



**The Hon Barbara PERRY M.P.  
Minister for Local government**

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**June 02 2010**

**Re: Application by Port Stephens Council for a special variation  
to general income under Section 508A of the *Local Government  
Act 1993***

Dear Minister PERRY,

**Overview:**

The Tomaree Ratepayers and Residents Association have regrettably found cause to seek your intervention in matters concerning the Council of the Port Stephens LGA in recent months. With this letter and attachment we wish to place before you representations from the local community opposing the granting of a rating increase under Sec. 508A of the LG act, above the "pegged" level for the next 4 years.

Our Association became aware some months back that Council was preparing to make such an application and that it needed to support it with a portfolio of Integrated Strategic Plans and the outcome of a consultation process between Council and its residents. We were not aware when the Council invited us to contribute to the development of the strategic plan at their "Futures Conference", that it would be used to support a cumulative annual 5.8% rate increase and a 5% increase in Council fees and charges!

The PSC "Draft" Integrated Strategic Plans Document is to be presented to Council for approval later in June, following consideration of community

comments following its public exhibition. The form of "consultation" on the rate increase, chosen by our Council, was a brief telephone survey of 1% of ratepayers, and a survey of its Residents Panel, that has previously been drawn to your attention. The results of these surveys were overwhelmingly negative.

We understand that the reports and the material we seek to comment upon have already been provided to your officers for evaluation and that the attachment to this email, which was our Association's response to the Draft Integrated Strategic Plans when they were on public exhibition for a month, will also be reported upon to you.

We believe our submission, as directed to Council will provide you with substantiation of our claims and support our request to defer granting this rate increase proposal until matters we raise are fully investigated and that this will lead to a direction to Council to review its "Business Model".

We submit for your consideration the community opinion that in simple terms the Port Stephens Council does not balance its available expenditure in accord with community priorities, and allocates a disproportionate amount of such expenditure to extraneous "business" activities, property developments purchases and investments. This preference for property and business activity does not directly provide for the **basic** needs of residents usually provided by a Council, and has probably been the real cause of Councils "addiction" to rate increases above the norm since rate-pegging was established.

This Council has a history of such Special Variations:

2000/01	5.5%	10yrs + 3yrs
2003/04	7.13%	3yrs
2006/07	9.96%	Ongoing
2008/09	5.3%	Ongoing

As if to acknowledge this insatiable demand for rate increases above "pegging" levels the Integrated Strategic Plans note on page 53, Item 16.3.1 that Council should: "**Implement appropriate rating mechanisms to optimise rate revenue above the rate peg limit.**" (To be implemented by their Financial Services/Commercial Services Group.) Council has never adequately sought community support for such a policy strategy. From our well attended meetings held on notice to discuss this current rate application, (with Councillors in attendance), this Council knows that ratepayers are unanimously against paying steadily increasing imposts. Particularly from a Council, that is seen as distracted by its focus on the operation of businesses in competition with the "private" sector, and the public perception of ongoing dysfunction evident within the elected body.

## Summary of TRRA's critique of Council's Application for a FOUR YEAR "above the peg" Rate Increase:

Council's Application, to meet Departmental requirements MUST:

*“Demonstrate that it has a sound business case in support of the application. Council must illustrate that its decision to apply for the special variation is based on solid planning (strategic and financial), which is supported by sound data and research and it reflects the views, priorities and objectives of the broader community.”*

*“Council must also illustrate that the decision to apply for the variation has been made after all other options (e.g. alternative revenue sources, changing expenditure priorities, alternative modes of service delivery) have been considered and exhausted.”*

TRRA does not consider that Council has met these requirements such as the exhaustive examination of alternatives. (Please refer to issue 4 in the response to the DISP document attached above)

The application made for this rate increase seeks an amount of just under \$2million "extra" to the pegging level.

