



Special Variation Application Form Part B

Central Coast Council

Application Form

2022-2023

Local Government >>



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The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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Council information

Council name	Central Coast Council
Date submitted to IPART	7 February 2022
Primary Council contact person	Natalia Cowley
Primary Council contact phone	[REDACTED]
Primary Council contact email	[REDACTED]

About this application form

IPART has revised the Application Form to be completed by councils applying for an increase to a special variation (SV) for 2022-23 under s548(3) of the *Local Government Act 1993*. The application form is in two parts:

- Special Variation Application Form Part A (separate Excel spreadsheet)
- Special Variation Application Form Part B (this MS Word document)

The SV Application Form Part B consists of:

- Description and Context Questions
- Criterion 1: Need for the variation
- Criterion 2: Community awareness and engagement
- Criterion 3: Impact on ratepayers
- Criterion 4: IP&R documents
- Criterion 5: Productivity improvements and cost containment strategies
- Criterion 6: Other relevant matters
- Council certification and contact information
- List of attachments

When completing this Application Form, councils should refer to the following:

- Application Guide for MR Increase Application Form Part B ([website](#))
- OLG's MR Guidelines issued in November 2020 ([website](#)).

Also refer to the following publications ([website](#)):

- Fact sheet: The Year Ahead – Minimum Rates in 2022-23
- Information Paper: Minimum Rates in 2022-23
- Information Paper: Community awareness and engagement for special variations

Attachments for Criteria

- Copy of the relevant instrument(s)
- Declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in the instrument of approval
- Any supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).

Description and Context

To complete these questions, refer to the discussion in the Application Guide for SV Application Form Part B, Description and Context.

Question 1: What is the type and size of the special variation the council is applying for?

Indicate the type of the proposed SV - s 508(2) or 508A the council is requesting and specify the percentage increases in each of the years in which the SV is to apply, the cumulative increase for a s508A SV, and whether the SV is to be permanent or temporary.

Provide the information in the text box, or alternatively, complete Table 1.

Central Coast Council (Council) is applying for a temporary, seven (7) year special variation under section 508(2) of the Local Government Act 1993. The effect of the special variation would be to maintain the 15% special variation rate increase (inclusive of the rate peg) applied in Council's general income from 2021-22, under the Council's existing temporary, three (3) year special variation, for a period of a further seven (7) years until 2030-31.

IPART has advised that for an s508(2) SV application starting after 2022-23, due to a limitation of Part A application it needs to indicate s508(A) special variation. Notwithstanding this, Council has applied for a s508(2) special variation with the intention of extending the existing special variation due to expire in 2024-25 for a further 7 years.

In Part A of the SV Application in worksheet WK1 – Identification Council is required to select s508A a multi-year increase for 3 years due to a limitation of the Part A application.

APPLICATION FOR SPECIAL VARIATION TO GENERAL INCOME 2022-23

WORKSHEET 1

Step 1: Fill out council details **Colour code**

Step 2: Fill out any existing variation information Enter data in the blue input cells

Step 3: Fill out crown land adjustments, catch up & excess, valuation objections Hard-coded values that should not be changed

Step 4: Fill out proposed special variation amounts Key outputs

All dollars in nominal terms

Council Name: If your council's name is not in the list, please enter it in cell E14

Contact Details:

Name:

Position:

Telephone:

Email:

A. Existing special variations (SVs)

1. Does the council have any existing SV(s) that means it has an increase above the rate peg for any year from 2022-23 (Year 1) onwards?

B. Proposed special variations (SVs)

2. Is the council applying for a one-year increase (s508(2)) or a multi-year increase (s508A)?

3. For s508A applications: for how many years is the council requesting % increases as part of this application?

4. For s508A & s508(2) applications: is the special variation permanent or temporary?

If temporary or combined, enter the number of years before the (temporary part of the) special variation is due to expire.

5. Percentage rate peg for the first year of the SV period (2022-23). This will autofill with the selection of Council.

6. Enter the percentage above the existing full SV (ie, incl rate peg) the council is applying for in the first year

na - ignore this row

select option	s508A
select option	3 years
select option	Temporary
enter years	3
enter %	1.00%
enter %	0.00%
na - ignore	
%	0.00%

Vivienne Louie:
IPART has advised that for an s508(2) SV application starting after 2022-23, due to a limitation of Part A application from this cell needs to contain s508(A). Notwithstanding the content of this cell, Council has applied for a s508(2) special variation with the intention of extending the existing special variation due to expire in 2024-25 for a further 7 years.

Vivienne Louie:
9 years based on the SV application for 2022-23. The actual SV application to maintain is for 7 years from 2024-25 to 2030-31

In WK4 – PGI summary worksheet the application form shows that Year 1 and 2 is part of the Proposed SV period rather than existing SV period as the application is required to be completed showing that Council is proposing 0% above the existing SV. For Years 4 to 7 the form has no SV as the application form treats Year 4 as outside the 'proposed SV period' because there is no additional SV changes in those periods. The temporary SV is included in the rating income in years 4 to 7 in the table. Row 42 shows which years the SV applies - the set of 1's below the year labels where 1=within the life of the temporary SV and 0=after the temporary SV.

	Year 0 2021-22	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Year 6 2027-28	Year 7 2028-29
Financial year	units	Proposed SV period	Proposed SV period	Proposed SV period	no SV	no SV	no SV	no SV
0 = beyond temporary SV period	1	1	1	1	1	1	1	1

In WK6 – Expenditure Program worksheet years 3 to 9 have been completed as Years 1 and 2 is not required to be completed as Council is proposing 0% above the existing SV.

	Year 1 2022-23	Year 2 2023-24	Year 3 2024-25	Year 4 2025-26	Year 5 2026-27	Year 6 2027-28	Year 7 2028-29	Year 8 2029-30	Year 9 2030-31	Year 10 2031-32	Sum of 9 years
Income	\$ nominal per year										
Proposed SV income above existing SV rate peg	0	0	24,251,600	24,857,890	25,479,337	26,116,320	26,769,228	27,438,459	28,124,421		183,037,255
Operating balance	\$ nominal per year										
Change in Operating Balance due to proposed SV	0	0	8,711,864	8,866,112	9,014,300	9,155,172	9,646,763	9,835,254	10,073,688		65,303,154

As Council is applying to maintain the SV for a further seven years to 30 June 2031, Council is required to show the reduction in permissible rating income from 1 July 2024 and the new SV from 1 July 2024 in accordance with the IPART SV application.

Reduction in Permissible Rating Income

IPART approved Council to temporarily increase its rating income from 2021-22 for three (3 years) by 15% (inclusive of the 2% rate peg):

- 13% SV component of \$22.8 million remains in Council's rating income temporarily for three (3) years to 2023-24.
- Rate peg applies in 2022-23 and 2023-24. IPART has published Council's rate peg as 1% for 2022-23. As part of the SV application the rate peg assumption for all future years is 2.5%. IPART publishes the rate peg for NSW Councils annually.

- In the 2024-25 rating year the 13% SV component and the additional rating income from the application of the rate peg in 2022-23 and 2023-24 will be removed from Council's rating income. The estimated reduction in Council's rating income is \$23.6 million with the final amount to be determined once the 2023-24 rate peg is published by IPART for Central Coast Council. The rate peg is applied after the estimated reduction in rates is applied.

2024-25 Estimated reduction in rates

	Year 1	Year 2	Year 3	Year 4
Actual Rate Peg		1.0%		
Assumed Rate Peg			2.5%	
Additional rates income from SV	2021-22	2022-23	2023-24	2024-25
Ordinary Rates	22,485,684	224,857	567,764	(23,278,304)
Special Rates	324,343	3,243	8,190	(335,776)
Total Rates	22,810,026	228,100	575,953	(23,614,080)

New SV amount in 2024-25 to maintain SV

The difference between the current SV, which ends on 30 June 2024 and the proposed, maintain SV scenario which is proposed to begin on 1 July 2024 is \$24.2 million which is the estimated reduction in rates of \$23.6 million plus assumed rate peg of 2.5% or \$590,352 on the estimated rates reduction. But if the maintain SV is approved, the only difference that Council's ratepayers will see on their rates from 1 July 2024 is the rate peg increase on the rates from 2023-24.

The 2024-25 rating income under the current approved SV, which ends at the end of 2023-24 is:

		1.0%		
Actual Rate Peg				
Assumed Rate Peg			2.5%	2.5%
Current SV	2021-22	2022-23	2023-24	2024-25
Ordinary Rates	199,467,819	201,462,497	206,499,060	187,801,275
Special Rates	2,869,035	2,897,725	2,970,168	2,700,252
Total Rates	202,336,854	204,360,223	209,469,228	190,501,527

To maintain the SV the assumed rate peg of 2.5% is applied to the 2024-25 rating income

		1.0%		
Actual Rate Peg				
Assumed Rate Peg			2.5%	2.5%
Maintain SV	2021-22	2022-23	2023-24	2024-25
Ordinary Rates	199,467,819	201,462,497	206,499,060	211,661,536
Special Rates	2,869,035	2,897,725	2,970,168	3,044,423
Total Rates	202,336,854	204,360,223	209,469,228	214,705,959

The SV percentage has been calculated as 13.05% (\$24.2 million divided by \$185.9 million)

	SV percentage calculation		
	Ordinary Rates	Special Rates	Total Rates
2023-24 Total Rates	206,499,060	2,970,168	209,469,228
Reduction in SV rates - temporary rates base	(23,278,304)	(335,776)	(23,614,080)
	183,220,756	2,634,393	185,855,148
Rate peg @ 2.5% - permanent rates base	4,580,519	65,860	4,646,379
2024-25 Total Rates - Current SV scenario including rate peg	187,801,275	2,700,252	190,501,527
Maintain SV total rates in 2024-25 including rate peg	211,661,536	3,044,423	214,705,959
Difference	23,860,262	344,170	24,204,432
SV %	13%	13%	13%

Table 1 The council's proposed special variation

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Percentage increase	1.0%	2.5%	15.55% 13.05% SV and 2.5% rate peg	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Cumulative percentage increase for s 508A									
Permanent or temporary?			Temporary						

Question 2: What is the key purpose of the requested special variation?

In the text box summarise the key purpose (or purposes) of the SV the council is requesting.

The purpose of the funds being sought under the proposed, Maintain Special Variation application is to repay the outstanding balance of the \$150 million in Emergency Loans obtained to resolve the financial crisis (please note that the repayment of loan principal occurs from the operating surplus line in Council's Income Statement, not from the SV revenue line) and to secure Council's financial sustainability by maintaining the current SV for a further seven (7) years from 2024-25 onwards to 2030-2031. The SV will allow Council:

- To generate the necessary annual surplus required to meet the annual principal repayments of the \$150 million in Emergency Loans obtained to resolve the financial crisis.
- To secure Council's financial sustainability by maintaining the current level of services and to fund the ongoing maintenance of assets by addressing any deterioration of Council's existing asset base.
- To continue to embed productivity improvements across the organisation, which are necessary in order to continue meeting increased internal and external expectations within a heavily restructured organisation.
- To deliver key priorities as they get adopted in the future Community Strategic Plans and Delivery Programs.

Question 3: Is the council proposing to increase minimum rates in conjunction with the special variation?

Refer to OLG's SV Guidelines Attachment 4 – Increasing minimum rates, and OLG's Guidelines for a Minimum Rate Increase.

