median weekly rent payment	Rental as a percentage of income
Kempsey	1,053	450	42.7%
Coastal North	1,035	500	48.3%
Coastal South	1,335	450	33.7%
Rural (West)	1,114	500	44.8%
Aldavilla/Airport	1,369	425	31.0%
Kempsey LGA	1,114	450	40.3%

Using CORRECT and up-to-date rental figures ALL areas of the Shire are in ‘housing related poverty’ PRIOR to the application of any rate increase.

APPENDIX TWO**RENTAL DATA COLLATED FROM AGENTS**

Methodology: In order to determine *current* rental figures being applied to rental properties in the Shire in 2024, we searched online real estate listings and communicated directly with agents via email to procure the following data, from which we obtained the median figures used in the 'Updated Table' in Appendix One.

The 'median' was determined by using the standard methodology of organising figures into a range from lowest to highest and using the 'middle' figure from that range. If the number of figures in the range was even, the middle two figures were added together and divided by two to provide the median in that case.

Macleay Valley Real Estate Rental Prices Feb/Mar 2024

Legend: WK=West Kempsey; EK=East Kempsey; SK=South Kempsey; K=Kempsey (CBD); G.Hill=Greenhill; Coll.=Collombatti; SP=Stuarts Point; SWR=South West Rocks; ST=Smithtown; Bel R.=Belmore River; CH=Crescent Head; ALD=Aldavilla/Airport

	Suburb	Bedrooms	House type	Price /week	Agent
Kempsey					
1	WK	1	U	210	Elders
2	WK	3	H	290	Storm
3	K	2	H	310	Storm
4	WK	1	U	320	Harcourts
5	WK	2	H	350	Elders
6	SK	2	H	390	Storm
7	WK	3	H	400	Storm
8	WK	2	H	420	Elders
9	WK	3	H	420	Storm
10	WK	3	H	420	Storm
11	EK	3	H	420	Elders
12	WK	2	H	430	Elders
13	WK	3	H	430	Elders
14	WK	2	H	450	Storm

15	WK	3	H	450	Storm
16	WK	3	H	450	Storm
17	WK	2	H	450	Storm
18	SK	3	H	450	Storm
19	EK	3	H	460	Storm
20	WK	3	H	460	Harcourts
21	WK	3	H	470	Harcourts
22	WK	3	H	470	Elders
23	SK	3	H	475	Harcourts
24	EK	3	H	480	Storm
25	EK	3	H	480	Storm
26	EK	3	H	480	Storm
27	G.Hill	3	H	480	Storm
28	EK	3	H	485	Elders
29	WK	3	H	500	Storm
30	WK	3	H	550	Storm
31	WK	3	H	560	Harcourts
Coastal North					
1	SWR	1	U	300	Elders
2	SP	2	U	340	Harcourts
3	SWR	2	U	350	Harcourts
4	SWR	2	U	350	Harcourts
5	SWR	2	U	360	Elders
6	SWR	2	H	380	Harcourts
7	SWR	2	H	380	Harcourts
8	SWR	2	U	380	Harcourts

9	SWR	2	U	380	Storm
10	SWR	3	H	400	Storm
11	SWR	2	U	410	Elders
12	SWR	2	H	420	Storm
13	SP	2	H	425	Elders
14	SWR	3	U	430	Harcourts
15	SWR	3	H	500	Storm
16	SWR	3	H	500	Harcourts
17	SWR	3	Villa	500	Harcourts
18	SWR	3	H	500	Storm
19	SWR	3	H	520	Harcourts
20	SWR	4	Dup	530	Elders
21	SWR	4	Dup	530	Elders
22	SWR	4	H	530	Harcourts
23	SWR	3	H	540	Harcourts
24	SWR	3	H	550	Harcourts
25	SWR	3	H	550	Harcourts
26	SWR	3	H	560	Harcourts
27	SWR	4	Dup	560	Elders
28	SWR	3	H	560	Harcourts
29	Coll.	5	H	600	Storm
30	SWR	4	H	610	Elders
31	SWR	4	H	620	Elders
32	SWR	4	H	620	Elders
33	SWR	4	H	625	NPB
Coastal South					

1	CH	1	U	280	Elders
2	CH	2	U	420	Elders
3	ST	3	H	420	Elders
4	ST	3	H	450	LJH
5	Bel R.	4	H	450	LJH
6	Bel R.	3	H	545	Elders
7	CH	4	H	600	Elders
8	CH	5	H	680	Elders
Rural (West)					
1	TF	2	F	340	Storm
2	HC	4	H	380	Storm
3	DC	4	H	500	Storm
4	BB	3	H	550	Storm
5	TF	4	H	620	Storm
Aldavilla/Airport					
1	ALD	2	H	350	Storm
2	ALD	3	H	380	Storm
3	ALD	4	H	420	Storm
4	ALD	2	H	430	Storm
5	ALD	3	H	550	Storm
6	ALD	3	H	550	Storm

From: patriciaashkenazi [REDACTED]
Sent: Saturday, March 16, 2024 10:06 AM
To: Jisoo Mok <jisoo.mok@ipart.nsw.gov.au>
Subject: RE: Attn: Jisoo Mok - Submission regarding Kempsey Shire Council proposed Special Rate Variation (SRV)

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Yes Jisoo

and also additional information sent as follows, if that is possible:

Additionally, ongoing systemic failures within the operation of KSC run contrary to the Public Sector Management Act. On 19 December 2023 I, along with a number of other ratepayers and residents attended the Kempsey Shire Council meeting. We were witness to an extremely unusual occurrence. The Mayor Leo Hauville, had proposed a Motion which had already been brought to the attention of Councillors etc, however, at the time the actual Motion was brought forward, the public gallery was advised by the Mayor that, immediately prior to the meeting, he had been handed alterations to this Motion, by a "staff member", at the time unidentified. This seemed very odd and the Mayor admitted that he and a number of other Councillors were a little "green" in these matters, however he put forward both Motions, his own original Motion together with the Motion organised by the "staff member". The Mayor's original Motion was voted down and the new Motion, sprung on Councillors a short time prior, was accepted. I do not believe in any way, this represents the way a Council should run and it appears to be a generally accepted method from the way this was handled. Although the Mayor and Councillors may truly be a little "green", the General Manager has been on various Councils over a considerable number of years with a high level of experience in matters of protocol, yet did nothing to deter what was seen by members of the gallery [REDACTED]

Further systemic failures include production of incorrect figures and estimates provided by Council, such as, in one case, supplying ratepayers and residents with extremely out of date rental costs in the Shire. We are aware that these figures were either well out of date, or completely made up, as they in no way resembled correct rental rates for the areas. To ratepayers/residents, this appeared to be an attempt to downplay the true costs of living in the area in an effort to justify an extremely unreasonable SRV which is neither fair nor sustainable.

Finally, and I cannot stress this strongly enough, this area and its community simply cannot afford any rate rise that exceeds the rate pegged amount, an amount which will cause hardship enough on a community which are not gaining any such rise in incomes.

Thanking you for your attention to my submission to IPART regarding the Kempsey Shire Council application for a Special Rate Variation.

very kindest regards

Patricia Wheeldon

Sent with [Proton Mail](#) secure email.

From: patriciaashkenazi [REDACTED]
Sent: Sunday, March 10, 2024 9:42 PM
To: IPART <ipart@ipart.nsw.gov.au>
Subject: Attn: Jisoo Mok - Submission regarding Kempsey Shire Council proposed Special Rate Variation (SRV)

You don't often get email from patriciaashkenazi+readreceipt@protonmail.com. [Learn why this is important](#)

[CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender and know the content is safe.]

Dear Jisoo

I wrote a submission previously (as attached), however you advised me that Kempsey Shire Council (KSC) had not applied at the time for the Special Rate Variation (SRV). I am aware that KSC have since made this application for an SRV.

Could you please refer to my attached strong objection to the current Special Rate Variation being applied for by Kempsey Shire Council in this low-income, high unemployment area, and also note our extremely high population of First Nations people, a large percentage of who are financially vulnerable.

Additionally, ongoing systemic failures within the operation of KSC run contrary to the Public Sector Management Act. On 19 December 2023 I, along with a number of other ratepayers and residents attended the Kempsey Shire Council meeting. We were witness to an extremely unusual occurrence. The Mayor Leo Hauville, had proposed a Motion which had already been brought to the attention of Councillors etc, however, at the time the actual Motion was brought forward, the public gallery was advised by the Mayor that, immediately prior to the meeting, he had been handed alterations to this Motion, by a "staff member", at the time unidentified. This seemed very odd and the Mayor admitted that he and a number of other Councillors were a little "green" in these matters, however he put forward both Motions, his own original Motion together with the Motion organised by the "staff member". The Mayor's original Motion was voted down and the new Motion, sprung on Councillors a short time prior, was accepted. I do not believe in any way, this represents the way a Council should run and it appears to be a generally accepted method from the way this was handled. Although the Mayor and Councillors may truly be a little "green", the General Manager has been on various Councils over a considerable number of years with a high level of experience in matters of protocol, yet did nothing to deter what was seen by members of the gallery [REDACTED]

Further systemic failures include production of incorrect figures and estimates provided by Council, such as, in one case, supplying ratepayers and residents with extremely out of date rental costs in the Shire. We are aware that these figures were either well out of date, or

completely made up, as they in no way resembled correct rental rates for the areas. To ratepayers/residents, this appeared to be an attempt to downplay the true costs of living in the area in an effort to justify an extremely unreasonable SRV which is neither fair nor sustainable.

Finally, and I cannot stress this strongly enough, this area and its community simply cannot afford any rate rise that exceeds the rate pegged amount, an amount which will cause hardship enough on a community which are not gaining any such rise in incomes.

