



Central
Coast
Council

MAINTAINING SERVICES AND RATES

DECEMBER 2021/JANUARY 2022



ADMINISTRATOR MESSAGE

Council's financial recovery plan put in place in October 2020 has been successfully executed and we have met all major milestones and targets in this recovery plan.

Our financial recovery is on track, and we are taking every possible action to ensure this continues. We are committed to doing better and regaining your trust.

We have done as much as we can behind the scenes to reduce costs including focusing on productivity improvements which should have been realised as part of the 2016 merger of Gosford and Wyong Councils but were not. These included improving internal systems, processes, equipment and better management of staff time.

We are proposing to apply to the Independent Pricing and Regulatory Tribunal (IPART) to maintain the current level of rates for an additional seven years until the 2030/31 financial year. What this would mean is the increase that you received in July 2021 in the ordinary rate would continue for a further seven years. It does not mean a further increase above the rate peg.

IPART approved a temporary rate increase, called a special variation (SV), of 15% (including the 2% rate peg) in May 2021 for three years from 2021/22 financial year to 2023/24. We are proposing to apply to maintain this for a further seven years, so 10 years in total.

The proposal has been incorporated into the draft Revised Community Strategic Plan, draft Delivery Program and Operational Plan, draft Fees and Charges, draft Long Term Financial Plan, draft Workforce Management Strategy, and draft Revised Asset Management Strategy and these are now on public exhibition and available for community submissions until Friday 21 January 2022.

This is a step required by IPART should Council make a submission to IPART for a Special Variation. The documents reflect Council's situation, identify the need to apply for a Special Variation and outline scenarios that are available.

Council has considered five scenarios and included three scenarios in the draft Long Term Financial Plan for the community to review and comment on the implications outlined for each scenario.

I encourage ratepayers and residents to review the materials and consider what is required for their Council's long-term path to financial sustainability.

The draft Delivery Program includes actions and projects that Council will deliver over the next three financial years and incorporates Council's continued actions to reduce expenditure through efficiency gains and moderate adjustments to service levels.

Council has also amended the Community Strategic Plan (CSP) to acknowledge the community's sentiment and Council's commitment to financial sustainability.

Council will consider community submissions from the public exhibition period in a Council Meeting on 3 February 2022 before adopting these plans and programs. Council will also formally decide at that meeting if it will make a submission to IPART for the current 15% SV (including rate peg) to be maintained in the rate base for a further seven years, resulting in ten years in total.

WHAT ARE WE PROPOSING

There are three scenarios for the community to consider in the draft Delivery Program (including Operational Plan) for the 2022-23, 2023-24, 2024-25 financial years. There are two descriptions for scenarios that were developed and were not considered as viable options.



BASELINE SCENARIO – CATASTROPHIC / BANKRUPTCY IMPACT

This scenario maintains the current, baseline service levels and keeps the status quo of annual expenditure, while sustaining an unmitigated \$25.8M annual loss in Special Variation (SV) revenue, which is lost from Council's revenue base at the end of 2023-24. This is a theoretical scenario only and has been presented because of the requirement for Council to show a status quo scenario, meaning maintaining current services at current levels. Council notes this scenario cannot be operationalised because Council cannot sustain seven years of operational deficits, as it has an insufficient unrestricted cash buffer to sustain such a protracted loss-making operation. This scenario, however, clearly shows the significant quantum of annual deficits generated by changing nothing, other than losing the annual SV. This scenario is unsustainable and sets Council on a pathway towards bankruptcy.

MAINTAIN SV SCENARIO – FINANCIALLY SUSTAINABLE IMPACT

This scenario projects the maintenance of the current rate base, which contains the one-off 15% SV that was implemented in 2021-22. This scenario embeds millions of dollars in annual productivity savings by growing annual expenditure at significantly lower levels than inflation. This scenario represents the continuation of the successfully implemented Recovery Plan and it satisfies Council's debt responsibilities associated with the principal and interest repayments of the \$150M in emergency loans and all other Council debt. The maintenance and/or improvement of current service levels reflects the vast majority of the community sentiment, as canvassed in a statistically representative community survey sample and it represents Council's preferred long-term path to financial sustainability.

DETERIORATE SCENARIO – DISTRESSED COMMUNITY IMPACT

This scenario projects a significant reduction and/or cessation of many of Council's services in order to compensate for the loss of SV revenue at the end of 2023-24. This scenario compromises the community, Council's service delivery and the community's ability to secure a respectable standard of living. This will severely impact many services that the community value and particularly impact community groups and organisations who rely on funding and services from Council. This scenario is in direct opposition to the vast majority of the community's sentiment who are wanting to maintain or increase current service levels, as canvassed in a statistically representative community survey sample. The impacts of the projected service reductions are summarised over the page. The community and its standard of living will significantly decline, and this would manifest in the deterioration of assets, visual reduced amenity of the Coast, decline in a social support and community programs and reduced resourcing capacity of the organisation with flow on impacts to the broader economic profile of the region. This option is not only not reflective of the community's sentiment but also it is not in the best interest of the community.

ENHANCE SCENARIO – IMPROVED SERVICES IMPACT

A scenario projecting for improved and / or increased community services is not forecast because such a scenario will require a much larger than the current SV rate continuation. Taking into consideration the community's anger and frustration surrounding Council's financial situation, a decision was made to only focus on maintaining Council's financial sustainability and securing the emergency loans repayments, rather than forecasting an increase in Council's services, which will cost more.