If the increase applies to an ordinary rate, complete this section

Does the council have an ordinary rate(s) subject to a minimum amount? Yes

Does the council propose to increase the minimum amount of its ordinary rate(s) above the statutory limit for the first time? No

Which rates will the increases apply to? Residential, Business, Farmland and Mining

If the increase will apply to only some subcategories, specify Business Major Retail & Business Local Retail

Does the council propose to increase the minimum amount of its ordinary rate(s) by Rate peg percentage
1%

What will the minimum amount of the ordinary rate(s) be after the proposed increase? \$571

Has the council submitted an application for a minimum rate increase? No

If the increase applies to a special rate, complete this section

Does the council propose to increase the minimum amount of a special rate above the statutory limit? No

What will the minimum amount of the ordinary rate(s) be after the proposed increase? \$571

Has the council submitted an application for a minimum rate increase? No

The council must ensure that it has submitted Minimum Rate (MR) Increase Application Form Parts A and Part B, if required.

Question 4: Does the council have an expiring special variation?

Refer to OLG's SV Guidelines Attachment 1 – Calculation of expiring special variations.

Does the council have an SV which is due to expire on 30 June 2022? No

Does the council have an SV which is due to expire at some time during the period for which the new SV is being requested? Yes

If Yes to either question: 30 June 2024

a. When does the SV expire?

b. What is the percentage to be removed from the council's general income? 13%

c. What is the dollar amount to be removed from the council's general income? \$22.8M
SV in 2021-22 plus cumulative rate peg from 2022/23 (1% actual rate peg) and 2023/24 (2.5% assumed rate peg estimated to be \$23.6M

Does the council have an SV which it proposes to terminate before the date which the instrument specifies as the date on which it expires? No

If Yes:

a. When does the council propose it be terminated?

b. What is the percentage to be removed from the council's general income?

c. What is the dollar amount to be removed from the council's general income?

Has OLG confirmed the calculation of the amount to be removed? No



Attachments required:

- Copy of the relevant instrument
- OLG advice confirming calculation of amount



Attachments

- Copy of the relevant instrument
- OLG Advice confirming calculation of amount to be removed from Council's general income

Question 5: Does the council have an existing (ongoing) s 508A special variation which applies in 2022-23?

Refer to:

- OLG's SV Guidelines Section 5.2.
- Fact sheet: *The Year Ahead – Special Variations in 2022-23*.

Does the council have a s 508A multi-year SV instrument that applies in 2022-23? No

In the text box:

- Specify the percentage increase(s) and duration of the SV.
- Outline the council's actions in complying with conditions in the instrument approving the original SV.
- Describe any significant changes of relevance to the conditions in its instrument since it was issued.

[Click here to enter text.](#)

Question 6: Has IPART approved a special variation for the council in the past five years?

Refer also to OLG's SV Guidelines Section 6.

You **do not** need to respond to this question if all the relevant information has been provided in council's response to Question 5.

Does the council have a s 508(2) or s 508A SV which IPART has approved in the past five years? Yes

In the text box, for each SV approved in the past five years, briefly:

- Specify the type of SV and the increase to general income approved.
- Outline the council's actions in complying with conditions in the instrument approving the original SV.
- Describe any *significant* changes of relevance to the conditions in its instrument since it was issued.

A temporary SV of 15% (including rate peg of 2%) was applied in 2021-22 for a period of three (3) years (expiring 30 June 2024). Although the additional income received above the rate peg is \$70.2 million under s508(2) of the Act, only \$31.5 million (excluding gains on disposal of assets) of that amount is left as the total accumulated surplus for those three years, available for principal repayments of the \$150 million in Emergency Loans. The remainder of the SV revenue is absorbed by the regulated Award increases, which exceed the rate peg rate and used to support Council's financial sustainability and maintenance of current service levels.

Council's response:

- a) Council is using the additional income for the purposes of meeting the annual interest and principal repayments of the \$150 million in Emergency Loans and restricted funds

	2021-22	2022-23	2023-24	Total
Rate Peg		1.0%		
Assumed Rate Peg			2.5%	
Additional Income above rate peg	\$22,810,026	\$23,038,126	\$23,614,079	\$69,462,232
Principal Loan Repayments	\$9,644,501	\$9,693,238	\$8,882,512	\$28,220,251

The additional income forecasted in the IPART determination is lower than \$70.2 million as the actual rate peg of 2022-23 is 1.0% which is 1.5% lower than the IPART assumed rate peg of 2.5%.

- b) Council report in its annual report – program of expenditure that was actually funded by the Additional Income.

As the SV commenced in 2021-22 the annual report has not been finalised for 2021-22 but this information has been scheduled to be included.

Regular financial reporting is presented to Council through:

- Monthly Financial Report
- Monthly Investment Report
- Quarterly Business Report

The Quarterly Business Reports are prepared in accordance with the OLG Local Government Code of Accounting and Practice and Financial Reporting ("The Code"). Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Council's rates and annual charges (domestic waste, commercial rates and on-site sewer management fees) levied in July each year via Rates Notices are recognised as income in July. The July operating results when presented in accordance with The Code will reflect 12 months of rates and annual charges income however all other income and expenditure is for the month of July only which results in a large operating surplus in July. The operating surplus reduces each month as the costs for the month are recognised. Table A: Consolidated Financial Performance to 30 September 2021 (OLG The Code format) below shows an actual operating result (excluding capital income) of \$219.1 million.

The monthly financial reports are prepared using Council's internal reporting format which allocates rates and annual charges levied in July each year equally across the financial year. Using the internal reporting format means that both the operating income and operating expenditure in July 2021 represents 1/12 of the rates and annual charges and all other income and expenditure is for the month of July which provides a clearer indication of financial performance as operating expenditure for the month should not exceed operating income.

In the Quarterly Business Report for Q1 (July to September 2021) which was presented to Council on 23 November 2021. Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts pages 9 and 13 shows the Financial Performance to 30 September 2021 (consolidated and by fund) is an operating surplus (excluding capital income) of \$219.1 million compared to a budget of \$206.9 million which is \$12.2 million favourable to budget.

Table A: Consolidated Financial Performance to 30 September 2021 (OLG The Code format)

Financial Performance 2021-2022	YTD Actual	YTD Budget	YTD Variance	YTD Variance	Original Budget
	\$'000	\$'000	\$'000	%	\$'000
Income (excluding capital income)	341,172	342,175	(1,003)	(0.3%)	573,325
Expenses	122,025	135,273	13,248	9.8%	566,282
Net Operating Result (excluding capital income)	219,147	206,902	12,246	5.9%	7,043
Income from capital grants and contributions	8,675	8,611	63	0.7%	42,890
Net Operating Result (including capital income)	227,822	215,513	12,309	5.7%	49,933

By Fund

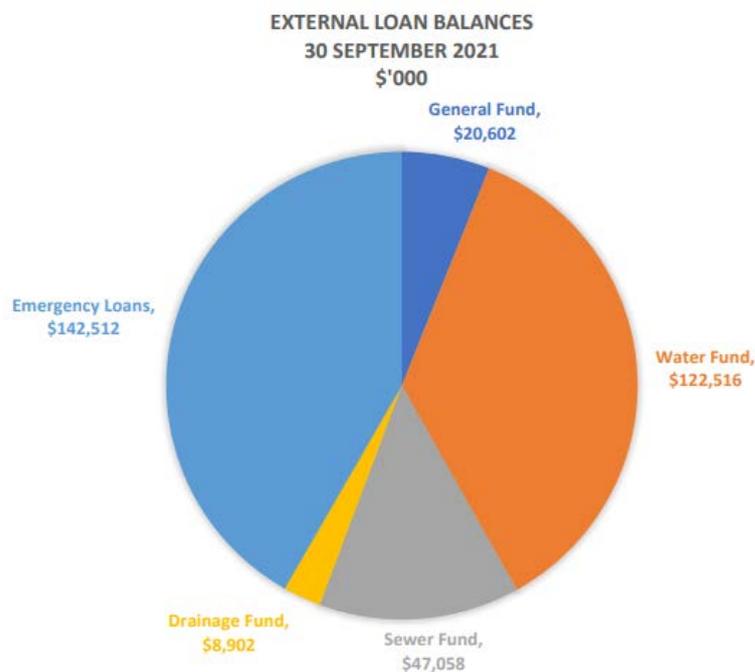
The year to date (YTD) operating result (excluding capital grants and contributions) is \$219.1M and is attributed to each Fund as follows:

Operating result (excluding capital grants and contributions)	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Original Budget \$'000
General Fund	164,804	157,304	7,500	4.8%	21,047
Water Fund	(1,811)	(2,743)	936	34.1%	(8,633)
Sewer Fund	(273)	(1,890)	1,613	85.3%	(3,002)
Drainage Fund	(1,374)	(2,525)	1,151	45.6%	(11,337)
Domestic Waste Fund	57,801	56,755	1,046	1.8%	8,967
Total	219,147	206,902	12,246	5.9%	7,043

The Statement of Cash Flows shows that Council made principal repayments of \$5.6 million during Q1, of which \$2.4 million was for the Emergency Loans.

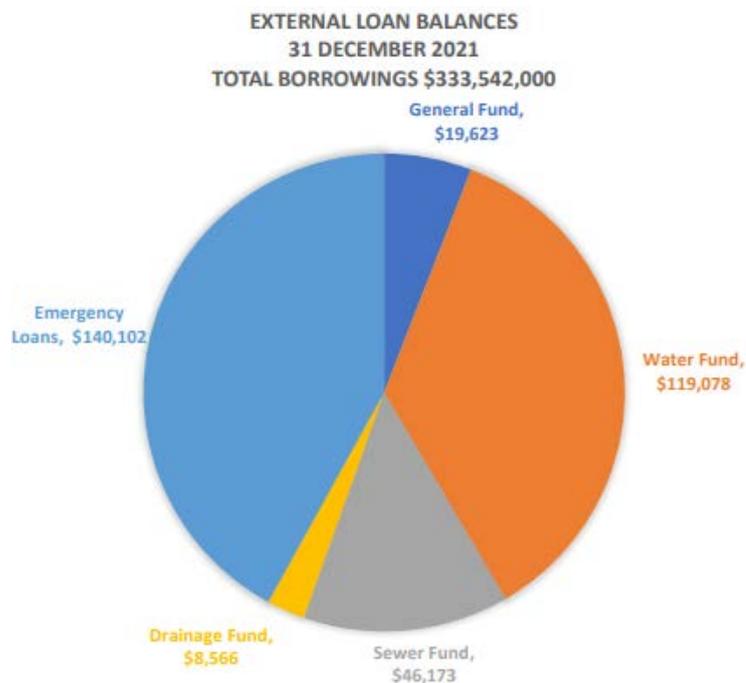
Council also publishes monthly financial reports. The monthly finance report for September 2021 was presented to Council on 26 October 2021. Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 36 includes information on Council's borrowings. Emergency Loans balance as at 30 September 2021 was \$142.5 million.

Graph 1: External Loan Balances as at 30 September 2021



The most recent monthly financial report for December 2021 presented to Council on the 25 January 2022. Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 49 shows the external loan balance as at 31 December 2021. A more detailed report will be prepared for Q2 and presented to Council in accordance with legislative requirements.

Graph 2: External Loan Balances as at 31 December 2021



Council's Emergency Loans balance as at 31 December 2021 is \$140.1 million which is a reduction of \$2.4 million from 30 September 2021.

Council's current financial performance to 31 December 2021 is an operating surplus (excluding capital income) of \$26.0 million compared to a budget of \$12.8 million which is \$13.1 million favourable to budget based on Council's internal reporting format which phases the rates and annual charges equally over 12 months as shown in Table B below. Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 45.