Thanking you for your attention to my submission to IPART regarding the Kempsey Shire Council application for a Special Rate Variation.

kind regards

Patricia Wheeldon

Sent with [Proton Mail](#) secure email.

From: patriciaashkenazi [REDACTED]
Sent: Monday, 23 October 2023 1:42 AM
To: IPART <ipart@ipart.nsw.gov.au>
Subject: Re: Kempsey Shire Council proposed Special Rate Variation (SRV)

You don't often get email from patriciaashkenazi@protonmail.com. [Learn why this is important](#)

[CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender and know the content is safe.]

Dear Sir or Madam

Following I have provided a copy of an email forwarded to Kempsey Shire Council General Manager, Mayor, Deputy Mayor and all Councillors, with a copy sent to the NSW Minister for Local Government. There are a huge number of signatures on a Petition strongly opposing any rate rise council is proposing and requesting they abandon the proposed SRV:

Firstly, myself and other ratepayers of Kempsey Shire are extremely unhappy with the wording of the online survey regarding the proposed Special Rate Variation rate increase for Kempsey Shire Council, amounting to almost 100% over the following three years, and allowing ratepayers only the option of an extremely high rate increase at the very lowest. This is not a credible survey and, during a number of consultations with other ratepayers, I have found that they all felt the same, and they also only felt that this survey was the sole manner of expressing their opposition to any rate rise outside the pegged amount, which in itself, offers ratepayers little respite from their current high rates in a shire which is in a very low socio-economic area, with a number of disadvantaged, low income residents. Note Council charges not subject to rate pegging include but are not restricted to, for instance water rates, have already been increased substantially.

None of these rate rises are acceptable, and I have not filled in the survey because I feel, as others do, that this is an unacceptable method of delivering same. This is what is described as a "Claytons survey" (ie, the survey you have when you are not having a survey). The minimum increase on the survey should be nil, however we note that this is not the case. It is a case of funneling ratepayers to a desired increase with the false impression that they have to accept this "minimum" and actually gives no choice of "nil".

In essence, this area is extremely low socio-economic area and ratepayers/renters, are unable to absorb any of these horrific increases, after the increases occurring over recent years. Huge increases have taken place in food and fuel, meaning this has placed more pressure on the large number of vulnerable in this community. Ratepayers note they have not had increases in income to match this exorbitant increase and there are many instances, furthermore, where excess spending is shown, especially in top-heavy, unsustainable, executive staff and unnecessary travel expenses.

After speaking with a number of ratepayers during the gathering of signatures over concerns regarding this proposed SRV, ratepayers have noted their concerns that this appears to be a blatant attempt at a land grab. We have noted this is not the only Council in NSW who have been attempting to raise rates to an unacceptable and unmanageable level for residents. Ratepayers must adhere to a budget, and cannot simply draw on the funds of other individuals to pay for basic work on properties etc. It is expected that Council respect ratepayers and do the same, by adhering to funds available and managing those funds in a prudent fashion.

The Shire has a number of individuals furthermore, who have received no response to repeated emails and telephone calls to Council on important issues. Also, we note unnecessary spending apart from the normal spending incurred by Council in dealings with matters that local government is responsible for (roads, water, sanitation, footpaths etc). Council has been spending ratepayers money on projects of a speculative nature, which do not appear to sit within the boundaries of Council's parameters. One such project is the Slim Dusty Centre, which ratepayers were assured would "bring tourism to Kempsey". In fact, the building was proposed by ratepayer groups some time ago to be set up in Kempsey Showground, and was expected at least to be set up in Kempsey itself, as Council claimed the Centre would attract visitors to Kempsey; however, ratepayers ascertained that this facility has been built several kilometres away from Kempsey, necessitating additional funding in supplying infrastructure etc over considerable distance to the project. Furthermore, the Centre is situated on a highway that follows on in directly bypassing Kempsey. On that same subject, a cinema was funded, against ratepayers' wishes, and that was unaffordable as the Shire was already in considerable debt at the time. Despite ratepayers very strongly expressed rejection of this spending, the cinema was

built. Even of more concern regarding that project, ratepayers were advised that private concerns had actually offered to fully fund the cinema and invest in our Shire, but these submissions were rejected by Council?

Some years ago, when ratepayer groups were horrified at the debt owed by Kempsey Shire Council, this debt sat at \$30 million dollars, and soon escalated to over \$60 million dollars. The servicing of the current projected debt (stated by Council to be well over \$100 million dollars), is completely unsustainable and is beyond that of responsible governance in our low income area. The public purse cannot simply be called upon to assist Council out of financial problems. Ratepayers are simply unable to carry the financial burden of expensive staff members. It is fiscally irresponsible to request what amounts to either a bail-out, or partial bail-out of Council, due to an inability to maintain spending within funds available. The ratepayer groups pointed out to Council that every dollar spent in servicing these debts with interest payments etc is more money not allocated to necessary projects; ie projects which are Council's core responsibilities. Ratepayers asked that Council, instead, save for any expensive projects, and not resort to borrowing money for such.

Kempsey Shire ratepayers voted over 70% to decline adding fluoridation chemicals that include arsenic, cadmium, lead and mercury to our drinking water supplies. Again, we do not accept this addition of known, and probable carcinogens to our water supply, yet I am advised that these additions are indeed projected to be proceeded with in this Shire. In fact, in past years, the combined ratepayer groups put forward a motion that was brought to a Council meeting at the time, stating that Council should not add any toxic chemicals (including the above) to the Shire's water supply, however that motion was only supported by three councillors at the time, with other councillors declining to support the ratepayers. Again, ratepayers do not accept the addition of these contaminants to their drinking water supplies.

On a similar subject, we are aware that water is continually being carted to Bellbrook area because of unacceptable levels of arsenic in the water in the area. This begs the question of the Oven Mountain Project and further additional contamination coming downstream as a result and, yes, we realise the Oven Mountain Project appears to be a State Government issue however, again, ratepayers in this area should not be forced to fund, nor suffer the consequences, of environmental issues/contaminants arising from this project. Please note that Council should be opposing this project loudly, to protect our own shire's valuable assets.

Supporting various schemes such as the recent failed Referendum with a one-sided 'Yes' campaign, is another unacceptable use of ratepayers' limited funds and, again, this is beyond the parameters of local government. In fact it appears this monetary allocation of the

public purse, runs contrary to the Public Sector Management Act. Regardless of which side of the Referendum Kempsey Shire Council staff/management choose to support, this is not a core concern of Council. Furthermore, telling First Nations people they wish to give them a “voice”, while forcing them from their homes with these extraordinary rate rises is, I believe, quite hypocritical. First Nations’ people spoken to have also been against the rate rise and noted the hypocrisy of giving any “voice” to these people while advocating rate increases that could see a number displaced from their homes. Also, advising ratepayers that they can gain loans to pay their rates, with the Council having control over their properties at the time and being able to ultimately sell these properties if the ratepayers are unable to service the loans, is not an answer of any sort to the current issue. This does not help low-income sufferers and amounts to financial abuse, in my opinion, in the event that properties are resumed.

A large number of costly projects have been undertaken, with expensive mistakes being made incurring greater call on the public purse. Among these projects include a shed erected in the incorrect location at Crescent Head, kerbing and channelling erected and then being required to be dug up and shifted to another location in South West Rocks, and a footpath in South West Rocks also needing to be dug up and re-sited. Please know that there are other issues along the same lines, however only some are listed here.

We are advised that ratepayers need to bear the high cost of executive staff as these staff would otherwise work in private industry; however, in private industry executive staff are required to maintain projects within budget. Furthermore, travel to conferences and physical meetings need to be replaced by zoom meetings to keep costs to a minimum, given that we have been advised that a \$103 million shortfall is predicted by Council. This only appears to make prudent financial sense given the looming debt.

Lastly, if Council do not have the money already in the bank to cover the cost of paying the KSC component of the contribution, then applying for grants is really only “putting our foot on the sticky trap”. If the money is not already in the bank, and we need to borrow that component that KSC is responsible for, it is a false economy. We do not want to be placed in the position of Councils who have been put into the hands of Administrators for what is seen as a lack of financially sound management.

Yours faithfully

Pat Wheeldon

Sent with [Proton Mail](#) secure email.

Author name: R. Kensington

Date of submission: Wednesday, 13 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

We are writing as the owners of 2 farms in the Macleay Valley plus a large industrial complex in South Kempsey. We wish to express our strong opposition to the proposed SRV by the Kempsey Shire. Here are our reasons: 1. The proposed increase is harsh and unreasonable for all ratepayers particularly in a period where cost of living is increasing. An increase in rates for farmland would add a high extra financial burden at a time when all inputs such as chemicals, fertilisers and stock feed are increasing at a rate above CPI. An increase in rates for business premises will need to be passed on to tenants. Tenants who are reliant on retail spending to support their income are already experiencing income pressures due to customers not having as much disposable income. This could result in tenants having to default on their lease. 2. The proposed SRV fails to address systemic mismanagement from the highest levels of the Shire. There are numerous examples of cost waste by the Shire and spending on frivolous projects whilst neglecting key tasks such as maintaining roads. There needs to be an audit of all income and expenditure by the Shire to identify areas where costs can be trimmed and where income opportunities can be found. Transparency in how expenditure is decided and how contracts are awarded is needed 3. Community consultation has been poor Many members of the community remain oblivious to the increase rate proposal and the Shire has been somewhat secretive in the reasons for its submission to dramatically increase rates over the next 3 years. 4. Alternative options exist It is clear to anyone that peruses the Shires performance over the last few decades (which have necessitated previous SRV approvals) that Shire management is substandard and an alternative approach needs to be taken rather than relying on rates/taxes. Alternative options include: Seeking to put the Shire into administration Working with professionals and community representatives to devise options for effectively managing income and expenditure A complete audit of all Shire expenditure
Paul and Rebecca Kensington

Author name: S. Jaques

Date of submission: Friday, 15 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

Hi I do not agree on any part of Kempsey shire council rates rise,I have lived in other houses worth way more on VG valuation in other shires and pay way less rates and services costs than at Kempsey shire council.Do not raise the councils rates and services costs as they are ridiculously expensive already.

