

Independent Pricing and Regulatory Tribunal
New South Wales

Shoalhaven City Council is currently seeking a Special Rate Variation (SRV) that will result in a huge increase in rates payments by home owners and small businesses in the Shoalhaven region of more than \$340 per household over the next two years. This is in addition to the recent cost shifting of the NSW Government to apply a levy to all rate payers for Fire and Emergency Services. If approved, the increased costs will also provide additional funding for State Governments via increased GST payments.

I object strongly to the proposal for the following reasons:

IPART requires councils to actively engage residents in discussions about the proposed increase above the rate peg. Councils can do this with public hearings and other community engagement tools that suit their population. IPART will consider how effective each council's community inclusion has been before determining its application to increase charges above the set rate.

Councils need to show IPART there is:

- *community awareness of their plans*

To date, unless one is fortunate enough to have access to the internet and knows to access the Shoalhaven City Council (Council) website to obtain information about decisions made by Council or is a social media user, there was no direct information available about this proposal until several Independent Councillors arranged community meetings via letterbox flyers. While the Council position appears to be that there has been little interest from residents, there is no acknowledgement that the community profile includes a large number of aged residents who have limited access, if any, to social media and broadband costs are too expensive for many residents who survive on fixed incomes.

The communication model currently used by Council ignores the needs of the majority of Shoalhaven residents and while Council asserts that community engagement began on 21 November 2016, the response from many residents over the past two weeks as knowledge of the SRV has become common knowledge, suggests that residents of the Ulladulla and Milton regions were not included in the Engagement strategy.

Further to a lack of clarity and transparency regarding the SRV, Council media releases from October 2016 identify different rate increase options. There is no explanation of why the figures proposed in the SRV are

different and nor has any evidence been provided to residents to support any increases. The SRV itself lacks any transparency or evidence.

- *a demonstrated need for higher increases to charges*

Council has successfully sought variations in the past. IPART has supported these requests as reasonable. New increases to rates Council has proposed are somewhat confusing given that only last year Council successfully fought a merger under the NSW Local Government Reforms and received approval for its Fit for the Future strategy, including a long term financial plan. Given that any planning could only reasonably be based on known income, the legitimacy of that plan must now be questioned given the Council position that it cannot function without gouging rate payers into the future.

While Council is arguing that it has insufficient funding to meet its core business responsibilities relating to road maintenance, IPART approved an 8% increase to rates in 2013-14 for this purpose. It must be assumed that Council has demonstrated to IPART that it is meeting its ongoing Performance Indicators related to the approval for that rates increase. It might allay some of the current concern about lack of transparency and Council waste of community funding if this information was readily available to rate payers. It is also of interest that Council imposed additional costs on rate payers in the last financial year to subsidise business owners in the Nowra CBD. Resident views of that decision were made clear at the last local government elections.

Council asserts that the assets maintained by it have significant cost. There is no information available to rate payers as to what strategies have been developed to reduce these costs, eg. privatisation or user pays models. Options need to be urgently provided to residents so savings can be achieved before further costs are imposed on very limited budgets.

Information provided at the community meeting last Tuesday night at Ulladulla suggested that the majority of Council cost increases relate to administration, eg. staffing. As residents need to budget for ever increasing costs to their daily cost of living, they expect the same constraints to be applied to bureaucracies. The Independent Councillors also on Tuesday night spoke of an amount of many millions of dollars currently uncommitted by Council and not publicly reported ("complex financial reporting methods" was the stated reason). Residents of the Shoalhaven have every right to require this matter to be investigated and to be informed about why these funds are not expended on core service responsibilities of Council before any intent to increase the financial burden for rate payers.

Council states that the community is asking for more facilities such as toilets, community halls, swimming pools, etc. In an environment where cost of living increases, particularly increasing electricity and gas costs, stagnant wage growth (and with the recent decision by the Fair Work Commission to reduce penalty rates, reduced wages for the many service industry employees in the region), minimal interest on savings and increasing rents resulting from the lack of affordable housing are having a profound effect on many people and families, it is incumbent on Council to refrain from committing rate payer funding on new projects until the economic environment improves, rather than relying on an ever expanding budget, courtesy of rate payers.

Council does not identify in its submission that it recently supported a transfer of millions of dollars of a grant to a business that receives Commonwealth funding, despite claiming that Council is in financial difficulty and requiring additional funding to deliver planned projects approved by the community. Residents in the Shoalhaven require a higher level of transparency of decision making and due diligence before being approached to discuss increases to funding. This transfer of the grant demonstrates that there is sufficient funding currently available to Council to meet resident's current needs.