Table B: Consolidated Financial Performance from 1 July to 31 December 2021 (Internal reporting format - detailed).

	CURRENT MONTH			YEAR TO DATE				FULL YEAR		
	Actuals	Adopted Budget	Variance	Actuals	Adopted Budget	Variance	Last Year YTD Actuals	Last Year Actual	Original Budget	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income										
Rates and Annual Charges	27,226	26,995	231	182,691	180,556	2,135	165,064	331,384	361,871	362,210
User Charges and Fees	12,132	11,422	710	66,559	67,113	(554)	68,680	139,105	140,269	141,758
Other Revenue	621	800	(179)	5,489	5,181	308	3,743	12,666	9,196	10,178
Interest	442	362	80	2,558	2,171	387	2,534	5,598	4,442	4,442
Grants and Contributions	1,325	1,176	149	12,111	11,796	314	17,054	42,409	49,491	42,916
Gain on Disposal	-	-	-	-	-	-	922	2,609	-	-
Other Income	661	568	93	3,665	3,494	170	4,038	8,214	8,056	7,618
Internal Revenue	5,602	5,805	(203)	33,551	35,264	(1,713)	40,182	74,557	93,467	72,655
Total Income attributable to Operations	48,009	47,128	881	306,623	305,575	1,048	302,217	616,542	666,792	641,778
Operating Expenses										
Employee Costs	18,591	16,938	(1,653)	82,424	84,065	1,641	105,053	222,617	175,833	172,683
Borrowing Costs	924	921	(3)	5,954	5,970	16	6,903	16,414	17,471	12,689
Materials and Contracts	13,692	13,523	(169)	72,280	80,204	7,924	85,402	181,128	175,793	183,253
Depreciation and Amortisation	12,097	10,204	(1,893)	72,865	73,129	264	79,235	162,303	177,106	170,021
Other Expenses	4,252	4,089	(163)	17,782	17,908	126	18,160	36,059	39,192	37,712
Loss on Disposal	-	-	-	-	-	-	206	9,660	-	-
Internal Expenses	4,828	5,155	327	29,343	31,414	2,072	30,859	59,051	74,354	62,446
Overheads	(0)	(0)	-	0	0	-	(0)	(0)	0	0
Total Expenses attributable to Operations	54,384	50,831	(3,553)	280,648	292,690	12,042	325,819	687,231	659,749	638,804
Operating Result after Overheads and before Capital Amounts	(6,375)	(3,702)	(2,672)	25,976	12,886	13,090	(23,602)	(70,689)	7,043	2,974
Capital Grants	2,823	2,464	359	14,275	11,883	2,393	12,905	36,893	8,445	45,644
Capital Contributions	1,421	1,908	(486)	7,487	10,586	(3,099)	8,698	46,810	34,445	19,911
Grants and Contributions Capital Received	4,244	4,371	(127)	21,762	22,468	(706)	21,603	83,703	42,890	65,555
Net Operating Result	(2,130)	669	(2,799)	47,738	35,354	12,384	(1,999)	13,014	48,933	68,529

Council's original budget forecasted a \$7.0 million operating surplus excluding capital income. The latest forecast is a \$3.0 million operating surplus excluding capital income which was presented to Council in the 2021-22 Q1 Report on 23 November 2021 (see Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 21). The reduction in the operating surplus by \$4.0 million is due to an overall reduction in operating income of \$5.5 million (reduction in operating contribution income and COVID impacts on other income streams) and an overall reduction in operational expenditure of \$1.5 million. For additional information refer to pages 4 and 5 of Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts.

Monthly Investment Reports are presented to Council in accordance with regulation 212 of the Local Government (General) Regulation 2021, which specifies that Council must provide a written report each month an ordinary meeting is held for the preceding month. The Investment Reports show the cash and investments balances split between external and internal restrictions and unrestricted cash by fund.

The unrestricted funds will fluctuate from month to month depending on the income received (funds received for a restricted purpose such as grant funding, developer contributions or unrestricted funds such as ordinary rates) and the nature of payments made to employees and suppliers (funding from restricted funds such as works funded by grants or developer contributions or unrestricted funds such as works or services funded by rates or user fees & charges).

The monthly investment report for December 2021 was presented to Council on 25 January 2022. Page 54 of Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts shows Council's cash and investment portfolio totalled \$587.2 million and the amount held by each fund and purpose.

Table C: Cash and Investment Portfolio and Funds held for purpose as at 31 December 2021

Council's current cash and investment portfolio totals \$587.24M as at 31 December 2021.

Council's Cash and Investment Portfolio by Source of Funds

Source of Funds	Value (\$'000)
Investment Portfolio	\$557,727
Transactional accounts Per Bank Statement and cash in hand	\$29,514
Total	\$587,241

Council's Portfolio is held in separate funds by purpose and is summarised as follows:

Fund	General Fund (\$'000)	Water Fund (\$'000)	Sewer Fund (\$'000)	Drainage Fund (\$'000)	Waste Fund (\$'000)
External Restricted Funds	\$182,785	\$6,995	\$21,936	\$36,782	\$93,257
Internal Restricted Funds	\$88,699	\$1,026	\$877	\$55	-
Total Restricted Funds	\$271,484	\$8,021	\$22,813	\$36,837	\$93,257
Unrestricted Funds	\$70,177	(\$9,548)	\$116,422	(\$36,260)	\$14,038
Total funds by Fund	\$341,661	(\$1,527)	\$139,235	\$577	\$107,295

Importantly to note is that the total unrestricted cash deficits from the Water and Drainage Funds can be offset by the unrestricted funds accumulated in the General Fund.

Attachment 6 (D15025304) - Declaration of the compliance with conditions with current instrument by Chief Executive Officer.

c) Report on how this has been addressed and noted in LTFP –

In Council's LTFP, Attachment 15 (D15029199) Adopted Resourcing Strategy 2022-2025 - Condensed Version pages 23 and 24 explains the baseline scenario (reduction in rate revenue at the end of 2023-24 so rating revenue drops in 2024-25) and shows a reduction in rates and annual charges income in Year 3 (2024-25 financial year) in accordance with the current approved, temporary SV. The forecasted rating income in 2024-25 reflects the reduction in the rating income of \$23.6 million (for the 13% SV component and the additional rating income from the application of the rate peg in 2022-23 and 2023-24 to the SV component) and the application of the assumed rate peg of 2.5% for 2024-25.

Attachment 9 (D15029373) 2023-2032 General Fund Long Term Financial Plan (Excel)

Question 7: Does a project to be funded by the special variation require a capital expenditure review?

Does the proposed SV require the council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010? No

If Yes, has a review been done and submitted to OLG?

Question 8: Is the council a new council created by merger in 2016?

Refer also to OLG's SV Guidelines Section 4.

Is the council a new council created by merger in 2016? Yes

Question 9: Does the council have deferred rate increases available to it?

Does the council have deferred rate increases available to it from one or more previous years under section 511 of the Local Government Act No

If Yes, has the collection of these additional rates been included in the Council's LTFP

Criterion 1: Need for the variation

Criterion 1 in the SV Guidelines is:

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
- Maintain special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies.

To complete the questions for Criterion 1 refer also to Fact sheet: *The Year Ahead – Special Variations in 2022-23* and Information Paper – *Special Variations in 2022-23* in relation to the interaction of financial need and willingness to pay.

In the response to this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

1.1 Case for special variation – How did the council establish the need for the special variation?

In the text box explain how the council developed the proposal to apply for the proposed SV in the context of its IP&R processes.

Securing a 15% (including rate peg) special variation for at least 10 years, commencing 2021/22 is a condition of repayment of the \$150 million in Emergency Loans.

Council had to deliver a 10 year Long Term Financial Plan in November – December 2020 to the commercial banks, which demonstrates that over a period of 10 years Council can raise cumulative operating surpluses amounting to \$110 million, which serve to meet the principal repayments of the \$150 million of Emergency Loans, with the remainder coming from a contribution from Council's property sales program.

Council's Emergency Loans repayment proposal was predicated on securing the 15% SV for 10 years, alongside property sales, structural changes resulting in \$30 million in employee cost savings and \$20 million in material and services savings over those 10 years. In 2019-20 Council's actual audited operational employee costs totalled \$220.9M. The 2021-22 Q1 budget for operational employee costs is \$172.6 million which is a reduction of \$48.3 million or 21.9% from 2019-20.

Council's \$150 million in Emergency Loans are scheduled for refinancing in this order:

- The \$100 million Emergency Loan comes up for refinancing in December 2023, while
- The \$50 million Emergency Loan comes up for refinancing in November 2025.

Any SV approvals that are of temporary nature and end before 2030/31 place Council's financial sustainability at immediate risk because Council will not be able to generate the operating surpluses required to meet the \$110 million in principal repayments without another significant organisational restructure, which will further stop or reduce many of the current service levels, which is something the community told us they don't wish to do.

Progress since IPART's 2021-22 Determination

Council's Financial Recovery Plan put in place in October 2020 has been successfully executed and Council has met all major milestones and targets.

As outlined in Council's 2021-22 SV application on proposed actions, Council has:

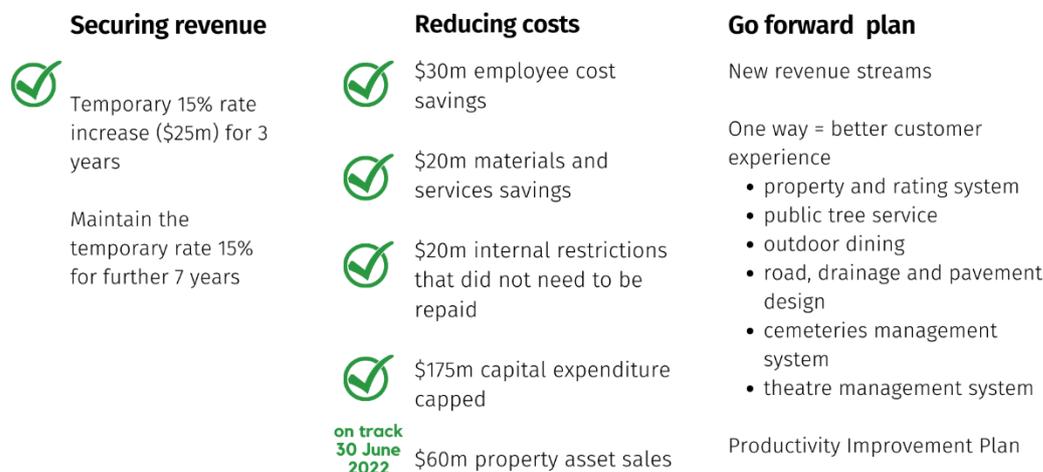
- Implemented cost management measures including structural changes resulting in a reduction of \$30 million in employee costs, ongoing annual reduction of materials and contracts by \$20 million, capped capital works programs at \$175 million annually, selling at least \$60 million in property assets, which is on track to be achieved.
- In addition, Council has made wholesale changes to the executive and management teams, implemented tighter budget management controls and delivered a vast array of productivity improvements.
- Council secured \$150M in Emergency Loans to resolve the financial crisis and to reimburse the restricted funds that had been spent unlawfully on projects that the community had benefited from. These loans must be repaid within 10 years.

Some members of the community communicated their expectation that Council needs to fix the financial mismanagement and deliver improved productivity and efficiency savings. However, \$120 million of the \$200 million restricted deficit was spent maintaining Water and Sewer service levels, that were not reimbursed by the community as a result of IPART's determination in 2019 and \$69 million was spent on additional capital projects that the community benefited from earlier than should have occurred. This SV seeks to only recover 30% of these community benefits from the community, the remaining 70% has been achieved by Council through restructuring, sale of assets and cost containment actions as outlined in the Financial Recovery Plan.