Author name: S. Lock

Date of submission: Monday, 18 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

We write to this Tribunal as rate payers in the Kempsey shire. The first we knew of this application for consideration for a special rate variation was from neighbours having read the attached flyer to their annual rates notice. Whilst we are not accountants the information included in this flyer to justify this request was less than satisfactory. We could not ascertain from the limited information provided the real cause for this situation. Given this is the second requested special variation in recent years one could be forgiven in thinking there is mismanagement at some level in this Council. How could this be. What was not learnt from the first application. In reviewing what was provided to the residents for consideration of the situation there was no details of any independent audit of the current financial situation or the longer term financial plans. We received no details of what level and how they apply depreciation to our assets. In searching for more details there seems to be a lot of expensive high level plans. There appears to be a lot of Managers within this Council. There does not seem to be sharing of resources across Shires in the vicinity in particular for the development of required plans. The suggestion of bringing on staff in place of paying for one-off consultancies appears ludicrous given compounding staffing costs. This Councils engagement with residents of the Shire is extremely limited. It would appear to us that the engagement with residents is nicely set out in a high level plan and that is where it stops.

Author name: T. Bailey

Date of submission: Tuesday, 12 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

My name is Tanyia Bailey . I am a resident of the Kempsey LGA and am writing today to oppose the proposed Special Rate Variation Application of 42.7%. I rely on a pensioner/ caregiver on a fixed income which means I have extremely limited financial flexibility. With the ongoing cost of living increases and any proposed rate increase, I will unfortunately not be able to sustain essential daily living costs. This will mean reducing essentials such as groceries, other daily necessities, petrol, health care and social outings, all of which will have a flow on effect within the community. Considering the negative impact to not only myself but the community as a whole, I urge you to find alternative solutions to any forecast financial deficit and scrap any Special Rate Variation application. Kind Regards, Tanyia Bailey

Author name: T. HAUSLER

Date of submission: Wednesday, 28 February 2024

Please write your submission below:

Independent Pricing and Regulatory Tribunal (IPART) Submission: Kempsey Shire Council - Special Rate Variation 2024/25
Prepared By: Thane Hausler Date: 28/2/24 1.0 Executive Summary As State & Federal Governments struggle to identify strategies to reduce the impacts of the current cost-of-living crisis, Kempsey Shire Council has forged ahead to implement a significant rate increase and seems irreverent to the harm it will cause in the community. Kempsey Shire could not be described as an affluent area. Many residents fall into the lower income brackets or are on fixed incomes. The Shire also has a large indigenous population with high unemployment levels. The current cost-of-living crisis is having a significant impact on residents and if approved, this SRV will mean increased and prolonged hardship for many ratepayers. KSC engaged Morrison Low to assess the community's capacity to pay. In the report presented to Council on 21 November 2023, the Director Corporate & Commercial advised Council that this report used data from 2021 & 2022 which did not capture potential additional financial vulnerabilities in the community caused by cost-of-living & interest rate increases over the past 12 months. The omission of this vital information must seriously compromise the conclusions of this report. Kempsey Council has recently had two special variations of 11.37% in 2012/13 and 37.5% in 2014/15. At the time, Council identified deficiencies in its asset management and future financial security. But it appears Council did not dedicate itself to solving those problems as the current SRV of 42.7% is also based on deficiencies in asset management and securing Council's financial future. Council did not provide any information regarding its previous SRVs or why the stated goals were not achieved, however, Council is again seeking another significant rate rise to solve its problems. One would have to question the financial management practices put into place after securing the previous SRVs for Council to be in the same position again so soon. The current SRV submitted by KSC is underpinned by projected deficits identified in Council's Long Term Financial Plan (LTFP). When I look at the assumptions, I find that the future deficits have been exacerbated by Council increasing funding for depreciation & asset backlog and at the same time, minimising future rate income increases to 2.5%. I understand the 2.5% is a direction from IPART, however, this level of rate increase ignores the new rate peg methodology for regional Councils that recognises the effects of higher costs and the potential of population growth. If approved, this SRV will inflict a significant burden on the community and the conservative rate income projections of 2.5% exacerbate Council's future deficits and support Council's position over ratepayers. Although the LTFP identifies an overall deficit to be funded by the rate rise, Council has not quantified the individual components of the deficit. Consequently, ratepayers do not understand the specific rate rise needed to address each of the issues raised by Council. Also, no information has been provided by Council as to how the additional income from the SRV will be spent. In summary I ask myself this question; if people can't afford to live in Kempsey Shire, where can they afford to live? Please note that this is the Executive Summary of my attached report. This subject and the detail required to properly discuss Kempsey Shire's application for a special variation is far too complex to be addressed in 5,000 characters. I urge you to take the time to read the full report. Thane Hausler.

Independent Pricing and Regulatory Tribunal (IPART)

Submission: Kempsey Shire Council - Special Rate Variation 2024/25

Prepared By: Thane Hausler

Date: 28/2/24

1.0 Executive Summary

As State & Federal Governments struggle to identify strategies to reduce the impacts of the current cost-of-living crisis, Kempsey Shire Council has forged ahead to implement a significant rate increase and seems irreverent to the harm it will cause in the community. Kempsey Shire could not be described as an affluent area. Many residents fall into the lower income brackets or are on fixed incomes. The Shire also has a large indigenous population with high unemployment levels. The current cost-of-living crisis is having a significant impact on residents and if approved, this SRV will mean increased and prolonged hardship for many ratepayers. KSC engaged Morrison Low to assess the community's capacity to pay. In the report presented to Council on 21 November 2023, the Director Corporate & Commercial advised Council that this report used data from 2021 & 2022 which did not capture potential additional financial vulnerabilities in the community caused by cost-of-living & interest rate increases over the past 12 months. The omission of this vital information must seriously compromise the conclusions of this report.

Kempsey Council has recently had two special variations of 11.37% in 2012/13 and 37.5% in 2014/15. At the time, Council identified deficiencies in its asset management and future financial security. But it appears Council did not dedicate itself to solving those problems as the current SRV of 42.7% is also based on deficiencies in asset management and securing Council's financial future. Council did not provide any information regarding its previous SRV's or why the stated goals were not achieved, however, Council is again seeking another significant rate rise to solve its problems. One would have to question the financial management practices put into place after securing the previous SRV's for Council to be in the same position again so soon.

The current SRV submitted by KSC is underpinned by projected deficits identified in Council's Long Term Financial Plan (LTFP). When I look at the assumptions, I find that the future deficits have been exacerbated by Council increasing funding for depreciation & asset backlog and at the same time, minimising future rate income increases to 2.5%. I understand the 2.5% is a direction from IPART, however, this level of rate increase ignores the new rate peg methodology for regional Councils that recognises the effects of higher costs and the potential of population growth. If approved, this SRV will inflict a significant burden on the community and the conservative rate income projections of 2.5% exacerbate Council's future deficits and support Council's position over ratepayers.

Although the LTFP identifies an overall deficit to be funded by the rate rise, Council has not quantified the individual components of the deficit. Consequently, ratepayers do not understand the specific rate rise needed to address each of the issues raised by Council. Also, no information has been provided by Council as to how the additional income from the SRV will be spent.

In summary I ask myself this question; if people can't afford to live in Kempsey Shire, where can they afford to live?

2.0 Demonstrated Need for Higher Increases to Charges

The documentation issued by KSC in support of the SRV centred on a number of Fact Sheets and two main technical documents being the Long Term Financial Plan (LTFP) and the Asset Management Strategy Plan Policy (AMSPP). The latter documents contain approximately 160 pages of technical data and form the basis of the technical/accounting argument put forward by Council as to why the rate increase is required. For the average person, these documents are very difficult to interpret unless you have significant technical skills. For the average person, it is near impossible to understand if the SRV is needed or not needed. I also doubt that all Councillors really understand the technical side of the documents unless they also have a technical/accounting background.

As a result, most people relied on the information contained in the Fact Sheets to educate themselves on the need for the SRV. These documents represent summary information compiled by KSC and scripted in favour of the SRV. They are selective in what is discussed and do not present a balanced or any alternative view to the rate rise. For proper public consultation Council should have provided more descriptive analysis on the circumstances which led to the current financial position, including information regarding current level of rates, the previous SRV's in 2012/13 and 2014/15 and Council's decision to fund significant levels of depreciation and asset backlogs. It has also not been made clear how the funds derived from the SRV are to be spent. Other than funding Council's total future projected deficit, I doubt whether the average ratepayer fully understands how the additional rates are to be utilised. I also found the information contained in Kempsey's IPART application document more informative and was better summarised than the patchwork of documents and processes which made up Council's original public consultation process.

In *'Fact Sheet 2: What Caused the Financial Issues'*, Council provided a general overview of matters causing Council's unsustainable financial position. The issues raised are not quantified in terms of their impact on the required rate rise, rather, Council has identified a future deficit of \$72M with little description of how much each issue contributes to the deficits, as such, I was unable to understand which matters are important and have caused the most harm. I also dispute the validity and accuracy of some of the issues raised as follows.

