



Tomaree Ratepayers and Residents Association Inc.

Merger Proposal for Port Stephens and Newcastle Councils

The Fit for the Future Fiddle.....

Aside from the Representation, Geographical, Cultural and Financial ramifications of this flawed proposal, that we will cover in other submissions to the Government inquiry, we want to focus on the financial assumptions underpinning this proposal that have distorted the outcome and what can be done to put the process back on the rails so that these important decisions are based on facts not fantasy. One simple fact is that this proposal is contrary to the Governments own policy in that Port Stephens Council was declared Fit for the Future and found able to stand alone by IPART. Therefore we can only assume that this was a purely political decision to merge it with Newcastle.

However our analysis of the process disputes IPART's assessment because it relies on a self-assessment by Port Stephens Council that is not consistent with the facts. Our financial investigation unit has concluded, that based on advice from the consultants they have been using, (Morrison low) Council revalued their assets to the tune of \$130 mill based on an in-house review and this distortion of the inputs affected the resulting benchmarks, which carried through to a false assessment that Council was 'Fit for the Future.'

We also question the Operation Performance Ratio input, which gave another false benchmark assessment according to our calculations.

TRRA are asserting that Port Stephens was never 'Fit for the Future' and we doubt its capacity to stand alone financially in the future. This is despite the constant claims from the Mayor, the General Manager, some Councillors and its propaganda department that Port Stephens Council is one of the best financially managed Councils in the State.

In addition to this distortion, the 'Improvement Proposal' put to IPART by PS Council relies very heavily on a Long Term Financial Plan with dubious future financial benefits projected to come from:

- Royalties from an unapproved Sand Mine that is environmentally doubtful, and may never turn a sod. It is in the contamination zone at Williamtown. The tender for the mining was pushed through in controversial circumstances against staff recommendations by our Mayor, a sand miner himself, to an entity with connections to Nathan Tinkler.
- Dividends from The Newcastle Airport, with a lot less fly in fly out people from the mining industry going through it in the near future, which in the past have always been ploughed back into infrastructure anyway.



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- The Council owned and managed Holiday Parks, one of which had a \$27,000.00 gain last year instead of the \$440,000.00 projected in its tender. The other with another \$27,000.00 loss after further borrowings of more than \$450,000.00 were ploughed into the infrastructure last year to add to the \$11Million (admitted by Council, we think it is closer to 17 Mill) it has cost ratepayers since the former nudist resort was purchased by Council in 2001.
- Land Sales that have seen the flirtation with the likes of Nathan Tinkler at the Salamander Shopping Centre. That tied everything up for two years and went nowhere, losing Big W and Dan Murphies in the process. Now we have what looks like a fire sale of land for another Gym, and a Service Station that we don't need and a Doctors surgery that is just relocating from the CBD. By the time the infrastructure is paid for there won't be a lot left. Also the decision to carve a piece off a public (Boomerang) park in Raymond Terrace for residential development is most concerning.
- Then to top it off there is the Class action that commenced this month by the developer and the residents of Lagoons Estate against PS Council over a long running drainage issue. We have seen no contingency plan to cover the \$14.2 mill liability if this goes south. This one is being flown very much under the radar by Council and could have been settled for just a few million years ago, but has now escalated into a major problem.

Unfortunately the proposal that the Government has put forward to merge these Councils, neither of whom are 'Fit', will only make the situation worse. We wonder if the other half of this 'shotgun marriage' will be as keen when they find out the true state of the dowry.

The proposal is also based on financial impact modelling by **accounting firm KPMG** that has not been released in full by the Government. The parts of that modelling that have been released are also having their integrity questioned by all and sundry.

Sydney Morning Herald: [Council amalgamation report 'awash with errors'](#)

Sydney Morning Herald 25 Jan 2016: [Office of Local Government has not seen KPMG report](#)

TRRA cannot believe what a complete mess has been made of this very necessary reform process, with all the decisions being based on flawed assumptions which have been manipulated by the participants. On top of this we have the blatant politics being played by the Government on one hand trying to change the demographics and get square for some local embarrassments, particularly the recent loss of the State seat, and the Mayor seeing the situation as a political opportunity to run a re-election campaign for himself and his supporters, funded by the ratepayers with a \$200,000.00 appropriation for an 'information campaign' to fight the merger. *Returning to the status quo will not fix this problem.*



TRRA believes the only way this matter can be resolved for our LGA is:

- To go back to square one and come up with a plan based on real audited figures, after an independent investigation of the claims we are making into the true state of the finances of Port Stephens Council.
- We call on the Government to release the full KPMG report for the scrutiny of the Office of Local Government and the public and not make any more decisions based on flawed assumptions.
- We also call on the Government to stop playing politics, this LGA needs real reform to survive and all options should be canvassed for a real solution to our financial future based on facts not fantasy. Surely there are better alternatives than this.

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