The cost management measures delivered by Council made up 70% of what Council needed to do to satisfy the external lenders that Council's finances were getting back on track. The other 30% came from the temporary 15% (includes 2% rate peg) rate increase approved by the Independent Pricing and Regulatory Tribunal (IPART) in May 2021 and implemented from 1 July 2021 for three years only, expiring in June 2024.

The following Diagram 1: summarises the key deliverable of the Financial Recovery Plan. The remaining step in this Financial Recovery Plan is to secure the revenue that is needed to continue to deliver on financial sustainability and productivity outcomes for the Central Coast as outlined in Council's Long Term Financial Plan (LTFP).

Financial Recovery Plan



Council's revised LTFP shows that with a 15% Special Variation (inclusive of 2% rate peg) being maintained in its rating structure, Council will be able to stay on its clear path to financial recovery and sustainability and maintain at least the current service delivery for the community.

Engagement and discussions on the LTFP and a potential SV application have been conducted through workshops with staff, briefings to the Administrator, discussion with banks and feedback received from community members or groups seeking support from Council or requests for more spending. From May 2021, following the IPART determination, and through to Council's decision to notify IPART of its intention to apply again in 2022/23 on 28 September 2021, ongoing dialogue of what can be done or is needed has ensued.

Both briefings and workshops have uncovered a variety of issues which have provided the background for Council to develop the proposal for the community's consideration and the application to IPART. These are:

- Productivity and efficiencies delivered to date and setting future targets
- Administrator briefings on Commercial Lenders concerns and likely impacts
- IPART determination for temporary SV for only 3 years and impact on LTFP
- Administrators "Submission in reply to public inquiry" dated 10 November 2021. This report presents timelines impacting Council, key points in relation to Council's financial situation and a number of recommendations – See Attachment 18 (D15024733)
Administrators Submission in reply to public inquiry
- Analysing alternative revenue streams
- Impact analysis of Council's infrastructure backlog which is likely to increase due impact on operational load with no extra revenue source. The current infrastructure backlog sits at approximately \$166.6 million as at 30 June 2021 of which \$50.1 million is attributed to General Fund infrastructure.
- Comparisons of Group 7 Council rate structures
- Comparisons of surrounding Council residential and other rating categories
- Business Unit Managers engaged on service level and cost containment strategies in development of service plans and budgets that inform Operational Plan and Delivery Program. Key efficiency measures built into LTFP
- Productivity Improvement Plan developed, and costs savings reviewed
- Analysis of the service delivery and program impacts, including the Workforce Management Strategy and Asset Management Strategy impacts of no SRV beyond June 2024
- Community consultation undertaken from December 2020 to February 2021 for the Securing Your Future program
- Previous Customer Experience Surveys undertaken in preceding years
- Community feedback on the proposed scenarios and expectations on service levels, as well as future investment in services and new assets.

Productivity Improvements

Significant productivity improvements have also been made through better management of staff time, technological improvements that have transitioned manual processes into digital ones, and better equipment to help staff do their jobs effectively and efficiently.

These productivity improvements over a number of years have ensured the necessary cost-cutting measures have meant minimal service reductions for the community. Some of these productivity gains will continue to have an ongoing positive impact on improved service delivery and the community will see the benefits year on year.

Council continues to be committed to reducing the burden on ratepayers and has built into its service delivery model performance improvements across the diverse range of activities and productivity / efficiency savings targets are within the budget. See page 23-24, Attachment 15 (D15029199) Adopted Resourcing Strategy 2022-2025 - Condensed Version and Criterion 5.2 in this document.

Situational analysis / Long Term Financial Plan

Based on the above internal and external factors and to determine the arenas of action, Council analysed the range of issues, social, legal, political and economic impacts and developed three (3) scenarios, which are explained below, in addition two (2) non-budgeted alternative scenarios have been considered based on community feedback. The two alternative scenarios were not included in the Long Term Financial Plan with the reasons why provided for completeness.

The scenarios are:

Baseline scenario

This scenario maintains the current, baseline service levels and keeps the status quo of annual expenditure, while sustaining an unmitigated \$25.8M average 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 (7) years of operational deficits, as it has 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 a bankruptcy.

See pages 16-17, 23-34 and 57 of Attachment 15 (D15029199) Adopted Resourcing Strategy 2022-2025- Condensed Version

Maintain Special Variation (SV) scenario

This scenario projects the maintenance of the current rate base, which contains the one-off 15% SV (including 2% rate peg) 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 Financial Recovery Plan and it satisfies Council's debt responsibilities associated with the principal and interest repayments of the \$150 million 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 (see Attachment 11 (D15025537) Consultation Summary Report Maintaining Services and Rates – Appendix 2 pages 10-12 and it represents Council's preferred long-term path to financial sustainability.

See pages 16-17, 23-24, 35-45, 57 of Attachment 15 (D15029199) Adopted Resourcing Strategy 2022-2025 - Condensed Version

Deteriorate scenario

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 by hacking Council into a shadow of its former size and community capability. 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 (Attachment 11 (D15025537). Consultation Summary Report – Appendix 3 page 13. The impacts of what the projected service reductions would be are outlined under the scenarios to the Delivery Program (see pages 32-33 Attachment 15 (D15029199) Adopted Resourcing Strategy 2022-2025 - Condensed Version. If this was to occur 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 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 it would also have a distressed community impact and is not in the best interest of the community.

See pages 16-17, 23-24, 46-55, 57 of Attachment 15 (D15029199) Adopted Resourcing Strategy 2022-2025 - Condensed Version

Alternative scenarios considered:

Enhance scenario

An improving services impact. A scenario projecting for improved and / or increased community services is not forecasted because such a scenario will require a much larger than 15% SV rate increase and 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 (7) years extension scenario

A community destabilising impact. A scenario projecting another temporary SV application of less than the requested seven (7) 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 (7) 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 for the remaining term of seven (7) years 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, nor does it allow Council to operate in a commercial loan environment and ensure financial sustainability.

Proposal

The community, through engagement in the development of our Community Strategic Plan, set the expectations on what they want and need in the region they live, work and play in. As well through the engagement on strategies from Climate Change, Town Centre Revitalisation to Bike Path and Play Spaces and responses to Customer Experience Surveys and research, our community have been very clear—they want Council to maintain services and, in many areas, increase service levels, not deliver less.

Each scenario was considered by Council, basing its evaluation on the engagement and development of the LTFP, noting the challenges with each scenario Council identified that the Maintain Special Variation scenario would be preferred.

This scenario shows Council's income including a continuation of the 15% (including the 2% rate peg) Special Variation, which is aligned to Central Coast Council's 2024-2025 application. Maintaining the Special Variation of Council's general income beyond the current three-year period for an additional seven years will allow Council to:

- Meet the contractual obligations with the two commercial banks to repay the outstanding portion of the \$150 million in Emergency Loans.
- Maintain services to at least current services levels as supported by the community of the Central Coast
- Embed further productivity and efficiency improvements across the organisation in order to maintain and increase current service levels.

Council has undertaken a public exhibition process for the draft Long Term Financial Plan for the next 10 years, along with the draft Delivery Program, draft Asset Management Strategy and draft Workforce Management strategy with the proposed scenarios between 22 December 2021 and 21 January 2022.

While the exhibition process occurred during December and January, this SV is a repeat of last year's application because it's seeking an extension of the temporarily approved SV and it comes with the extra benefit of residents being able to clearly see how this SV impacts their individual rates and consultation on service levels and impacts of the proposals. The community has had multiple opportunities to comment on this SV over the past 12 months, as part of last year's application and this year's repeat application.

Results of the public exhibition and the results of the engagement and communication of the proposal for an SV were provided in a report to Council at the Extraordinary meeting on 3 February 2022. See Attachment 24 (D15018178) Council Report Consideration of Submissions

and Adoption of the Revised CSP, ~ 23) and Resourcing Strategy, and Consideration of an SV Application.

At the Extraordinary Council Meeting 3 February 2022, Council resolved to adopt the IP&R documents and to apply to IPART to maintain the temporary Special Variation of 15% (including the rate peg) for a further 7 years after 30 June 2024. See Attachment 17 (D15024747) – Central Coast Council Resolutions.

1.2 Financial sustainability of the council – What will be the impact of the proposed special variation?

In the text box explain how the proposed SV will:

a. Improve the council's underlying financial position for the General Fund

The intention of the application is to secure the long-term financial sustainability of Central Coast Council, with the objective of repaying the \$150 million in Emergency Loans and restricted reserves, accessed unlawfully, through the delivery of operating surpluses, maintaining adequate services and delivering \$175 million per annum in infrastructure.

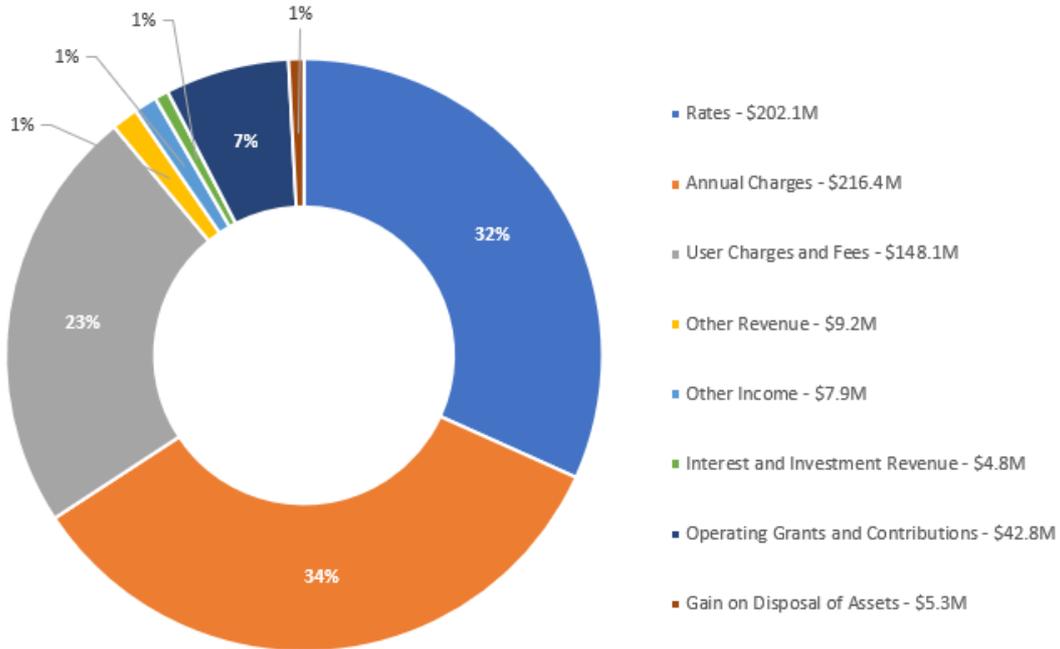
The current SV only provides for temporary stability while placing at risk the remaining Emergency Loans principal repayment term of seven years.

Without the maintenance of the current SV, Council will not be financially viable, as it will be unable to meet its debt repayment obligations until June 2031. Even with drastic actions including structural changes resulting in a \$30 million reduction in employee costs, \$20 million in materials and services expenses and capital expenditure reduction to \$175 million and raising \$150 million in external borrowings, Council's long term financial viability is not achievable without maintaining the current SV for a further seven (7) years from its expiry in June 2024.