2.1 Our Financial Future – Rate Pegs

In the supporting document *'Our Financial Future'* Council advises that the NSW Government has severely restricted its ability to raise rates through IPART rate pegs and states;

"Rate Pegging – the NSW Government restricts how much Councils can typically increase rates by, and in recent years rate rises haven't kept up with inflation."

This statement does not reflect the true position for Kempsey LGA and I consider it misleading. For example, over the past 12 years from 2012/13 to 2023/24, IPART has approved compound rate increases for Kempsey LGA totalling 92%. This represents an average of 7.7% increase in rates every year for the last 12 years. These increases could not be described as low and are well above the IPART rate peg & inflation for the period. Instead of providing the community with clear and accurate information to explain the position, Council has attempted to muddy the waters. This is a good

example of poor public consultation. I reject outright the excuse used by Council that recent low rate increases are a justification for a significant special variation.

2.2 Fact Sheet 2: Essential Investment in Under Resourced Functions

Fact Sheet 2 highlights that in 2018 Council underwent a major organisational restructure which resulted in higher operational expenditure. The additional investment covered the following areas;

- Specialist software
- Staff employed to assess asset maintenance requirements
- Establishment of a Strategic Planning Team
- Creation of an Internal audit function
- Security systems and training to support advances in information technology and cyber security
- Creation of a Project Management Team
- Increased investment in WH&S

The above achievements are admirable but would have come at a significant cost. Council did not explain how this restructure was funded, however, this was an organisation that was supposed to be on its financial knees and seeking help from the community to secure its financial future. As part of the determination of the 2014/15 SRV, IPART noted that Council was projecting operating deficits for the next 10 years and also noted Council's intention to identify further savings and efficiencies as follows;

“Currently Kempsey Council has a significant deficit and cannot sustainably maintain its service levels. As a precautionary approach the Council has implemented efficiency savings and identified further savings and efficiencies, including;

- *Freezing all discretionary spending.*
- *Adjusting service levels where no negative impact will occur, such as reducing library hours of operation. “*

It appears that these undertakings were quickly forgotten. The decision to implement the above restructure was clearly discretionary and has resulted in a significant increase in operating cost. This situation is of their own making and it is unfair to repeatedly ask ratepayers to support Council with significant rate rises when Council has made a deliberate decision that worsened their financial position and did so in full knowledge of the consequences. Rather than addressing their own financial position, it appears that Council is again relying on IPART to approve another rate increase. I do not accept the outcome of Council's poor decision making as a valid reason for another significant rate rise.

2.3 Fact Sheet 2: Impact of Grant Funded Projects & Asset Backlog

In IPART's determination of the previous SRV in 2014/15 of 37.5%, IPART stated that;

“Council intends to use the additional revenue above the rate peg to address its infrastructure backlog (currently \$120.2M) while maintaining the community's desired service levels”.

However, it appears Council did not dedicate itself to solving that problem as the current SRV of 42.7% is also based on Council's asset backlog and maintaining service levels. Council did not provide any information regarding its previous SRV or why the stated goals were not achieved, however, Council is again seeking another significant SRV to solve its problems. I think the community deserves an explanation why the original problems were not addressed and has a right to expect that they should only be required to provide funds to fix a problem once.

Depreciation

As discussed above, in 2014/15 IPART approved a SRV of 37.5%. At the time, Council asked the Community for its trust to accept a large rate increase on the basis they would implement measures to; secure Council's financial future, maintain its asset base of \$1b and eliminate the projected annual deficit of \$8m. However, when I look at the LTFP, I see that in 2022/23 KSC has \$918M in assets but zero in cash reserves. If it was Council's intention in 2014/15 to maintain its asset base as stated, then provision should have been made to address the condition of assets or accumulate some reserve funds to help cover the future costs. The 10-year forward projections provided by KSC again show little regard for reserving funds to help fund future asset purchases and does not allow for risk of disasters or unusual events. It appears to me that KSC has a culture of spending all available funds on an annual basis and reserving nothing for future years.

Council's LTFP incorporates a major increase in depreciation associated with recent emergency grant funded assets. Although depreciation costs must be accounted for, there is no legislative requirements compelling Council to fund levels of depreciation that require a significant rate increase that will cause financial harm in the community. A SRV of 42.7% in this Shire has the potential of people being forced from their homes. Kempsey Council needs to revisit this issue and determine a more measured approach to funding depreciation and one that aligns better to the community's capacity to pay.

Backlog Assets

Kempsey Shire has been awarded two previous special variations to address its deficits and asset backlog, 11.37% in 2012/13 and 37.5% in 2014/15. KSC did not provide any figures identifying the current figure for the asset backlog. However, using Councils 2013/14 Financial Statements I have identified that the infrastructure backlog for Buildings, Roads & Stormwater (General Fund Assets) totalled \$82.9M. Extracting the same figures from the 2022/23 Financial Statements the asset backlog position is \$29.3M. This represents a significant reduction in the asset backlog and does not support the argument for another significant rate rise to address the problem. However, I note that Council has based its SRV not on the current asset backlog but on a projected asset backlog over the next 10 years and has included \$7.0M per year in the LTFP to address this future problem. I do not agree that ratepayers should be asked to fund an anticipated problem now before Council even knows the real cost and the real funding requirements. The above special variations were both permanent and thus will continue to generate additional rate income to allow Council to continue this work at a reasonable rate as it has done so in the past 12 years. I don't believe this issue has been clearly explained to the community and I reject the proposal as put forward by Council as a valid reason for an immediate rate increase.

2.4 IPART Direction - Future Rate Income Projections

The deficits identified in the LTFP are used by Council to justify the SRV. In examining the LTFP, I find that income projections have been minimised while expense projections have been substantially increased by depreciation and asset backlog. The forecast deficits which result are then used by Council to underpin its SRV. Under normal circumstances, conservative future income estimates are a normal part of budgeting that assist Councils in limiting their future expenditure estimates. However, in this case the conservative rate income projections of 2.5% directly and significantly contribute to higher deficits that are used to justify a significant rate rise on the Kempsey community.

I believe the assumption of 2.5% does not reflect a realistic view of future rate income for Kempsey LGC. I understand that IPART has advised Council to use a rate peg 2.5% in outer years. However, this direction does not recognise the new rate peg methodology which takes into account the higher costs associated with regional Councils and the potential for population growth. In view of the 4.7% rate peg approved for KSC in 2023/24, a 2.5% rate peg going forward appears low. Historically, rate pegs may have been in the order of 2.5%, however, the new rate peg methodology was introduced to provide more realistic future rate income estimates for regional Councils. Maintaining the historical view of 2.5% fails to recognise the reasons why the new rate peg methodology was introduced to address the issues for regional Councils in the first place. I urge IPART to review this direction, as in this situation, the resulting higher deficits strongly favours KSC submission over ratepayers.

3.0 Establish That the Impact on Affected Ratepayers is Reasonable

3.1 Capacity to Pay

Council engaged Morrison Low to assess the community's capacity to pay. The Director Corporate & Commercial advised Council on 21/11/2023 that *"the cost-of-living and mortgage costs assessed in the above report used data from 2021/22 which did not capture the potential additional vulnerability in the community caused by cost-of-living and interest rate increases in the last 12 months."* The community's capacity to pay is an important assessment and should be conducted thoroughly. For that assessment not to use up-to-date cost-of-living data is perplexing, especially when you consider the impacts of the most recent cost increases. Looking at interest rates alone, the RBA cash rate has increased from 0.35% in May 2022 to 4.35% today. The recent cost increases and their impacts on the community cannot be ignored.

The report separated the Kempsey LGA into areas for assessment and provided the following analysis;

Kempsey – Contained Areas of Significant Disadvantage and the Highest Proportion of Vulnerable Households at 48%. - LGA Population: 34%

Coastal North & Rural West – Average Levels of Disadvantage. - LGA Population: 40%

Coastal South & Aldavilla – Significant Levels of Advantage. - LGA Population: 26%

Only two areas of Kempsey LGA, Coastal South and Aldavilla, showed significant levels of advantage representing only 26% of the population. Considering the use of out-of-date data, the report is hardly

a glowing assessment of the affluence within Kempsey LGA and the community's capacity to pay. I would hate to see the outcome of the report if up-to-date cost-of-living data was used.

I do not agree that the report substantiates that the community has a capacity to pay for a significant rate rise. In summarising the report to Council on 21/11/23, the Director Corporate & Commercial advised that;

“Council is aware that an SRV may cause undue hardship for ratepayers who have been impacted by natural disasters, COVID-19 and more recently, the impact of cost-of-living increases.”

The Director's own comments do not endorse that the rate rise represents a reasonable impact on the community, nor has Council made any attempt to understand the impact on the community if up-to-date cost-of-living data was used in the assessment. This is Council's 3rd significant SRV request in 12 years and in view of the current cost of living crisis, Council's timing could not be worse. I don't believe the report has established sufficient evidence regarding the community's capacity to pay and I urge IPART to reject the report as it stands and seek further clarification from Council.

4.0 Other Matters

4.1 Productivity and Efficiency Gains

It is difficult for a member of the public to comment whether KSC is delivering true net productivity or efficiency gains. It is relatively easy for a large organisation to construct a list of individual savings which appears impressive but may not show the overall net productivity gains for the organisation. If I look at a comparison of the Financial Statements for KSC from 2012/13 to 2022/23, I draw the following comparisons;

Kempsey Shire Council - Financial Result			
General Fund			
Category	2012/13	2017/18	2022/23
	\$M	\$M	\$M
Employee Benefits	16	17	23
Materials & Services	13	17	20
Other Expenses	1	0	2
Total	30	34	45

The 5-year trend from 2017/18 to 2022/23 appears to increase significantly and well above the preceding 5-year period. I'm not in a position to explain the above cost increases but it does show a significant expansion in recent years which I think needs further explanation from Council. Especially if they are declaring significant productivity and efficiency gains to support their current application for a special variation. This position is also exacerbated if you take into account the savings they have identified in the application.