The application fails to mention in any detail, Council's "Other Business Activities" which in the last financial period 2008-09 required subsidies from Council of \$3.46million. **This means that any special increase granted will, in effect, simply be absorbed by business losses within its Holiday Park ventures.** One of these, alone, has an ongoing loss of \$750,000 per year, totalling 14 million so far, including capital injections. Following questions raised by TRRA on the long term viability of this business as a Council operation, Council has only recently determined to consider abandoning further capital injections and to sell the asset.

TRRA conducted meetings in March and April this year with Councillors in attendance, at which they clearly indicated that NO full Council discussions, workshops or committee meetings were held for the purpose of a budget review or change in structure. We are aware now that following our objections made to Council at a public access meeting in late April, a workshop, including their independent auditors, has finally been arranged for June 4th.

It would appear that the majority of elected members endorse the opinion that "all is well" within an organisation that many believe is overstaffed because of its diverse business, property and investment interests that does not concentrate on the **basics** of roads, drains and public facilities.

**Our attempts to resolve issues:**

TRRA has attempted to constructively engage with both Councillors and senior Management Staff on issues such as financial management and the lack of maintenance of public parks and foreshore facilities particularly in the Tomaree Peninsula locality. Major Council investment in Caravan Parks and Corporate Cleaning Services continue with another financial year now coming to end that will probably disclose further losses, yet changes to resolve these matters are not on the agenda, nor mentioned in the strategic plans.

Public area facilities in this unique and “environmentally special area” are a shared responsibility between our Council and the two NSW State Agencies of the National Parks & Wildlife Service and the Land and Property Management Authority. We believe that only by a **truly independent review** of long standing practice regarding Council Rating and Income streams can the correct balance of responsibilities be established, to satisfy ratepayers and provide for the environmental sustainability of this Local Government Area.

Only today, June 2nd, has our local paper 'The Newcastle Herald' published the first public comment on an Investigation and Financial Audit of Council's management of the Crown Lands Caravan Parks in its trusteeship. TRRA is of the belief that any such investigation needs to also go to the reasons behind Council subsidies to the Parks and the implications of the current business relationship with Corporate Clean and its fee structure.

The local community receives NO direct financial benefit apart from public space maintenance, from this whole convoluted exercise. Because it is not reported in any detail in Council's Financial Statements, ratepayers are denied information on Council expenditures, running into millions of dollars per annum, that are now sought to be offset by Council yet again claiming a rating increase above the pegged level. (Please refer to “Issue No 6” in the response to the DISP document attachment above)

We believe that to grant Port Stephens Council their plan for four years of excessive rate increases will likely not achieve a balanced budget, satisfy the ratepayers nor settle differences with the other responsible Agencies.

We believe that this Council has failed to produce the “Sound Business Case” Required in Section 2 of the application, by failing to provide sound data from community research, or considering alternative revenue sources. .

We believe that in conjunction with Council's stated policy of increasing their fees and charges annually by 5% (double the inflation rate) and their rates by 5.8% annually, that this reflects an organisation that, in the current environment is financially out of control. Council seems to be trying to offload its obligation to provide good basic services to its ratepayers by placing an unreasonable impost

on them, rather than taking responsibility for its own policy and investment failures and initiating positive steps to remedy those costs.

Council's application has projected an ongoing 5.5 % growth in the rating base due to population and other growth within Port Stephens. While this may be justified on past population increases, the trends in land valuations for coastal zones detailed by the Valuer General, raise a question as to whether the forthcoming land value review will yield an across the board increase. The values for Nelson Bay, for example, show a significant and steady reduction since 2004 and similar trends apply in other coastal locations.

TRRA is aware of circular 97/55 requiring Capital Expenditure Review on major projects. TRRA queries whether council has met this obligation for projects included in its submissions.

TRRA submits, in a constructive way, that you as Minister should NOT approve of this request because it fails the required criteria and you should instead ensure that a FULL REVIEW of matters covered in our submission and this letter be carried out.

Members of our Association are happy and available to meet or discuss these issues with your Officers as you may direct.

Yours faithfully,

*Dick Appleby*  
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*Acting Chairman*  
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