Rates income represents 32% of Council's income (see graph 3 below). A rate variation will improve the underlying position for the General Fund. This would allow the provision of services, the repayment of borrowings and the eventual repayment of the funds spent from restricted funds.

Graph 3: 2022-23 Consolidated Operating Income

2022-23 Consolidated Operating Income



While borrowings have been arranged and savings have been identified, Council's position remains unsustainable if the current rate variation is not maintained for a further seven years. Not only would basic services be in jeopardy, but Council would be unable to meet its borrowing obligations without further drastic service reductions that would compromise the living standards of the community. Modelling shows that with the annual estimated increase to Council's rating income from the rate peg, the General Fund will continue to generate an operating deficit excluding capital grants and contributions. (Refer to Base Scenario).

Council has already sustained a savage reduction from structural changes implemented during January to June 2021 resulting in a reduction in employee costs of \$30 million of which \$26.1 million is from Council's General Fund and materials and contracts of \$20 million removed of which \$13.6 million is from Council's General Fund over the same period.

The results of the change are being felt across our community with expectations communicated and increases in representations from MPs on behalf of residents and requests for maintenance and improvement to the amenity of our suburbs, town centres, road reserves, development approval process rising over the past three months. Our community have indicated that the level of service has dropped, whilst Managers and staff are seeking to deliver the same service more efficiently and finding productivity solutions, the reality is that sustaining such a dramatic reduction in a short period has inevitably impacted service levels.

Productivity savings have been in-built into the modelling by intentionally allowing annual inflationary increases to be well below inflation. Other expenses have no inflationary increases, while materials and services have increased by only 0.35%, instead of CPI. The difference between CPI and the assumptions is the annual productivity savings buffer.

Even with these productivity efficiency savings, the General Fund is unable to return an operating surplus excluding capital grants and contributions, to repay the Emergency Loans without an SV, unless Council undertakes further, drastic service reductions.

The impacts of the projected service reductions if Council was not successful in securing the seven year extension of the current 15% SV (including rate peg) is summarised in the Adopted Delivery Program (see page 32-33 Attachment 8 (D15029198) - Adopted Delivery Program 2022-2025 – Condensed Version.

Current financial situation

Financial Performance

The Monthly Finance Report for December 2021 (Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts) was presented to Council on the 25 January 2022.

Council's Net Result as of 31 December 2021:

- Net operating result including capital revenue was a surplus of \$47.7 million compared to the budget surplus of \$35.4 million – \$12.3 million favourable.
- Net operating result excluding capital revenue was a surplus of \$26.0 million compared to the budget surplus of \$12.9 million - \$13.1 million favourable.

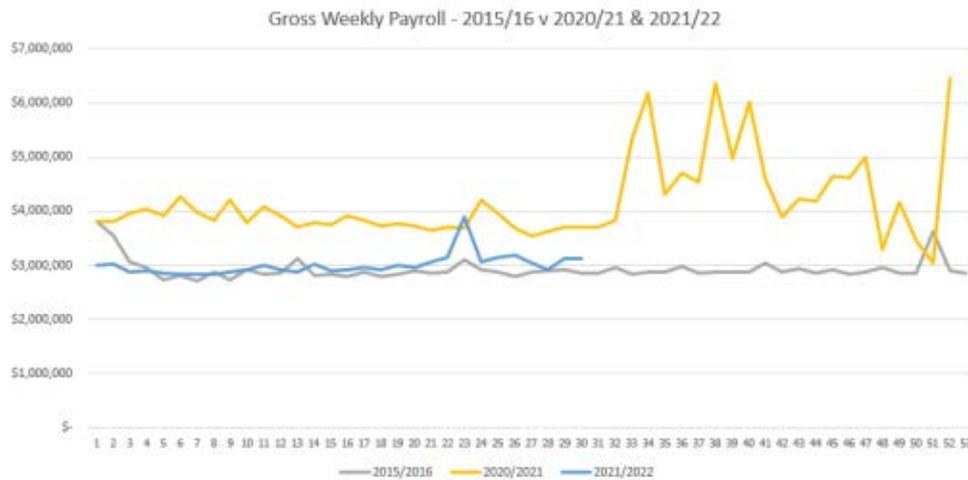
Table D: Consolidated Financial Performance from 1 July to 31 December 2021 (Internal reporting format - summary)

CONSOLIDATED TRADING SUMMARY						
	YTD					
	Actuals	Current Budget	Variance	Variance	Year End Forecast	Original Full Year Budget
	'000s	'000s	'000s	%		'000s
Operating Revenue	306,623	305,575	1,048	0.3%	641,778	666,792
Operating Expense	280,648	292,690	12,042	4.1%	638,804	659,749
Operating Surplus/(Deficit)	25,976	12,886	13,090		2,974	7,043
Capital Revenue	21,762	22,468	(706)	-3.1%	65,555	42,890
Other Capital Income (Asset disposals)	0	0	0	0.0%	0	0
Capital Loss (asset write-off)	0	0	0	0.0%	0	0
Net Result	47,738	35,354	12,384		68,529	49,933
Work in Progress	42,138	53,597	11,459	21.4%	172,749	175,040
Total Capital Expenditure	42,138	53,597	11,459		172,749	175,040

Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 42 for consolidated financial performance and page 47 for gross weekly payroll trends.

Graph 4 below shows that Council is keeping within the reduced budget as part of the Financial Recovery Plan. Gross weekly payroll for 2021-22 continues on trend with 2015-16 and is lower than 2020-21. The spike in payroll costs in week 23 for 2021-22 is due to the refreshment in the Executive Leadership Team.

Graph 4: Gross weekly payroll trends – 2015-16 v 2020-21 and 2021-22



Capital Works Program

Council has delivered \$42.1 million in capital works as of 31 December 2021 compared to a budget of \$53.6 million. 47.1% of capital works has been funded from capital grants, contributions and restricted funds with 52.9% funded from general revenue.

At 31 December Council was working on 462 projects, 348 of which were in line with or under budget by \$17.8M, offset by 114 projects over budget by \$6.4M. Some of the capital works projects have been delivered ahead of schedule due to contractor availability or earlier commencement of the project (project has budget for 2021-22 however the budget was not allocated prior to January 2022 based on original project commencement date). This offset capital works projects which have been delayed or behind schedule due to the impacts of COVID on resourcing and materials shortages, wet weather, project dependency on developers. See Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 47.

Table E: Summary of Capital Expenditure by Directorate and Funding Source

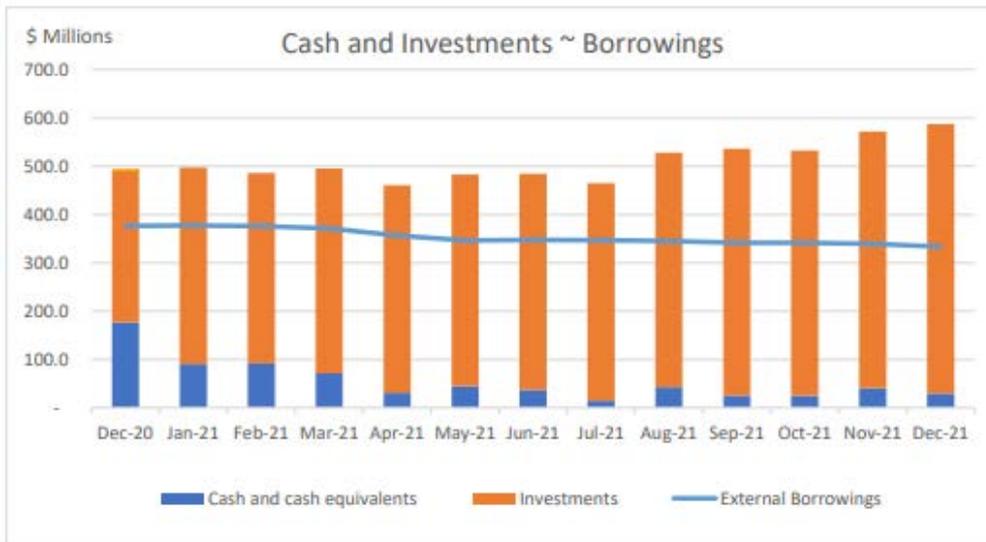
Summary Capital Expenditure by Directorate	YTD				Annual
	Actuals	Current Budget	Variance	Variance	Current Budget
Department					
	'000s	'000s	'000s	%	'000s
Community and Recreation Services	3,585	4,274	(689)	(16.1%)	14,815
Infrastructure Services	20,343	25,364	(5,021)	(19.8%)	69,717
Water and Sewer	13,701	16,417	(2,716)	(16.5%)	62,026
Environment and Planning	447	726	(279)	(38.4%)	1,835
Corporate Affairs	4,062	6,816	(2,754)	(40.4%)	24,356
Total Capital Expenditure	42,138	53,597	(11,459)	(21.4%)	172,749

YTD Actuals by funding source				
Department	Grants	Contributions	Restricted Funds	General Revenue
	'000s	'000s	'000s	'000s
Community and Recreation Services	1,896	292	0	1,397
Infrastructure Services	6,862	138	4,793	8,550
Water and Sewer	3,904	0	1,279	8,517
Environment and Planning	33	0	0	414
Corporate Affairs	9	22	623	3,407
Total Capital Expenditure	12,704	452	6,695	22,285

Cash, Investments and Borrowings

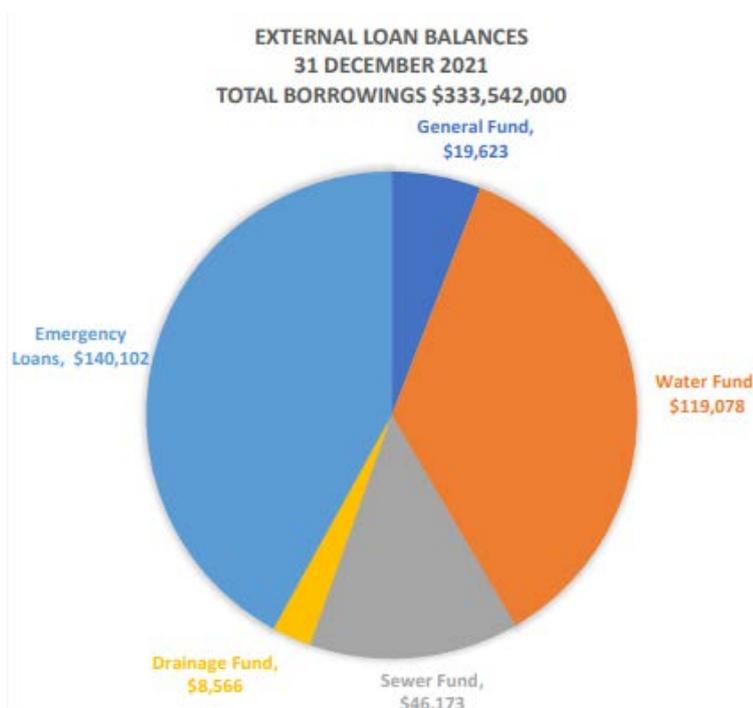
Graph 5 below shows Council's cash and investments in comparison to external borrowings. Cash and Investments as at 31 December 2021 was \$587.2 million, an increase of \$15.4 million from 30 November 2021. During December Council received \$27.1 million through the sale of Council's excess assets initiative. Council is on track to achieve asset sales of over \$60 million. See Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 49.

Graph 5: Cash, Investments and Borrowings as at 31 December 2021



External borrowings as at 31 December 2021 was \$333.5 million and have been allocated across Council's operating funds per the graph below. Emergency loans have decreased by \$1.9 million during December 2021 from \$142.0 million to \$140.1 million.