4.2 Community Expectations

Through the supporting documentation Council regularly uses the term “community expectations” as a justification in seeking the current SRV. In the document ‘*Our Financial Future*’ Council states that “*community expectations are that maintenance and replacement of assets like roads, bridges and community facilities should be improved on current levels, requiring greater investment.*” I can only assume that Council has gleaned this information from an historical survey which was not associated with a 42.7% rate rise. If this rate rise had been made clear to the community at the time of the survey, the outcome may have been very different.

The outcomes of any survey are heavily dependent on the questions asked and there is no doubt in my mind that the questions posed by KSC are designed to encourage certain outcomes. The current survey is no exception. For example;

Question (1). Would you like Council to remain in a strong financial position. Yes/No

The result of this question would easily fall on the affirmative side. It’s fair to say that everyone desires a Council to be financially strong and deliver a good level of service, however, I am equally sure that everyone seeks that outcome at a reasonable price. Fundamentally, I don’t believe it is legitimate for any Council to selectively interpret the outcome of a survey as a mandate to impose a significant rate increase upon the community. The nexus between any desired level of service and the associated rate increase should be made clear to the community for the outcome to be valid.

4.3 What Size Council is ‘Fit for Purpose’ for Kempsey

As discussed above, Kempsey Council has enjoyed an average rate increase for the past 12 years of 7.7% which would appear to be a reasonable income stream for a small regional Council to manage its affairs. At some stage the question must be asked when is the rate burden on the community enough. This SRV will put many households under increased financial stress while Council will be relieved of pressure to find any further savings or to improve efficiencies. If history from the 2014/15 SRV is any guide, Kempsey Shire Council does not have my trust.

The abovementioned restructure undertaken by Council in 2018 no doubt delivered a much bigger and more capable organisation. Increased capability in delivering capital works, asset maintenance and governance, a bigger organisation all round. But is a bigger Council really what the Kempsey community needs. Kempsey Shire is not a rich area and the community can only be expected to pay so much to operate a Council.

I fear the approval of another significant SRV for KSC will allow Council to continue on its current high spending course and may provide stimulus for further organisational expansion, a growth spiral that the residents of Kempsey Shire cannot afford. At what point is a Council considered an appropriate size for the community it is supposed to serve. IPART must consider this question in deciding on this SRV and the capacity of residents to pay.

5.0 Conclusion

I believe the public consultation process carried out by KSC has been deficient as many residents would remain unaware of the matters raised above. Any budget can be balanced and any assumption in a long-term financial plan can be fine-tuned. It appears to me that the assumptions used in the LTFP have exacerbated future deficits which have then been used to underpin Council's proposed SRV. This is evident by the 2.5% rate peg in future years which does not recognise the benefits to regional Councils provided under the new rate peg methodology. While expenses have been significantly increased by funding depreciation associated with disaster grants and asset backlog. Depreciation is an accounting function, however, in this situation the level of funding for depreciation should be managed intuitively and not to the extent that it requires a significant rate increase being imposed on the community. Also, the new rate peg methodology was only released in 2024/25 and KSC has not yet had time to assess the full impact of the new methodology on its long-term financial outlook.

Considering other issues raised regarding Council SRV application including the capacity to pay assessment, the public disclosure of the rating history in Kempsey Shire and detailing outcomes of the previous SRV in 2012/13 & 2014/15, I believe there are sufficient grounds for IPART not to approve KSC's application. Rather, KSC should be requested to undertake a further review of its LTFP and consider other strategies than continuous special variations to solve their financial problems.

From Council's financial documents, I cannot see that the Council is at a point of financial disaster that they do not have other options available other than to impose another significant rate increase on the community.

Regards,
Thane Hausler.

Author name: Name suppressed

Date of submission: Friday, 1 March 2024

Please write your submission below:

Already finding it tough Cant see how I pay more in west Kempsey than what people on north shore in port Macquarie pay overlooking the water Think our council need to be a lot more transparent as to where the current monies go and what extra services they are planning with the extra rates they are proposing

Author name: Name suppressed

Date of submission: Friday, 1 March 2024

Please write your submission below:

In 15 years we have had our road repaired once, only because the pot hole was as big as a car. The street sweeper has been down 4 times. They only mow the footpath once a submission goes in..... so 3 times in 15 years. There is more grass growing in the tar on the road than growing in the footpath, and over the last 15 years the garbage truck using our driveway to turn around has damaged our driveway so bad our cars scrape entering our property. It will be a costly expense to fill the trenches to make it safe again. The tar at the end of our street is crumbling so bad that the next big wet will wash away the remainder of the tar and our neighbours will no longer be able to access their driveways. 15 years of rates I see nothing to improve our street, or the town . Kempsey Council has wasted so much money repairing things that do not need fixing and abandoning projects that do. I do NOT agree to this rate rise

Author name: Name suppressed

Date of submission: Monday, 4 March 2024

Please write your submission below:

I am writing to express my strong opposition to the proposed rate hike in our area. As a single income earner who has diligently worked to secure a home at the age of 24, the burden of increasing living costs is already taking a toll on my financial stability. I understand the challenges posed by the recent global events, especially the impacts of COVID-19 on various sectors such as business and construction. However, I believe it is crucial for the Council to explore alternative avenues and work more diligently with the existing budget to fund essential projects and address aging infrastructure. The last Special Rate Variation (SRV) in Kempsey was approved in 2015, and considering the economic hardships many residents face, another increase would only exacerbate the financial strain on our community. I am already paying \$90 per week to cover my rates and charges, in addition to extra expenses for water usage. While I acknowledge my privilege in having access to basic amenities such as running water, sewerage, and garbage collection, the proposed rate hike threatens to push me into financial distress. The prospect of falling behind and facing potential debt collection is disheartening, especially considering the efforts I've made to secure a home in the heart of our town. I urge the Council to reconsider the necessity of this rate hike and to explore more sustainable solutions within the current budget. It is my sincere hope that you will prioritize the financial well-being of residents, like myself, who are already grappling with the increasing cost of living. Thank you for your attention to this matter. I look forward to a thoughtful reconsideration of the proposed rate hike and your commitment to finding solutions that prioritize the financial stability of our community.

Author name: Name suppressed

Date of submission: Monday, 4 March 2024

Please write your submission below:

The special variation rate rise proposed by Kempsey Shire Council will place a significant financial burden on many in our community. The option that does not appear to have been explored is amalgamation with other councils, say Nambucca and Hastings Councils. Rebranding in amalgamations is generally an expensive part of the process but this could be negated by using trading names and a gradual transition to the new branding i.e. no rebranding costs at all. I saw many significant benefits when the Macleay, Hastings and Manning electricity operations were amalgamated in 1980. Fears in that amalgamation about loss of representation were negated by having a number of councilors from each local government area and I am sure the fear has been negated in other council amalgamations. There has been criticism of some amalgamations across NSW over recent years but has the costs, savings, benefits and disadvantages been tallied. The Kempsey Civic Centre, last time I visited, was bulging at the seams. Centralisation of some council functions would negate an upgrade of the facility and perhaps free up space. Some decisions over recent years, like the donation to the cinema, wasted considerable rate payer funds. Council seems to get involved in many, many issues and the sticking to core business seems to be relevant. I am loathe to support any rate above the rate peg, especially given that all options have not been explored such as amalgamation.

Author name: Name suppressed

Date of submission: Tuesday, 5 March 2024

Please write your submission below:

I wish to object to Kempsey Shire Councils proposed special variation rate increase. We live in a very low socio-economic area with many empty shops and more closing down, this increase will result in higher rents for struggling businesses and households. I am an aged pensioner and would be greatly disadvantaged by this increase. Council has squandered vast sums of money in over the years on projects that have been poorly executed, the last one being joint funding of a picture theatre that is now in receivership. If council wants more funds it should become more efficient, less wasteful and concentrate on core services.

Author name: Name suppressed

Date of submission: Wednesday, 6 March 2024

Please write your submission below:

I am against council increase. As a rate payer I have seen the poor management of council under the current Managing Director. Council needs to sell off non performing assets and manage its budget accordingly. I live on a dirt road that has never been maintained by council and is a safety hazard, getting roadside slashing of grass is not done and school kids wait for the bus standing on the road which is dangerous.

Author name: Name suppressed

Date of submission: Thursday, 7 March 2024

Please write your submission below:

Before allowing the rate rises I believe a level of transparency is required. It would seem that it is easy to ask for more money yet not admit liability to previous poor spending. Some parts of Kempsey council are more favoured in the spending purely due to being a tourist destination (yet we cant afford the extreme sports complex which would increase tourism to Kempsey not just the beach suburbs). KSC despite some government funding said we cant afford it. I say given the amount of empty shops and the only cinema in town close to closing we cant afford not to have the sports centre. People come to this area because of the surrounding areas and all that it has to offer. We need to provide a bit more and then the population will grow and so too will KSC revenue Further to this the sewerage issue has been funded many times and the spending has gone elsewhere for decades. Finally something is being done as the investors pulled out of the planned subdivision and building late last year. Not to mention the raw sewerage that flowed through the streets a couple of years ago. Hopefully KSC will fix this so that they can promote more affordable housing in the area. The debacle of the over priced ill placed shed at Crescent Head and the further excessive spending to remove it and build a new one in a better position demonstrates a clear lack of communication with stake holders. I can understand that we will inevitably need a price rise however I wholeheartedly believe beyond a doubt the current council members demonstrate a total inability to be the ones to calculate it. To merely state that prices are rising so it costs more does not sit well with a vast majority of residents. We are more than aware of this everywhere we go. Transparency is crucial make the tenders for jobs visible. Make the costing visible. Insist that meetings are held at a time where the average working rate payer can attend.

