



# Kate Washington MP

## Member for Port Stephens



11 March 2019

Mr Hugo Harmstorf  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal (IPART)  
PO Box K35  
HAYMARKET NSW 1240

VIA: [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au)

Dear Mr Harmstorf

### **RE: SUBMISSION REGARDING PROPOSED PORT STEPHENS COUNCIL RATE RISE**

As the State MP for Port Stephens, my electorate covers the majority of the Port Stephens Local Government Area (LGA).

In my role I have the opportunity to meet a wide array of residents and am contacted about a range of Council issues. I also meet regularly with Council staff and elected Councillors to discuss local issues and have attended a number of the meetings about this proposed Special Rate Variation.

I am strongly opposed to the increase in rates Port Stephens Council is proposing.

I have formed this view based on the outcome of the community consultation conducted by Council, as well as my own feedback from residents, knowledge of the projects proposed to be funded and Council's record of budget management and infrastructure delivery.

### **FINANCIAL IMPACT ON RESIDENTS**

Port Stephens is home to a large number of retirees on fixed incomes, young families on tight budgets and residents on social support payments.

I hold serious concerns about the ability of many households to fund this 66% increase in council rates, even with the payment assistance options outlined by Council.

Port Stephens Council has previously boasted of its comparatively low rates and sought to use this claim to encourage residents to relocate to the region.

While there are pockets of affluence across the LGA, for many this regional area has offered an affordable retirement location on the outskirts of the Greater Newcastle area.

I hold particular concern for the farming families in the rural west of the LGA who are not only bearing the financial brunt of a long running drought and its impact on the agricultural sector, but who will also face higher land rates under this proposed rate increase.

I believe that this proposal fails to demonstrate that the increase is affordable and that residents have the capacity to fund this increase.

#### **LOCATION OF PROPOSED PROJECTS**

In considering the reasonableness of the impact of the rate increase on residents, IPART should also give consideration to the location of the proposed projects.

Port Stephens Council intends to use the proposed additional funds to deliver new capital projects in the LGA.

As an LGA of over 850 square kilometres the ratepayers of Port Stephens are dispersed over a significant geographical distance.

The locations of the intended projects are clustered in the Raymond Terrace and Nelson Bay region. While these are areas with a concentration of residents there are a substantial number of ratepayers who live outside of these areas and will receive limited to no benefit from these projects for which they will be paying.

#### **COMMUNITY OPPOSITION**

Community consultation undertaken by Port Stephens Council, including face to face meetings, written submissions and telephone polling, has shown up to 70-75% of residents oppose the increase in Council rates.

In addition, as the local Member of Parliament, I host regular mobile offices and street stalls across the electorate. On these occasions, hundreds of residents have personally discussed with me, their opposition to the proposed rate rise. In contrast, I have spoken with only one person, who supports it.

Given the number of submissions, the high level of opposition and the inability of Council to persuade the community that an increase in rates is required I do not believe that this rate increase should be approved.

In assessing the community's "capacity and willingness" to fund this increase, I believe that this overwhelming opposition to the proposal would mean that the application fails to meet the test of "willingness".

#### **CURRENT COUNCIL FINANCES**

In assessing this application, I understand that IPART will consider the "need for, and purpose of, a different revenue path".

In making a determination on this criteria, IPART should reflect on Council's current finances, which demonstrate an ongoing \$20 million annual surplus including a net operating result of \$20,336,000 in 2017-18, significantly above the budgeted \$7,745,000.

This followed a net operating result of \$22,716,000 in 2016-17.

Once funds tied to capital expenditure are removed, Council's 2017-18 net operating result was a healthy \$4.9 million.

Approximately 40% of Port Stephens Council's income in 2017-18 was derived from rates, with the remainder received from grants, user based fees and investment revenue.

Given Council's existing budget surplus, and alternate avenues for funding the construction of the outlined capital projects, I do not believe that Council has sufficiently examined alternatives to a rate rise or given due consideration to its current and projected financial sustainability.

### **MISMANAGED COUNCIL PROJECTS**

IPART's assessment must consider the Council's existing and proposed "productivity improvements and cost containment strategies".

I wish to outline a number of recent projects which raise serious concerns about Council's ability to deliver the proposed capital works while making further productivity gains.

I have enclosed media articles outlining Port Stephens Council recent decision to spend \$300,000 on a croquet court and club house at the direction of the previous mayor. When the facilities were opened and an inaugural AGM was held, no residents nominated to be on the Club's executive committee.

This club-less croquet court is a demonstration of Council's long running inability to follow through on strategic plans, engage in robust community consultation and deliver projects which the community actually need.

The other area of Council spending which demonstrates questionable decisions, is in their management of legal disputes.

Council is currently engaged in a number of protracted legal cases which expose residents to substantial liabilities. Council's legal team has been warned by judicial officers about the robustness of their defences to legal challenges, yet Council has continued to engage in expensive legal disputes over a number of complaints.

Of note is the matter involving Lagoons Estates, which was settled in May 2018 after a number of years of litigation. Council's total costs including damages payable by Council is estimated to possibly be as high as \$20 million. Please note that this figure is based on media speculation because Council has never publicly disclosed the figure or potential liability.

The Council first lost legal action over this matter in 2006 but has continued to use rate payer funds to fight the claim, even after they received their own legal advice recommending the action not be pursued.

Council's mismanagement of this matter has resulted in a significant waste of ratepayer funds.

The proposed rate rise should not be an avenue for the Council to receive additional revenue to fund losses incurred as a result of reckless legal action.

### **ERROR IN MORRISON LOW REPORT**

Part of the justification of Council's proposed rate increase is the economic benefits the projects will bring to the region.

This claim is based in large part on an analysis conducted by Morrison Low as a consultant engaged by Council.

I have reviewed this report and have noted a number of errors within it which, while not completely undermining the analysis, suggest a rushed and predetermined outcome.

I have enclosed an extract of the report which purports to represent the economic benefits of a particular capital project in the suburb of Medowie.

As the table demonstrates, this project will be delivered in the financial years 2022-23, 2023-24 and 2024-25. Despite this, the report shows the benefits of the project commencing in the financial year 2019-20.

If the benefits of this project can be achieved before construction commences then Council should have no need for the project at all.

This error is repeated in a number of places in the report.

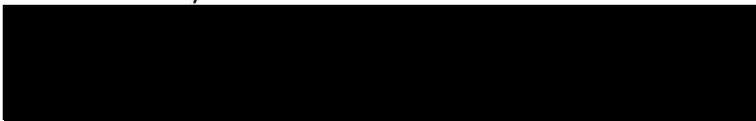
If Council cannot provide an accurate assessment of the economic benefits of their proposal then IPART should insist the Council engage a different consultant to produce a more accurate economic analysis.

#### **COLLECTIVE IMPACT ON PORT STEPHENS**

Having considered the totality of Council's application, the residents' strong and overwhelming opposition to the proposal, the proposed benefits of the projects outlined and the ability of Council to seek alternate sources of revenue for these projects, I am strongly opposed to Council's application.

It is my firm opinion that Council has failed to demonstrate sufficient community support for this application and has not given due consideration to the financial burden this rate increase will have on local residents.

Yours sincerely

A large black rectangular redaction box covering the signature of the sender.

**Kate Washington MP**  
Member for Port Stephens  
Shadow Minister for the Hunter  
Shadow Minister for Early Childhood Education