Graph 6: External Loan Balances as at 31 December 2021



Restricted and Unrestricted Funds as at December 2021

26.4% of Council's cash and investment portfolio of \$587.2 million is unrestricted, with 15.4% internally restricted and 54.2% externally restricted. See Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 54.

The General Fund unrestricted balance continues to improve with a \$21.6 million increase in December through the net of Council asset sales of \$27.1 million and monthly trading of (\$5.5 million).

Table F: Cash and Investment Portfolio and Funds held for purpose as at 31 December 2021

Council's Cash and Investment Portfolio by Source of Funds

Source of Funds	Value (\$'000)
Investment Portfolio	\$557,727
Transactional accounts Per Bank Statement and cash in hand	\$29,514
Total	\$587,241

Council's Portfolio is held in separate funds by purpose and is summarised as follows:

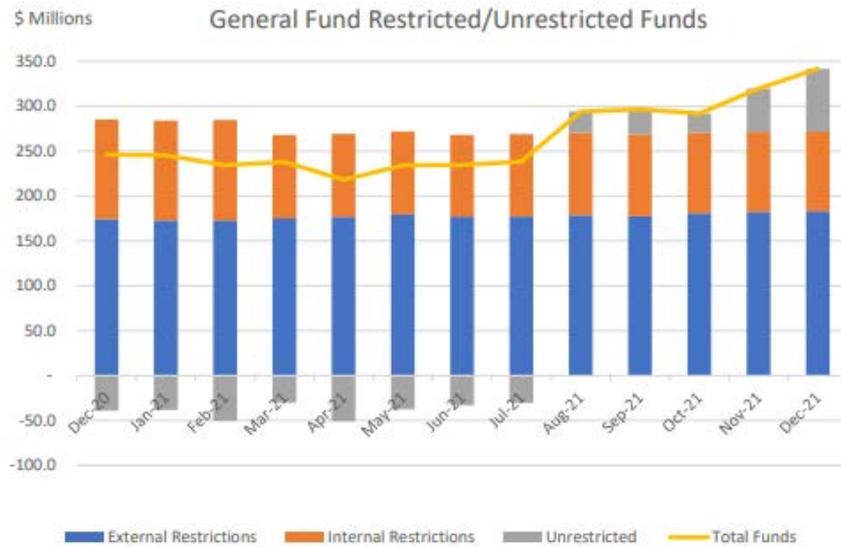
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External Restricted Funds	\$182,785	\$6,995	\$21,936	\$36,782	\$93,257
Internal Restricted Funds	\$88,699	\$1,026	\$877	\$55	-
Total Restricted Funds	\$271,484	\$8,021	\$22,813	\$36,837	\$93,257
Unrestricted Funds	\$70,177	(\$9,548)	\$116,422	(\$36,260)	\$14,038
Total funds by Fund	\$341,661	(\$1,527)	\$139,235	\$577	\$107,295

Through external funding and rationalisation of internal restricted fund balances, the previously reported negative unrestricted general fund balance has progressively reduced.

Increases in August and November 2021 are in line with due dates for quarterly rates instalments which fund service delivery for the next quarter. This means that unrestricted funds will fluctuate from month to month.

The following graph records Council's General Fund restricted funds position as at 31 December 2021 compared to that at 31 December 2020. See Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 51.

Graph 7: General Fund – Restricted and Unrestricted Funds



The Monthly Investment Report for December 2021 (see Attachment 20 (D15029164) – Central Coast Council Financial Reporting Extracts page 56). was presented to Council on the 25 January 2022 and shows Council’s investment portfolio by maturity date (refer to table 8 below). Rolling maturities ensures that Council has sufficient funds to meet operational needs whilst maximising investment returns.

Table G: Investment Maturities for Council’s Investment Portfolio as at 31 December 2021

Time Horizon	Percentage Holdings	Maturity on or before	Value \$'000
At Call	5.42%	Immediate	30,214
Investments			
0 - 3 months	8.40%	Mar-2022	46,861
4 - 6 months	15.77%	Jun-2022	87,936
7 - 12 months	1.79%	Dec-2022	10,000
1 - 2 years	7.42%	Dec-2023	41,366
2 - 3 years	17.75%	Dec-2024	99,024
3 - 4 years	20.72%	Dec-2025	115,553
4 - 5 years	22.73%	Dec-2026	126,773
Total Investments	94.58%		527,513
Total Portfolio	100.00%		557,727
Interest Accrued to 31 Dec 2021 (Excluding Interest on call accounts)			1,447
Market Value of Investment per Portfolio Valuation Report (Attachment 5)			559,174

The investment portfolio is concentrated in AA above (11.54%), A (33.58%), and BBB (54.88%).

Asset Sales Program

A report providing an update on Council's Asset Sales Program was presented to Council on 14 December 2021 (see Attachment 23 (D15029326) - Council Report - Asset Sales Program page 2) and properties sold and settled for the 2021 calendar year totalled \$34.7 million. To date Council has resolved to sell three tranches of properties as part of the Asset Sales Program.

Council is on track to achieve asset sales of over \$60 million.

b. Fund specific projects or programs of expenditure, or

Securing a 15% special variation for at least 10 years, commencing 2021/22 is a condition of repayment of the \$150 million in Emergency Loans.

Council had to deliver a 10 year Long Term Financial Plan in November – December 2020 to the commercial banks, which demonstrates that over a period of 10 years Council can raise cumulative operating surpluses amounting to \$110 million, which serve to meet the principal repayments of the \$150 million of Emergency Loans, with the remainder coming from a contribution from Council's property sales program.

Council's Emergency Loans repayment proposal was based on the 15% SV, alongside \$60 million in property sales, \$30 million in structural employee cost savings and \$20 million in structural material and services savings over those 10 years.

Council's \$150 million in Emergency Loans are scheduled for refinancing in this order:

- The \$100 million Emergency Loan comes up for refinancing in December 2023, while
- The \$50 million Emergency Loan comes up for refinancing in November 2025.

Any SV approvals that are of temporary nature and end before 2030/31 place Council's financial sustainability at immediate risk because Council will not be able to generate the operating surpluses required to meet the \$110 million in principal repayments, without another significant organisational restructure. This would further stop or decrease many of the current service levels, which is something the community told us they don't wish to do.

c. Achieve both outcomes

Please note the individual statements for a. and b.

1.3 Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?

In the text box provide details on the council's key financial indicators and indicate if the proposed SV has been included in the Long Term Financial Plan.

Provide the information for part a. by **populating Table 1.1**, for as many years as relevant for the council's proposed SV.

a. Explain how the proposed SV would affect the council's key financial indicators (General Fund. over the 10-year planning period.

Maintaining the rates income from the 15% SV (including rate peg) for a further seven years will result in an operating surplus excluding capital grants and contributions in the General Fund. This surplus will be used to meet the principal repayments of the \$150 million Emergency Loans.

The operating surplus generated in each financial year from 2021-22 in the General Fund enables Council to achieve the OLG benchmark for the Operating Performance Ratio. Council's General Fund operating surplus is reflected in the Consolidated Forecasted Operating Results below in table H. See Attachment 8 (D15029198) - Adopted Delivery Program 2022-2025 - Condensed Version page 128.

Table H: Consolidated Forecasted Operating Results

Financial Summary

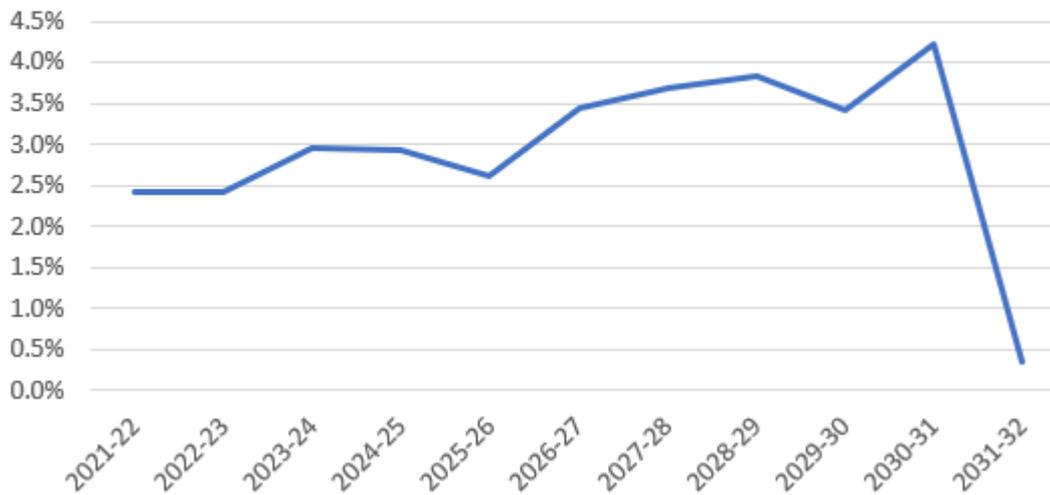
			Maintain SV Scenario	Deteriorate Scenario
Financial Summary	2022-23	2023-24	2024-25	2024-25
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Operating Income	636,496	641,388	649,909	625,696
Operating Expenditure *	598,733	608,292	620,542	596,395
Net Operating Result (excluding Capital Grants and Contributions)	37,763	33,096	29,367	29,301
Capital Grants and Contributions	81,530	62,425	57,565	57,565
Net Operating Result (including Capital Grant and Contributions)	119,293	95,521	86,932	86,866

* Includes net internal revenue and expense

The Operating Performance Ratio exceeds the OLG benchmark of greater than or equal to zero in each financial year however it decreases in 2031-32 under the maintain SV scenario as Council's extends the SV for a further seven years to 2030-31 and the SV component is removed from Council's rating income in 2031-32. The drop in the Operating Performance Ratio in 2031-32 can be seen in Graph 8 below

Graph 8: Operating Performance Ratio for Maintain SV scenario over the proposed SV period

Maintain SV Scenario Operating Performance Ratio



The operating surplus from each financial year will fund the emergency loan repayments. Council's \$150 million in Emergency Loans will be repaid by 2031-32.

All other financial performance ratios with the exception of the rates, annual charges, interest & extra charges outstanding percentage ratio improve in comparison to the baseline rate peg scenario. The maintaining SV scenario ensures that Council will achieve the OLG benchmarks for the majority of the 10 year LTFP.

Table 1.1 Council's key financial indicators contains the General Fund ratios for the maintain SV scenario

b. Indicate if this information has been included in the council's Long Term Financial Plan. Relevant key indicators could include those listed in Question 1.1.

This information has been included in Council's draft Long Term Financial Plan, which was resolved by Council to be placed on public exhibition on 22 December 2021 and adopted on 3 February 2022.

There are two scenarios modelled if the SV is not extended beyond 2023-24 as covered in section 1.1 Case for Special Variation – How did the council establish the need for the special variation?

In Attachment 15 (D15029199) Adopted Resourcing Strategy - Condensed Version the baseline scenario (performance ratios on page 29) which is not financially sustainable has Council achieving the Operating Performance Ratio benchmark whilst the SV is in place and Council does not achieve the Operating Performance Ratio benchmark when the SV ceases in 2024-25 and onwards. Council does not achieve the Unrestricted Current Ratio from 2027-28 and does not meet the Debt Service Cover Ratio in 2025-26.

The deteriorate scenario (performance ratios on page 50) achieves the OLG benchmarks for the performance ratios like the maintain SV scenario, however to do so when the rating income reduces in 2024-25 when the current SV ends requires Council to reduce and/or cease Council services to achieve the benchmarks. To do this Council will need to reduce employee costs in 2024-25 by \$14.5 million and materials and services by \$9.7 million. These reductions will ensure that Council will make an operating surplus in each financial year to be able to repay the emergency loans.