Author name: Name suppressed

Date of submission: Saturday, 9 March 2024

Please write your submission below:

I do not support the rate rise.

Author name: Name suppressed

Date of submission: Saturday, 9 March 2024

Please write your submission below:

Please do not increase the rates, as the existing fees are too high already. It is a struggle to be able to pay for these charges. The council will have to find better ways to operate and notably this increase is for an expected future deficit - it may not even happen ! This will affect our circumstances as we are on low income pension.

Author name: Name suppressed

Date of submission: Saturday, 9 March 2024

Please write your submission below:

Kempsey has been long recognized as one of the lowest socio economic towns in NSW. For many years it was number one. I have lived in this shire for 24 years .I live on a 25 acre rural block that has seen its land rates become comparable to living in towns like Port Macquarie when I have no footpaths, no street lights , no sewerage and no town water. Council has changed my status from rural, to rural residential to residential in name only as I don't have services. It appears to me that there must be many ways council can cut down on their wastage. Rumor has it that the general manager is paid an exorbitant wage. [REDACTED] [REDACTED] [REDACTED] [REDACTED]. Then there is the money that was spent on the white elephant called a picture theatre , paid for with rate payers funds, but not owned by council. A [REDACTED] to the developer . These rumors, correct or not, do not help residents have trust in our council management. I don't see it as feasible that people already struggling to survive financially could possibly carry a large rate rise. My rates already cost me approximately \$50 a week as it includes a garbage service of one bin a week, alternating between recycling or normal. How in a couple of years as pensioners are we going to afford more than this. I have heard that many people in Kempsey are already struggling to pay their existing rate bills. They have NO extra funds. What will happen to them? Will council be selling their homes up from under them for unpaid rates? I understand our council needs funds to provide services, but I think they need to be accountable for their spending and perhaps find other ways to clear out dead wood and make sure works are carried out properly the first time within a strict budget. I felt compelled to submit my opinion as silence can often be taken for acceptance, and I do not accept that the desired rate rise is acceptable. Thankyou for reading this. [REDACTED]

Author name: Name suppressed

Date of submission: Monday, 11 March 2024

Please write your submission below:

The proposed rate increase is well out of proportion with CPI figures. If specific projects require an injection of funds, then a temporary levy would be more appropriate. An application for a permanent increase of a staggering 42.7% over 3 years would be more indicative of poor budgeting or mismanagement over previous years. As a landlord providing housing in the shire, a permanent variation of this size cannot be absorbed and the flow on effect will be to pass on the increase to tenants within a short time frame at a time when the rental market is already under stress. Increases in rates over time are inevitable; however they need to be reasonable and proportionate. I do not support this special variation.

Author name: Name suppressed

Date of submission: Tuesday, 12 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

To whom it may concern, I [REDACTED], a local concerned resident from Dondingalong within the Kempsey Shire Council district am writing to submit to the Kempsey Shire Council Special Variation application to IPART. Having familiarised myself with the Local Government Act 1993, relevant delegated legislation (Legislative instruments), and relevant explanatory memoranda I understand the conditions and criteria that must be met in order for a council may make a successful application. I understand that a local council may apply for a special variation for a number of reasons, such as to: * address the financial sustainability of the council * fund new or enhanced community services to meet growing demand in the community * fund the development and/or maintenance of essential community infrastructure * fund projects of regional significance * cover special cost pressures that the council faces. It is clear from the application from the Kempsey Shire Council, that this proposed special variation is not being proposed to improve or enhance any services or infrastructure, nor is it to fund any new infrastructure. Rather, it appears that this request is simply to continue to prop up a dysfunctional council that is derelict in its core duty of serving its citizens. This is a council whose own application demonstrates a lack of accountability in managing its budget and justifying the rate increases. The council simply lists 4 very broad dot points (response to Question 3) to justify this huge burden on residents, with no detail or context to support their narrative of fiscal pressures brought on by external factors. The Table in response to question 7 in the council's own submission is proof of the councils ongoing mismanagement of the budget - with continuous applications for special variation after special variation. Rather than consistently seek out ratepayers to pay for their mismanagement of the budget, it is time for the auditors to come in and look at the significant amounts of waste from within the council. I can point to numerous areas where the spending by the council is beyond reasonable. The number of council plated vehicles, is just one area where hundreds of thousands of dollars (if not millions) could be saved. Another area for potential future savings is the use of external consultants who appear to be consistently engaged and travelling in from out of town, with no regional understanding/context. This rate rise will disproportionately impact upon residents who are in lower socio-economic groups, such as those who rely on welfare, those who live with a disability, and those who are elderly and reliant on the Age Pension to survive. I am one such pensioner who is struggling to make ends meet in this cost of living crisis. I, and many people I talk to understand what it means to effectively budget, managing on a shoestring as not to rely on the charity of friends and family. It will also impact heavily upon residents such as myself, who, despite living within 10kms of the GPO, do not benefit from the services that we should receive from the local council such as garbage collection, water and sewerage and we also pay for a privately funded road. We are additionally burdened by costs associated with filling the councils void and self-funding for these services with no reductions to our rates. The Kempsey Shire Council should take a leaf out its residents book, by learning to budget and live within its means, not relying on the generosity of Ratepayers to subsidise their lavish work environment. In this cost of living crisis, I implore the IPART to consider telling the Kempsey Shore Council to do what Governments at all levels are asking Australians to do - tighten the purse strings rather than splash out on spending. Kempsey Shire Council should first look at their own books before putting its hand out to its citizens. It is well known that Kempsey is the 6th most disadvantaged LGA in NSW according to SEIFA - our residents don't need to be further thrown into disadvantage at the hands of our own local government. The Council needs a hand up, not a hand out - help to improve their budgeting, rather than a short-term sugar fix. Good government comes from listening to its citizens and responding accordingly. And the citizens of Kempsey are asking for relief - not further financial burden. Thanks for your time, and I am happy to discuss further if required.

Author name: Name suppressed

Date of submission: Tuesday, 12 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

I know many others have typed up a large document for their submission. I unfortunately have not done so but feel I needed to contribute because I know so many opposed to the SRV who are very anxious about it but dont have to ability to lodge a submission. I live in a small cul-de-sac in South West Rocks with many elderly rate payers. We are scared about the proposed SRV and what it means for us all. One neighbour mentioned she only just manages to pay the current rates and stay afloat with bills and medical costs. I believe this is the case with so many others also. It will significantly impact myself as a single mother rate payer (I do not receive a discount or anything on my rates). Im already wondering how I can fit it in my budget along with the rising costs of living. Wondering what I can cut out (I do NOT smoke, drink, gamble or anything of the sort just to make that clear). The council needs to take accountability for the current financial situation and work within their organisation to better manage their funds. There are more options available to them but instead they are choosing to burden the rate payers. This will continually happen until council step up and make serious changes. Please consider the fact we already pay higher much rates than most and the fact the council hasnt rectified their issues since the last RSV proposal. Thank you!

Author name: Name suppressed

Date of submission: Friday, 15 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

I as a resident ratepayer and tax payer am deeply concerned of past miss managed budget by Kempsey Council. Our rates currently six thousand dollars. Interest free loan to Gowing Bros for movie theatre to be repaid when profit made. Not happening? Slim Dusty centre??? Please we cant afford higher rates. Other councils manage appropriately why cant Kempsey?? This is what needs to be investigated. Please

Author name: Name suppressed

Date of submission: Saturday, 16 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

17.03.24 Submission to IPART to Dismiss in Full the SRV for Kempsey Shire Council About me: I am a ratepayer, mother to three, and public high school teacher. Over the years I have also been a business owner in the shire and a renting single mother. Originally a Queenslander, I moved to the shire in 2012 after 10 years living and working abroad, mostly in Europe. I am a linguist and specialist in initial literacy instruction. In 2022 I co-founded Science of Reading Australia, a 17,000 member national group of educators and speech language professionals dedicated to evidence-based practice in literacy instruction. Demonstrate the need for the additional income As detailed in other community members submissions Kempsey Shire Councils (KSC) Long Term Financial Plan (LTFP) contains many errors. These errors include omission, overestimation, underestimation, mathematical error, and irregularities synthesising to other published figures and forecasts from its IP&R. Provide evidence that the community is aware of the need for and extent of a rate rise No action from our Council informed me about an upcoming SRV application. In fact I only became aware of the proposed SRV when I began to see homemade placards popping up on residents fences bearing messages such as No SRV. After talking to people in our community, reading [REDACTED] submission and becoming a member of FIO KSC, I realised that many people were unhappy with the proposed SRV, the overwhelming majority of people felt that it was unnecessary, unfair and yet another disappointing action by a council with a track record of ignoring resident and ratepayer sentiment and very poor community regard. Listening to individuals, families, business owners, workers, and residents in the community one word was repeated over and over. That word was waste. There is a strong perception, backed up by what people see repeatedly, that KSC is not operating in a financially sustainable manner, and that KSC is not treating the already substantial rates collected from its residents and ratepayers in the sober and stable manner that we deserve. The only reason the vast majority of the community is aware of this SRV is due to community action from individuals promoting the campaign against the SRV. Establish that the impact on affected ratepayers is reasonable There is currently no mechanism by which individuals can compare rates and fees across shires in any empirical way. Anecdotal evidence is poor evidence, but it is all we have. I have spoken to individuals with residences in other shires, who have all maintained that KSC rates have increased significantly and we are now significantly more expensive than shires including Glenfield (state SEIFA Percentile 29), Nerang (state SEIFA percentile 73) and Forster (state SEIFA 22 percentile) and many, many others. Kempsey LGA has a SEIFA index of 903 and a state SEIFA percentile of 5. It is clear to even the most casual observer that our residents and ratepayers are already at extreme socioeconomic disadvantage, already struggling to pay current rates, and will be forced further into disadvantage should this SRV be approved. It is not reasonable to put more pressure on an already financially stressed community if there is any alternative. There is an alternative way forward that requires KSC to engage meaningfully with feedback provided by the community. As detailed in other submissions, approval of this SRV would result in KSC being granted permission to continue to operate in a way that is financially unsound and unsustainable. For these reasons, I request that IPART does not approve the application for an SRV for Kempsey Shire Council. [REDACTED]