The remaining two arguments put forward by Council to support its proposed increases are that:

- *There is a need to meet the costs shifted to us from other levels of government such as increases in emergency services contributions*
- *Roads need to be maintained. We have a funding gap and need to invest additional money into maintenance and renewal of community assets, especially our local roads.*

It is Council's responsibility to reach agreement with other levels of Government about cost shifting, while remembering that they are the representatives of the residents of the Shoalhaven and are responsible for delivering on the majority agreed position of residents. This is matter of accountability to residents and any disagreement of the resultant decision-making would be responded to via State and local government elections. I would not think it a matter for IPART other than to consider the increased costs for rate payers in making a decision about the imposition of further funding increases. The Council position regarding local road maintenance costs was dealt with in previous IPART rate increases for the Shoalhaven and should not be an excuse to receive more and more funding without any accountability for expending the monies for the purpose for which it was provided.

- *a reasonable impact on ratepayers*

I have previously described broadly the existing financial environment for many Shoalhaven residents and rate payers. The Council position appears to be that the proposed increase is "about a cup of coffee a week". There are currently too many "cups of coffee" coming out of rate payer's budgets. Local families have to manage constant cost of living increases with, mainly, static wage growth.

The Shoalhaven has a large number of aged people, including many self-funded retirees on fixed incomes (which are reducing due to extremely low interest rates and without any of the subsidised benefits of people on tax payer funded pensions). The recent Commonwealth Government changes to the Aged Pension have had a profound financial effect in this region both to individuals and families. According to the Australian Bureau of Statistics 23.09.2016, almost 36% of all residents in this region are aged 55 years or over. More than 21% are aged 65 years or older. Many of these people are rate payers with a high proportion living in single households. While Council states that it will have a financial hardship strategy, the reality is that many aged people do not have transport to Nowra or the capacity or willingness to discuss their financial affairs with strangers. The likely impact from such a substantial increase to budget costs will be a corresponding substantial increase in defaults. When these proposed increases are discussed with older people they become very distressed because of the anticipated impact.

Rental properties have always been at a premium in the Shoalhaven and, as a result, rents are high and vacancy levels are very low compared to most regional areas. Any increase in rates will result in an immediate rise in rental costs and a likely increase in homelessness in the region.

While the Shoalhaven Homelessness and Affordable Housing Taskforce report of 2015 is not current, the statistics provided remain relevant. However, the situation has deteriorated in some areas. The Taskforce reported that:

the Shoalhaven LGA is an area in need of increased capacity in social housing, affordable and private rental stock, transitional and crisis housing, accommodation and supports. This assertion is supported by the following data:

- Shoalhaven LGA has a Low private rental vacancy rate (Dec 2014) at 1.1%. The private rental market does not currently provide the stock needed to fill the gaps in affordable housing. Anglicare Rental Snapshot undertaken in April 2014 found that of 1,215 rental properties in the region, only 36 properties in the Shoalhaven/Southern Highlands were affordable and appropriate for people living on income support payments.
- The Census (2011) count of homeless persons was 226 across the LGA.
- Social housing waiting periods range from 5-10 years for one, two and four bedroom accommodation in Nowra and 2 bedroom properties in

Sussex Inlet to over 10years for two bedroom properties in Nowra and two or three bedroom properties in Shoalhaven Heads and Ulladulla.

□ The spread of social housing properties across this large regional/rural LGA are sparse in the southern localities and there is a shortage of suitable properties for single people and larger families.

*□ **The median income of households in the LGA is low, with three suburbs falling in the top 10% of most disadvantaged areas nationally, measured by the SEIFA index.***

□ The Average job seeker in the Shoalhaven has been registered with Centrelink (LMIP September 2014) for 32 months

□ Unemployment levels for the Shoalhaven LGA in December 2013 was 10.4%, well above the NSW 6.0% State average, with 33% long term employed

□ The Shoalhaven population is forecast to grow by 21.92% between 2015 and 2036

Southern Cross Community Housing statistics show that over 38% people housed have a family member with a disability and 31.5% of tenants are over 60 years of age

Following discussions with residents it is clear that such substantial cost of living increases will result in residents prioritising their own budgets with flow on effects on mortgage payments, private health insurance, food, prescriptions, adequate heating, children's participation in sport and activities, etc. There will also be an impact on small businesses in the region where people have substantially less disposable income.

The majority of people in the Shoalhaven do not have the financial capacity to pay more to a Council that continues to commit to large projects without any clarity of how they will be funded. There is no transparency for residents about how and why decisions are made to commit their money to projects and there has been a total lack of transparency about this proposal to increase rates. The Council submission provides no details or evidence to support its case or to explain how the increased funding will be allocated.

- *a sustainable financing strategy*

The Council has on its website a document about Fit for the Future that outlines the Council's Financial Sustainability Roadmap. Surely, given the planning that was involved and the acceptance by the NSW Government that Council's strategy was sound, this strategy should be given at least three years to be implemented and the outcomes reported to the community before any further decisions are made.