Table 1.1 Council's key financial indicators

Ratio	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Operating performance ratio excluding capital items	-11.00%	2.43%	1.92%	2.23%	2.20%	1.91%
Own source revenue ratio	72.36%	80.58%	80.19%	80.18%	80.33%	80.58%
Building and asset renewal ratio	102.5%	101.4%	118.8%	98.5%	102.7%	104.9%
Infrastructure backlog ratio	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%
Asset maintenance ratio	67.0%	66.1%	66.1%	66.1%	66.1%	66.1%
Debt service ratio	4.8%	3.8%	3.9%	23.6%	3.2%	11.7%
Unrestricted current ratio	1.70	2.84	1.54	3.41	2.04	2.86
Rates and annual charges ratio	5.00%	5.00%	5.00%	4.90%	4.90%	4.90%

1.4 Deferred rate increases available under section 511 of the Local Government Act

In the text box explain:

a. The quantum, rationale and timing of any deferred rates the council has incurred.

N/A

b. When council plans to include these deferred rates through the catch-up provisions and whether this been included in the LTFP.

N/A

c. How do these deferred rates impact on the council's need for the special variation and its cumulative impact on ratepayers' capacity to pay?

N/A

Table 1.2 Criterion 1 attachments

Council- assigned number	Name of document	Page references ^a
15 (D15029199)	Adopted Resourcing Strategy 2022-2025 Condensed Version Includes Long Term Financial Plan, Asset Management Strategy and Workforce Development Strategy	29
8 (D15029198)	Adopted Delivery Program 2022-2025 – Condensed version	32-33 28
11 (D15025797)	Consultation Summary Report – Maintaining Services and Rates – January 2022 – Including Appendices	Appendix 3 page 13.
17 (D15024747)	Central Coast Council Resolutions - Special Variation	Whole document
18 (D15024733)	Administrators "Submission in reply to public inquiry" dated 10 November 2021	Whole document
20 (D15029164)	Central Coast Council Financial Reporting Extracts – includes: 2021/22 Quarter 1 Presented to Council on 23 November 2021 2021 September Monthly Financial Report Presented to Council on 26 October 2021 2021 December Monthly Financial Report Presented to Council on 25 January 2022 2021 December Monthly Investment Report Presented to Council on 25 January 2022	Pages are referred into text boxes under each criterion question
23 (D15029326)	Council Report - Asset Sales Program	2

a. If document only relevant in part.

Criterion 2: Community awareness and engagement

Criterion 2 in the SV Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the full cumulative increase of the proposed special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.

To complete the questions for Criterion 2

Provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and attach relevant samples of the council's consultation material.

2.1 How did the council engage with the community about the proposed special variation?

In the text box:

-
- a. Outline the council's consultation strategy and timing.

Approach

Council commenced the community awareness and consultation program on the current proposal to maintain the temporary SV of 15% including rate peg in October 2021 following the decision of the Council on 28 September to formally notify IPART of its intention to apply in 2022. Whilst this marked the start of the formal consultation program, Council through Administrator Mr Rik Hart had been raising preliminary awareness with the community in media interviews and communications shortly following IPART's determination in May 2021 through to September 2021. This was consistently informed to the community as part of Council's ongoing updates about the financial recovery actions and messaging about the focus of recovery being the long term financial and service sustainability of the Council.

While the public exhibition of the strategy documents underpinning the SV process occurred during December 2021 and January 2022, this SV is a repeat of last year's application because it's seeking an extension of the temporarily approved SV in May 2021 and it comes with the extra benefit of residents being able to clearly see how this SV impacts their individual rates because the SV is already included in their rates. The community has had multiple opportunities to comment on this SV over the past 12 months (and Council has responded through answering direct customer queries, media enquiries and undertaking proactive communications), as part of last year's application and this year's repeat application but Council has also undertaken a comprehensive community consultation strategy for the SV that is the subject of this submission.

Council designed a phased community awareness and consultation strategy (see Attachment 19 (D15024734) Communications and Engagement Plan SV Project) heeding the advice of IPART in its May 2021 report that "during this 3 year period, the Council will be able to implement its proposed Financial Recovery Plan (see link to the plan and progress. As this is regularly updated please refer to webpage - [Link here](#)), consult with its ratepayers regarding appropriate service levels...." Consultation was also built on the foundations of the earlier engagement program that was undertaken in late 2020 that led to IPART approving the temporary 15% increase. It was important that Council acknowledged this community feedback and sentiment expressed during this consultation and demonstrated that Council had responded in this new phase of engagement.

What we heard in 2021 – Securing Your Future

The levels of community support and reasons for and against a rate increase were also established during the late 2020 consultation and more broadly the community said they wanted Council to fix the problem, maintain services and create a sustainable pathway forward for Council. This helped form the backbone of Council's strategy to continually inform the community about what actions were being taken towards financial recovery at the same time that Council engaged with residents to better understand their view on what services were important and their expectations around service levels. (See link to the Securing Your Future Consultation Report February 2021. [Link here](#) as provided in 2021-22 IPART SV application.)

Principles

From the first communication via a newsletter distributed to 121,000 ratepayers (Central Coast has 142,500 rateable properties which does include ratepayers who own multiple properties e.g. Department of Housing. In October 2021, Council informed residents that the engagement about maintaining services and rates was towards a future rate proposal. There was already high levels of community awareness and interest in this topic following implementation of the recent rate increase as a result of the May 2021 IPART determination, continued extensive media coverage and public commentary about Council's financial situation and communication by the Administrator.

In addition to social justice principles, IAP2 participation principles and Central Coast Council Engagement Framework principles, we also considered IPART's Community Awareness and Engagement Guidelines when developing our community engagement strategy. This meant the need to maintain the rates, the level of the rates and the timeframe was consistently explained in communication materials and responses to customer queries and different engagement tools were used to reach a wide variety of the community.

Community Reference Group

Council convened a Community Reference Group (CRG) of representative residents to provide advice and guidance on our strategy to ensure the contribution of the voice and vision of the community. Through three meetings (two virtual and one face-to-face), the Community Reference Group helped shape the key messages and gave advice on information materials - what information the community needed to help them provide feedback on services and how to present that information. The outcomes of the quantitative research about service levels were discussed and feedback provided about how Council could approach prioritising service levels based on the community feedback.

The group was coordinated by the independent market research company engaged by Council to assist with the engagement actions and they utilised a professional industry standard process to select the CRG members and communicated directly with the members. Terms of Reference defined the CRG purpose, conduct of meetings, access to and dealing with information and end date of the CRG.

Stakeholders Analysis and Initiatives

Council serves an extensive community with a group of 142,500 ratepayers (rateable properties which does include ratepayers who own multiple properties e.g. Department of Housing) and a residential population extending above 340,000.

Council's team undertook a stakeholder analysis to address a range of approaches for engagement, as well as being mindful of the impacts of COVID-19. Due to COVID-19 impacts, we conducted engagement both through virtual and face-to-face methods.

Utilising a variety of mass communication tools helped to inform the widest possible number of people about the proposal and how they could participate. All communication materials carried the call-to-action to Council's 24/7 online engagement platform page 'Maintaining services and rates' at yourvoiceourcoast.com with access to fact sheets, FAQs, information videos, timeline, submission form, contact details, online community survey link and copies of the IP&R documents.

Our engagement strategy engaged with all residents and ratepayers utilising mass communication print and online tools including printed newsletters, advertorials, e-newsletters, social media, information videos, fact sheets, website content on online engagement platform, media coverage, Administrator Open Office sessions, direct customer responses and an online survey and public exhibition submission open to all the community.

We also engaged with different groups of stakeholders with notification to political representatives of Council's intention to apply to IPART; specialist e-newsletter to over 8,000 community and sporting groups, Administrator meetings with community groups and associations and by convening a face-to-face forum of 11 local business leaders.

To ensure we captured a representative view across all sections of our community, we also undertook a telephone survey with 744 respondents and recontact online survey with 336 respondents. Supplemented by a further online open survey to enable all residents the same opportunity to complete the detailed recontact survey with 740 respondents.

Challenges

The challenge facing Council for engagement were the timeframes set by IPART for SV submissions, and the required actions that form part of the submission process.

This meant that at the conclusion of the service level and scenario engagement, there was a short window to engage on the strategic documents that form the basis of Council's planning, actions and budgets. This meant that Council had no choice but to place these documents on public exhibition over the Christmas and New Year holiday period. However, this was well mitigated due to the fact that this is a repeat application from last year, the community has the extra benefit of being able to clearly see what the financial impact will be on their rates, as the SV is already included in the rates and they had the benefit of being through this process for the prior 12 months. In addition, they'll have further opportunity to have their say through the IPART process, as well these important documents will be re-exhibited in April 2022 to allow for further consultation.

2.2 How did the council present the impact of the proposed special variation in the consultation material?

- In the text box provide details of the information made available to the community during consultation about the proposed rate increases.
- Attach representative examples of the consultation material.

To ensure that the community were informed about the impact of the proposed rate proposal, Council consistently described the proposal in all the information materials, made these information materials widely available across a number of different communication platforms, extensively promoted the availability of all information and the opportunity to provide feedback at Council's engagement platform yourvoiceourcoast.com.

Council's key premise of maintaining services and rates through this proposal remained consistent throughout the entire awareness and engagement program. To help the community understand what the proposal was seeking and the likely impacts, key messages were consistently used and then further explained through the provision of additional information. The approach to the information is described below.

Describing the proposal- "The proposal is seeking to maintain the current level of rates for an additional seven years beyond 2023 and that what this would mean is the 15% increase (including rate peg) that was implemented in 2020-21 would remain in rates until 2030/31, resulting in ten years in total."

This was communicated in newsletters, media releases, website copy, advertising, social media and in meetings with business and industry leader and community groups. Draft communication materials were shared with the Business Leaders and Community Reference Group (CRG) and their feedback about what was the most important information and how best to present some of the complex information was incorporated into final fact sheets.

Council also continued to help the community understand the difference between the impacts of rates harmonisation and the Special Variation implemented in July 2021 through responding to customer queries, providing an FAQ and referring customers to the information about rates harmonisation on Council's website.

Describing the 'why' of the proposal - "Securing the current rate income for a further seven years means that we can maintain the current service levels, as we continue to find more service efficiencies and pay back the loans that are part of our financial recovery plan."

This was communicated in newsletters, media releases, website copy, online video about 'balancing the budget', advertising, social media and in meetings with business and industry leader and community groups. We then explored service levels through the representative and open community surveys and direct customer feedback to understand whether we should be investing more, less or the same in services.

At the beginning of the engagement process, the CRG members were split about how best for Council to communicate the potential risk of loss of services should the rates not be maintained. Their comments ranged from "don't threaten / don't be all doom and gloom / where is the hope" to "you have to be serious as the broad community really don't get what is at stake here" and "find a way that people don't think you are just leading us to the solution you want, and that this is 'tick-a-box' consultation". However, by the end of the engagement process, the CRG expressed their appreciation for Council's honest communication style in answering their questions, they understood what had been explained and commented on their surprise about how much was at stake, impacts of reducing or stopping services and how serious Council's predicament was. (See Attachment 11 (D15025537) Consultation Summary Report – Maintaining Services and Rates – Appendix 1– CRG Workshops 1,2 & 3 and Business Leaders Roundtable, pages 8-9).