LESS THAN SEVEN YEARS EXTENSION SCENARIO – COMMUNITY DESTABILISING IMPACT

A scenario projecting another temporary SV application of less than the requested seven years has not been projected as it will limit Council's ability to fix the repayment terms of the emergency loans for the remaining seven years. This indecisiveness will hit a permanent pause for the community and Council's staff, as it will prevent Council from securing its loan repayment capacity and as a result will keep the community and staff on edge to go through another SV application or face major redundancies and service reductions. This is not a conducive landscape for Council and the community to move on.

WHAT WILL SERVICE REDUCTIONS LOOK LIKE

If Council's SV is not maintained, we will need to significantly change how we provide services to the Central Coast community to reduce expenditure by \$25.8 million each year. This means that we will need to reduce, change or cease the services we provide to the community including

- reducing annual funding for some partnerships and community education programs
- reducing patrols at some beaches and baths
- stopping proactive investigation and repairs of roads, drains, potholes, shared paths, footpaths
- outsourcing some services to private operators
- selling some community facilities, parks and reserves
- reducing community grants
- reducing destination marketing and tourism industry services and economic development services
- removing some playgrounds, wharves and jetties
- reducing roadside mowing in public areas and grass laneways
- limiting contracted town centre services and placemaking activities
- stopping proactive traffic management
- ceasing coordination of volunteer programs
- reducing water quality monitoring of rivers, waterways, beaches and estuaries
- increasing wait times for customer, councillor, MP enquiries
- reducing the hours of operation, cleaning and maintenance of some community facilities including public toilets
- reducing the dredging program of The Entrance channel
- reducing major events and only delivering events in areas where a business special rate is collected – The Entrance, Gosford, Wyong and Toukley
- reducing asset management, beach cleaning, bushland maintenance, biosecurity, weed spraying
- increasing wait times for internal services including IT, trades, purchasing, stores
- reducing library programs, ranger services, graffiti removal
- reducing planning, maintenance and renewal of road, footpaths, drainage, street lighting
- leasing more of our facilities to community or commercial operators
- increasing response times for traffic and safety issues, approvals permits, signage and line marking
- increasing processing times for urban planning and development applications

RATES – NOW AND PROPOSED

These tables show the average annual rates for a Central Coast resident for the next 10 years. There are two scenarios shown:

- **baseline/deteriorate** which is the current rates approved by IPART with a special variation applied for three years ending at the end of 2023/24.
- **maintain** which is the proposed rates with the special variation extended for an additional seven years from 2024/25, to 10 years in total.

It is important to understand that the 15% increase approved by IPART has been applied to the rating income Council is permitted to levy and collect in 2021-22. Increases in subsequent years are capped at the IPART determined annual rate peg. In our forecasting this is estimated to be 2.5% under with IPART's SV application assumptions.

RESIDENTIAL

Average annual rates	2020-21	2021-22*	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
BASELINE/DETERIORATE SCENARIO												
Residential	\$1,101	\$1,267	\$1,280	\$1,312	\$1,193	\$1,223	\$1,253	\$1,285	\$1,317	\$1,350	\$1,383	\$1,418
Average annual increase		\$166	\$13	\$32	(\$119)	\$30	\$31	\$31	\$32	\$33	\$34	\$35
Average weekly increase		\$3.20	\$0.24	\$0.62	(\$2.28)	\$0.57	\$0.59	\$0.60	\$0.62	\$0.63	\$0.65	\$0.67
MAINTAIN SV SCENARIO												
Residential	\$1,101	\$1,267	\$1,280	\$1,312	\$1,345	\$1,378	\$1,413	\$1,448	\$1,484	\$1,521	\$1,559	\$1,418
Average annual increase		\$166	\$13	\$32	\$33	\$34	\$34	\$35	\$36	\$37	\$38	(\$141)
Average weekly increase		\$3.20	\$0.24	\$0.62	\$0.63	\$0.65	\$0.66	\$0.68	\$0.70	\$0.71	\$0.73	(\$2.72)

*15% increase (including rate peg) applied in July 2021

FINANCIAL SUMMARY

			Maintain SV Scenario	Baseline/ Deteriorate Scenario
Financial Summary	2022-23	2023-24	2024-25	2024-25
	\$ million	\$ million	\$ million	\$ million
Operating income	636,496	641,388	649,909	625,696
Operating expenditure*	596,733	605,292	617,542	593,393
Net operating result (excluding capital grants and contributions)	39,763	36,076	32,367	32,303
Capital grants and contributions	81,530	62,425	57,565	57,565
Net operating result (including capital grant and contributions)	121,293	98,521	89,932	89,867

*Includes net internal revenue and expense

WHAT HAVE WE HEARD FROM THE COMMUNITY SO FAR

- 82% of respondents want overall service investment to remain the same or more
- Individual service that had the highest level of support for service reduction, still had 64% of respondents identifying they wanted the same or more investment for that service
- 73% of respondents would like to see investment in new assets remain the same (47%) or increase (26%)
- Of the online survey respondents who wanted to reduce services, 31% indicated that they would like Council to invest less on services generally, which means 69% would like Council to invest the same or more on services generally
- Respondents were split when asked to choose their preference for either extending the existing Special Variation or reducing services
- 1 in 2 respondents made some comment that Council should be held responsible for its financial situation
- More work can be done to improve the community's overall satisfaction with the quality of services delivered with an average score of 3.31 out of 5.



FIND OUT MORE

Visit yourvoiceourcoast.com/servicesandrates to find out more about Council's draft Delivery Program and the SV proposal includes a video summary of the proposal, fact sheets and frequently asked questions.

HAVE YOUR SAY

The proposal is on public exhibition from Wednesday 22 December 2021 to Friday 21 January 2022. We look forward to hearing your feedback via

- Email to ask@centralcoast.nsw.gov.au
- Post to Central Coast Council
Subject: Maintaining rates and services
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