[REDACTED] 1. [REDACTED]
2. See Index Data <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release> 3. See attachment Open Letter 22 Feb 24 to KSC 4. [REDACTED]

17.03.24

Submission to IPART to Dismiss in Full the SRV for Kempsey Shire Council

About me:

I am a ratepayer, mother to three, and public high school teacher. Over the years I have also been a business owner in the shire and a renting single mother. Originally a Queenslander, I moved to the shire in 2012 after 10 years living and working abroad, mostly in Europe. I am a linguist and specialist in initial literacy instruction. In 2022 I co-founded Science of Reading Australia, a 17,000 member national group of educators and speech language professionals dedicated to evidence-based practice in literacy instruction.

1. Demonstrate the need for the additional income

As detailed in other community members' submissions¹ Kempsey Shire Council's (KSC) Long Term Financial Plan (LTFP) contains many errors. These errors include omission, overestimation, underestimation, mathematical error, and irregularities synthesising to other published figures and forecasts from its IP&R.

2. Provide evidence that the community is aware of the need for and extent of a rate rise

No action from our Council informed me about an upcoming SRV application. In fact I only became aware of the proposed SRV when I began to see homemade placards popping up on residents fences bearing messages such as "No SRV". After talking to people in our community, reading [REDACTED] submission and becoming a member of FIO KSC, I realised that many people were unhappy with the proposed SRV, the overwhelming majority of people felt that it was unnecessary, unfair and yet another disappointing action by a council with a track record of ignoring resident and ratepayer sentiment and very poor community regard.

Listening to individuals, families, business owners, workers, and residents in the community one word was repeated over and over. That word was 'waste'. There is a strong perception, backed up by what people see repeatedly, that KSC is not operating in a financially sustainable manner, and that KSC is not treating the already substantial rates collected from its residents and ratepayers in the sober and stable manner that we deserve.

The only reason the vast majority of the community is aware of this SRV is due to community action from individuals promoting the campaign against the SRV.

3. Establish that the impact on affected ratepayers is reasonable

There is currently no mechanism by which individuals can compare rates and fees across shires in any empirical way.

Anecdotal evidence is poor evidence, but it is all we have. I have spoken to individuals with residences in other shires, who have all maintained that KSC rates have increased significantly and we are now significantly more expensive than shires including Glenfield (state SEIFA Percentile 29²), Nerang (state SEIFA percentile 73) and Forster (state SEIFA 22 percentile) and many, many others. Kempsey LGA has a SEIFA index of 903 and a state SEIFA percentile of 5. It is clear to even the most casual observer that our residents and ratepayers are already at extreme socioeconomic disadvantage, already struggling to pay current rates, and will be forced further into disadvantage should this SRV be approved. It is **not reasonable** to put more pressure on an already financially stressed community if there is any alternative.

There is an alternative way forward that requires KSC to engage meaningfully with feedback provided by the community³. As detailed in other submissions⁴, approval of this SRV would result in KSC being granted permission to continue to operate in a way that is financially unsound and unsustainable.

For these reasons, I request that IPART **does not approve** the application for an SRV for Kempsey Shire Council.

[REDACTED]

¹ [REDACTED]

² See Index Data

<https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release>

³ See attachment Open Letter 22 Feb 24 to KSC

⁴ [REDACTED]

By EMAIL TO:

- Kempsey Shire Mayor and Councillors



ELECTRONIC CC:

- NSW Office of Local Government
olg@olg.nsw.gov.au
- NSW Minister for Local Government, The Hon. Ron Hoenig MP via:
<https://www.nsw.gov.au/ministers/minister-for-local-government>
- Independent Pricing And Regulatory Tribunal | NSW (IPART) at:
www.ipart.nsw.gov.au/Home/Reviews/Have-Your-Say and ipart@ipart.nsw.gov.au

February 22, 2024

Dear Mayor and Councillors,

RE: Open Letter

On behalf of ratepayers and residents of Kempsey Shire, and especially those in support of this Open Letter, **we request Kempsey Shire Council (KSC):**

- **to withdraw their submission for a Special Rate Variation (SRV) to IPART** (within 2 weeks of the date of this letter) and
- **to enter into direct good-faith discussions for our proposed alternative way forward** (set out below), which aims to minimize the need for rate increases in the future.

We do so, because of five main reasons:

- (1) The way forward, including the SRV proposed by management and approved by councillors is **unaffordable and unsustainable** for large parts of the community you represent. This should have been overwhelmingly evident to you from ratepayer submissions and feedback. It certainly becomes clear from analysis conducted, that uses actual current rental market data which shows that almost half of households in some parts of the shire (especially in Coastal North) are already in housing related poverty¹ (unlike the outdated data used by Morrison Low in their affordability survey relied on by KSC). This is especially significant, as KSC in 2021 had a Relative Socio-

¹ Defined as households spending greater than 30% of household income on rent or mortgage

Economic Disadvantage Index (SEIFA) score of 903², meaning it is amongst the top 5% of the most socially disadvantaged local government areas in NSW.

- (2) **The SRV submission is unreasonable and self-serving:** KSC aims to again offload the burden onto ratepayers through regular and permanent rate increases, rather than address the continuation of uneconomical and wasteful behavior by council. It does so by:
- a. **Significantly overstating future financial requirements³** - compared to what they should reasonably be, if KSC operated in an economically responsible, more frugal and socially fair manner. Specifically, KSC's Long-Term Financial Plan (LTFP) and the Asset Management Plan it is in part based on, lacks consideration of available alternatives to significantly improve its long-term position, including:
 - strategies to drive greater productivity improvements and operating cost efficiencies much further,
 - comprehensively addressing loss-making and putting a stop to economically irresponsible activities,
 - achieving greater cost recovery for services and development of new sources of income,
 - re-prioritizing asset management initiatives and evaluating and pursuing asset disposals, where possible,
 - b. **Basing the submission on outdated information⁴, unreasonably conservative and self-serving assumptions⁵ and unsubstantiated information⁶**, all contributing to a worsening of the projected financial position, compounded by additional interest payments due to triggering an increase in borrowings. Notably, the starting point of the LTFP does not agree with the latest Financial Statements for 2023 (released 14 Feb 2024) and there are no complete figures supplied for assets, their current backlog and refurbishment approach, cost and the timeframes involved.
 - c. **Displaying an evident lack of diligence, realism and scrutiny reflected in the submission, including the presence of mathematical errors⁷**. The presence of such basic errors raises concerns, particularly in combination with significant inexplicabilities and internal inconsistencies in the numbers presented⁸ and the actual spreadsheet model never having been scrutinized by a competent third

² Refer <https://profile.id.com.au/kempsey/seifa-disadvantage>

³ Refer also Public Submission to KSC by Greg Stoneham, dated 2 January 2024

⁴ Including the LTFP (irreconcilable starting point and unreasonable assumptions, asset backlog and asset management strategy, and in KSCs assessment of affordability)

⁵ For example: the gap resulting from growth in salaries over 10 years exceeding inflation and assumed growth of rate income

⁶ Refer Public Submission to KSC by Greg Stoneham, dated 2 January 2024– specifically to be highlighted here is that no reconcilable figures are supplied for assets, their refurbishment approach, cost and timeframes

⁷ For example, Page 10 LTFP states: "A 25% reduction in Executive Leadership Team positions (five reduced to four) and 38% reduction in Senior Leadership Team positions (18 reduced to 13)" These are obviously incorrect percentages. They are not a typo and demonstrate at a minimum a lack of diligence and at worst an actual inability with regards to percentage calculations by all involved in the preparation and approval process, as these errors have remained undetected throughout preparations and two rounds of council approvals.

⁸ For example: LTFP has a discrepancy in wage totals – Scenarios & Sensitivities states a 37% share, then in Financial Sustainability Strategy Core Themes it states 42% - a discrepancy of 5%

party underpins serious concerns in the diligence applied and resulting quality of work underpinning the submission.

d. **The SRV of 42.7% exceeding the stated funding requirements in the LTFP.** In other words, KSC is asking for more than their own analysis suggests is needed.

(3) **A lack of community engagement in good-faith:** KSC has failed to engage in genuine consultations with residents, instead running a process that was largely focused on 'ticking the box' for IPART requirements. In doing so, KSC have largely ignored their own Community Engagement Policy⁹, especially with respect to policy item 7 to get things done. Council has not demonstrated sincere engagement with the community, particularly in respect to collaboration and empowerment.

This is evidenced by:

- (i) prior to SRV discussions KSC implemented changes to its communication policy moving from printed newsletters to digital opt-in communications for rate payers, meaning (despite welcome cost savings) a significant number of rate payers do not receive council newsletters and have not been directly informed or engaged by KSC on the proposed SRV,
- (ii) that substantive public submissions and community feedback received has been collated as per IPART requirements but the content has almost completely been ignored (except for an early 'token-concession' of reducing funding requirements by around \$20m). KSC have not seriously engaged on these submissions, nor provided responses in form of questions or feedback. This is not surprising as for example, only 4 working days had been allowed for evaluation of submissions between closing and the public forum, which was held the day prior to council approving the final submission documents.
- (iii) that decisions were largely 'rubber-stamped' by councillors - as a result of the above, there have been no substantive changes between the SRV submission draft from November 2023 and the final submission to IPART. Most importantly the request for a 42.7% SRV remains unadjusted, despite a second round of substantive submissions and as mentioned above, exceeds requirements of the LTFP.

(4) **The unreasonableness of a 42.7% SRV alone, let alone it being the third SRV since 2012:** Council must put an end to the cycle of bad decision-making being funded by increased permanent contributions by ratepayers. Since 2012 all SRVs have asked for increased permanent funding to remove asset backlogs and secure its financial future/remove deficits. In those 12 years KSC's productivity and efficiency achievements have been manifestly inadequate. Furthermore, the ability of ratepayers to review the level of current asset backlogs has been denied because KSC has not disclosed it, neither in total, nor in detail during the engagement period. It is noteworthy, that the second approved SRV had a requirement that the increased funds needed to be spent specifically on the backlog. Achieving another SRV would also mean the continuation of KSC's wastefulness¹⁰ and low levels of productivity improvements.

⁹ <https://www.kempsey.nsw.gov.au/Your-Council/Publications/Kempsey-Shire-Council-policies-procedures/Community-Engagement-Policy>

¹⁰ Evidenced by a range of decisions, including \$2m support for Majestic Cinemas (now under administration)

(5) **There is time and an obligation to ratepayers to get it right:** According to the LTFP the financial situation in 2024/25 appears manageable without an SRV. Hence, the time can and should be used to review all available options and do a proper and diligent job to establish a long-term strategy that minimises future rate rises.

Further detail supporting the above can be obtained from the respective public submissions to council and forthcoming submissions to IPART, which are currently in preparation.

Our Proposed Alternative Way Forward

KSC has failed to effectively connect and collaborate with the community over both cycles of engagement (prior to KSC decisions on Nov 21, 2023 and Jan 30, 2024) and as a result has not fully considered and evaluated all options for improving the financial outlook. We believe a new approach is needed, one that empowers the community for their input to be adequately considered and reflected in the decisions. Despite the failings to date, the community genuinely believes there is a constructive and better way forward.

Therefore, **we propose to form a Joint Working Group¹¹** - comprising the relevant and necessary skills and experience - consisting of selected volunteering rate payers and councillors (and if necessary, with support from hired professionals) - and to jointly with management, thoroughly evaluate all available options, develop a more sustainable strategy and direct the development of a new long-term financial plan for KSC. The goal is a strategy and plan that eliminates or at least minimizes the need for a SRV based on a diligent, fair and reasonable assessment of the future situation.

We therefore urge councillors to enter into direct discussions in good-faith about the establishment of and nomination/selection process for a Joint Working Group.

Once the Joint Working Group has been established, we seek to provide to the Joint Working Group a **List of prioritized Initiatives and Ideas** collected from the community, that can then be worked through with management. We believe this will make a significant difference to the long-term financial position of KSC and at least minimize the need for future rate increases.

We look forward to your response.

Yours sincerely,

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and on behalf of all supporting KSC ratepayers and residents

¹¹ Further details will be provided to Councillors once discussions are entered into

Author name: Name suppressed

Date of submission: Sunday, 17 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

Dear iPart, I oppose the special rate variation proposed for Kempsey Council. As a rate payer in Crescent Head, we already pay very high rates due to the last decade of special variations. I see in the documentation the councils increased headcount yet deliverables are still below par. For example DA approvals, the shed in the caravan part relocation, Lloyd Park redevelopment and the worst example is the plan for the foreshore redevelopment that was approved and allowed to be hijacked by a noisy minority. Shameful. The argument is often raised about the ratio of roads and bridges to population yet if I saw the correct figures in the council comparison site, Kempsey is not that unique. As a community the infrastructure is old and you cannot even get mobile reception between Kempsey and Crescent Head. In fires and floods this is a disaster and at a council facilitated community meeting telecoms were raised as the No.1 issue in emergency management as two way radios also dont work well across the region. Any rate rise is out of the question. Where are the performance metrics that accompany documents the council writes? There is a dearth of metrics in the annual report and strategic plan, hence accountability is missing. Fail, fail, fail. I would like to see the council restructured, merged or at a minimum staffed by competent leadership. and deliver on budget, on time and on specification and Ill be somewhat satisfied. Thank you for the opportunity to comment on the proposal. Its time we considered the entire council/state government model and removed one layer of government. In days of old when we moved by horse and cart and had no phones/internet, the current structure was ok. Now its not fit for purpose. Kind regards, [REDACTED]

Author name: Name suppressed

Date of submission: Sunday, 17 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

The Kempsey Council has got themselves into a massive debt due to extremely poor business skills & bad management of our rate payer funds. I find this increase to be extremely excessive and way out of touch with general CPI increases. What's even more frustrating is they have sent out this rate increase proposal after giving themselves a pay rise, disgusting form! As business owners & home owners we are all struggling with the general cpi increases accross the board in everyday day expenses, this will hurt many people & causing more closures of business in our shire.

Author name: Name suppressed

Date of submission: Monday, 18 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

Please do not allow this variation We are living in difficult times and are a low socioeconomic area Extra expenses like this will cause catastrophic outcomes for families Thankyou [REDACTED]

Author name: Name suppressed

Date of submission: Monday, 18 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

This cannot happen within the Kempsey Shire. Houses are already at an all time high and then to tack exorbitant rates on top of that really leaves no allure to moving to the KSC region, or to staying living within the Kempsey region. Also the rates are not reflective of what we actually have on offer within the KSC region. We have lack of services, shopping and a town that seems its falling behind as far as the council trying to bring incentives and draw PEOPLE to the region. People are not going to want to live here and start up businesses and have progression + keep the KSC staff in jobs if they can buy a house somewhere else close by with rates that are a lot lower! This needs to seriously be re-thought and a smaller rate rise, reflective of the inflation contemplated, but nothing at all like what is proposed, which in my own opinion is ridiculous when most of Kempsey residents have to travel to Port Macquarie just for their basic shopping because Kempsey is becoming more and more sparse and council will do nothing about all those empty shop fronts. Instead of trying to make more money off the people who ALREADY live in the region and already contribute to whats there, enforce these shop owners that are letting these shops sit empty to get someone in, by giving incentives, so that all parties can actually make money and theres wealth and tourism and boutiques brought into KEMPSEY TOWN ITSELF and less financial burden placed upon the residents who are already keeping the town afloat.

Author name: Name suppressed

Date of submission: Monday, 18 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

This special rate variation is both excessive and unnecessary. Kempsey Shire Council (KSC) have not explored alternative options with ratepayers as per their Community Engagement Strategy. As a resident of Stuarts Point, KSC has never prioritised matters pertaining to residents of our village. We currently pay more than those in the city and receive less. Council facilities are not maintained such as drainage on Kimpton St. impacting on flooding. Following the floods no consideration for kerb and guttering for storm water drainage, instead a sewerage system that will not reduce flooding inundation in premises. An increase to rates will only see more money frivolously wasted by KSC. How about an alternative where KSC are held accountable for what has and is proposed to be spent by engaging with the community effectively and budgeting efficiently to meet expectations.

Author name: Name suppressed

Date of submission: Monday, 18 March 2024

Please write your submission below. (Before starting, please ensure that you have chosen the correct council from the dropdown list of councils, at the very top).

The proposal to excessively increase rates in the Kempsey Shire is very problematic because: 1 It is arguably one of the lowest socio-economic areas in the Mid North Coast, where there are many renters, who in a cost of living crisis will just have another excruciating financial pain to bear, as their landlords will have no choice but to pass on the rate hikes 2 It will severely impact peoples ability to afford to live in the shire and negatively affect the local ECONOMY 3 It will further negatively impact the COMMUNITY as a whole in a cost of living crisis 4 Kempsey Shire Rates are already higher than those in other Councils 5 Homeowners will have no option but to sell their homes, potentially plunging the region into an unwanted dire economic situation 6 Vulnerable groups including refugees, migrants, children, people with disabilities, elderly people, and Indigenous people will be greatly impacted, the very people a local government is supposed to provide care for and give priority to 7 Of the people who will be greatly impacted, women, the mainstays of homes, will come out as the ones suffering the greatest negative effects, as seen in the ABS census data released in 2023 8 Kempsey Shire has an obligation to ensure the affordability and accessibility of housing, including focusing on protecting the human rights of our most vulnerable.

Author name: Name suppressed

Date of submission: Wednesday, 28 February 2024

Please write your submission below:

I am a very concerned resident of Kempsey shire. Our Local council is in desperate need of an Audit performed by an organization of the residents choosing. [REDACTED] or [REDACTED] incompetent management of funds as seen by the tens of millions of dollars black-hole in the council budget. Locals have been told we must all tighten our belts but have seen no such practice from those preaching. It would be foolishness itself to believe that any extra funding forced from already bleeding locals would be used in any meaningful or responsible manner given our councils completely inept track record. Our main street is quickly filling with empty shops, our roads potholes. Please investigate, then [REDACTED] as we are done with the [REDACTED] of this council.

Author name: Name suppressed

Date of submission: Wednesday, 28 February 2024

Please write your submission below:

Residents in this area are already suffering cost of living pressures and cannot afford this increase. I fear going bankrupt! Please reconsider this decision