Council communicated its productivity improvements through the provision of a Productivity Fact Sheet to show the community what Council had achieved and were continuing to do to improve service levels for our community. The Fact Sheet described detailed improvements made through better management of staff time, purposeful equipment to help staff do their job efficiently, and its technological progression coming to fruition with staff benefitting from using upgraded technology systems and transitioning manual processes into digital processes. The Productivity Fact Sheet (See Attachment 21 (D15025560) helped the community understand how productivity improvements were being used to continually rebalance the necessary cost cutting measures to ensure minimal service level impacts, and that some of the productivity gains would have ongoing positive impacts on improved service delivery and the community would see the benefits year on year.

Responding to the community's feedback for Council to fix the problem – "The Financial Recovery Plan put in place in October 2020 is working and we are meeting all major milestones and targets."

Council is transparent and open about its financial recovery actions and continually showed the community what it had done under the Financial Recovery Plan through formally reporting updates at Council Meetings and via newsletters, media releases, website copy, advertising, social media and in meetings with business and industry leader and community groups.

Council also communicated clearly about how the proposed rate increase was part of the Financial Recovery Plan by explaining in communication materials that cost management measures made up 70% of what Council needed to do to satisfy external lenders that Council was getting Council finances back on track. The other 30% came from the temporary 15% rate increase. The external loans have to be repaid within ten years, so to do this and continue to be able to deliver services at the current level, the proposal was to seek to maintain the rate increase for an additional seven years, or ten years in total. Council is in effect asking the community to contribute 30% towards the repayment of the restricted funds that have been used for the benefit of the community.

Council incorporated into the information materials the CRG members' feedback to tell the community where the money had been spent as their comments were that "knowing what the money was spent on may help foster empathy and understanding; and help community move on." Council did this by repeating the message in communications and online FAQs that "Council had to reimburse the restricted funds that had been spent without the correct authorisation on projects that the community had benefited from."

Council was hampered in its ability to be able to help the community move on from the financial crisis and 'draw a line' under any ongoing questions as the Council's future governance remains uncertain at the time of writing this application. The current status is that Central Coast Council did not participate in the December 2021 NSW Local Council elections and the Central Coast mayor and councillors remain suspended by the Minister for Local Government and a report is pending on the Public Inquiry into the financial situation with public hearings having concluded in October 2021.

The Minister for Local Government suspended the Central Coast Council on 30 October 2020 and announced the formal Public Inquiry on 26 April 2021.

Describing Council services – "Council delivers a wide variety of services and we want to know which services are important to you?"

This was communicated in media releases, website copy, advertising, social media and in an information video to make the community aware of the open online survey asking the community to tell us which services we should invest more, less or keep it the same. A listing of key services was provided in the information materials.

The Community Reference Group (CRG) assisted in the description of the services, converting Council language into plain English explanations of the what the services deliver.

Describing potential impacts of different rate scenarios – "Three scenarios for the community to consider in the draft Delivery Program for the 2022-23, 2023-24, 2024-25 financial years. There are two other scenarios described and these were not considered as viable options."

Council considered community feedback from the representative telephone and online surveys and open community online survey and responded by developing five proposed financial scenarios and impacts on services and programs and placing on public exhibition 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.

To help the community understand the impacts to their rates and services for each scenario, a rates brochure available online included an explanation of each scenario, a table showing the average residential rates now and proposed and an example of the impacts to services. An explanatory video was also available to help guide through the scenarios, describe each IP&R document and link to the submission forms to provide feedback.

More detailed tables about what the different categories of ratepayers would pay under each scenario was included in the Maintaining Rates and Services Brochure (See Attachment 10 (D15024738) Community Engagement Information and Supplied Materials pages 42-43) and provided the information as the average weekly and annual rates for each rating category. The CRG recommended that any complex data be showed by both table and graph and this was implemented in the Maintaining Rates and Services Brochure distributed online and through libraries and administration buildings in January 2022.

Evidence of the Community Information and Supplied Materials are enclosed in Attachment 10 (D15024738).

2.3 How effectively did the council's various consultation strategies engage the community about the proposed special variation?

In the text box provide details on the level of community involvement, consultation strategies used and feedback from the community.

Attach survey results and other examples of feedback from the community.

a. Indicate the level of community involvement in, and response to, the various consultation strategies the council used, e.g., number of participants in meetings, number of submissions received.

Council's community awareness and engagement strategy took the following approach:

- Building general community awareness through an extensive information program including media releases, social media, advertising, newsletters, web content, FAQs, information videos, customer interaction via phone and emails and keeping staff informed through internal communication channels (details of the community awareness activities and outcomes are outlined in Council's response to Criteria 1 with supporting evidence being copies of information materials (see pages 3 to 8, Attachment 10 (D15024738) Community Engagement Information and Supplied Materials .
 - Seeking community guidance on information materials and exploring issues through interactions with a Community Reference Group
-

-
- Providing opportunities for the community to provide feedback through an open online community survey, representative phone and online survey, face-to-face and virtual meetings with the Administrator through his Open Office sessions and attendance at community association meetings, discussion with local business leaders at the business leaders' meeting, responding to customer queries via email, letter, phone and social media and submissions during the public exhibition of the IP&R documents. Council also informed the community on its website how they could provide feedback direct to IPART.

This is a summary of the level of community involvement in each of the consultation activities.

Community Reference Group (CRG)

This group of 17 residents were formed through an independent process and managed by the external research company, guided by Terms of Reference. The group met three times as follows:

- CRG Meeting 1 was a virtual meeting attended by 17 people on 21 October 2021 and focussed on obtaining feedback about the wording of the draft community survey, the background information in the survey and selective key questions. (See pages 5 and 13 to 24, Attachment 11 (D15025537) Consultation Summary Report – Appendix 1
- CRG Meeting 2 was a face-to-face meeting attended by 9 people on 8 December 2021 and focussed on the results of the surveys, communications and Council's proposed actions and implications of those actions. (See pages 6 to 7 and 26 to 53, Attachment 11 (D15025537) Consultation Summary Report – Appendix 1
- CRG Meeting 3 was a virtual meeting attended by 8 people on 24 January 2022 and focussed on clarifying information, seek understanding any further views, seek input into services to cut (if necessary), reviewing the content and seek feedback on messaging and the engagement process. (See pages 8 to 9 and 55 to 65, Attachment 11 (D15025537) Consultation Summary Report – Appendix 1.

Business Leaders Roundtable Meeting

This group of 12 business representatives attended a face-to-face meeting on 27 October 2021 with Council's Administrator, Chief Executive Officer and Chief Financial Officer. The senior management attendees represented regional and local business chambers, tourism industry, surf lifesaving, Coast Shelter and Darkinjung Land Council. The meeting focussed on Council's financial situation, the proposal for maintaining services and rates and likely mid to long term impacts on the stakeholders that they represent. (See pages 10 and 66 to 97 Attachment 11 (D15025537) Consultation Summary Report – Appendix 1.

Key outcomes from the Business Leaders Round table undertaken in November 2021 highlighted 9 out of 12 Business Leaders favoured the notion of extending the rate increase for an additional seven years rather than reducing services.

Concerns were raised that no further assets sales should continue, this was also supported by broader community during consultation undertaken in April and May 2021 for the public exhibition of the 2021/22 Operational Plan and Budget and community feedback during 2021. They were also concerns that no new assets may well affect growth of the community, as well the business leaders pointed out that the Central Coast Council has a terrible name locally and nationally, we need to change that as it is fundamental to their businesses and for the economy to thrive.

The future going forward will continue to be in developing the region for prosperity, for Council to support the region to achieve this goal it must be financially sustainable.

Community association and individual community member meetings with the Administrator

The Administrator invited anyone in the community to attend one of the planned Open Office session times with him to discuss the maintaining services and rates proposal and promoted this via his Administrator social media page, Administrator columns in the local newspaper, media releases and through his regular local media interviews. The invitation was also extended directly to 55 community and sporting associations through an email from the Office of the Administrator on 29 October 2021. Over November and December 2021, 34 people attended 9 Administrator Open Office face-to-face meetings and 364 people attended an additional 8 face-to-face Community Association and other group meetings with Administrator. This resulted in 48 email submissions received and responded to from the Administrator Office.

Community surveys

Council captured community feedback through surveys on two levels:

- Through a representative sample of the community via a telephone survey with 744 respondents and online recontact survey with 336 of the telephone survey respondents in November 2021 conducted by an external research company
- Through an opt-in, open community opportunity via an online survey responded to by 722 respondents and conducted from 22 November to 13 December 2021 by an external research company.

Customer queries

During the three month community awareness program, Council responded to 47 customer queries received via email or letter to the CEO and Administrator Offices and Council's Ask Central Coast email account.

There were also significant phone interactions with Council's customer service team. 2064 rates related enquiries were received in the period of 1 October 2021 – 17 December 2021. This figure covers all rates related matters (not just SV consultation). Please note rates enquiry reporting is not split between General Rates and Water and Sewer.

Public Exhibition and General Response

During the Public Exhibition of the IP&R documents between 20 December 2021 – 21 January 2022, a total of 66 submissions were received as follows

Project	Yourvoiceourcoast.com document downloads	Submissions received
Resourcing Strategy	69	12
Community Strategic Plan (CSP)	105	16
Delivery Program (Operational Plan)	173	38
Maintaining Services and Rates	160	N/A
Total:	507	66

b. Outline the nature of the feedback the community provided on the proposed SV.

The feedback received from the community across the various consultation strategies used and outlined in 2.3a is summarised under the following themes in this section with an explanation of each theme, summary of the feedback received and examples of direct feedback. (The reference and page numbers cited in this section can be found in Attachment 11 (D15025537) Consultation Summary Report – Appendices 1 to 3).

A. Direct Themes

A1 Service levels and impacts

Council asked respondents about service and asset investment and below is a summary of the overall perceptions:

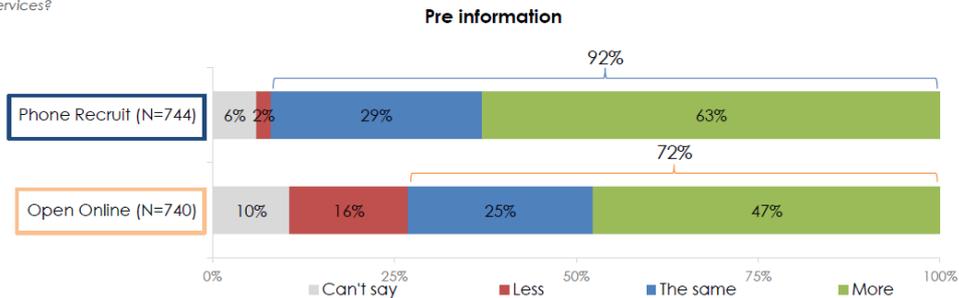
- When asked on the Phone Survey whether Council needs to invest Less/Same/More in services generally, 92% of respondents selected Same or More –only 2% selected Less (with 6% Can't say).
 - On the Online Recontact Survey (when the same question was repeated), the Less score jumped to 18%. However, this means there were still 82% of respondents who selected the Same or More.
 - In the Online Reconnect Survey (opt-in), the highest 'less' investment in services score is 36%, meaning that at least 64% or more of respondents want the same or more investment for each service.
-

- When asked on the Online Recontact Survey whether Council needs to invest Less/Same/More in assets, 27% of respondents felt that Council could invest Less in new assets –whilst 73% would like to see the Same or More investment.
- When asked the same question on the Open Online Survey respondents are potentially 'conflicted': whilst 58% of them chose 'reduce services' (compared to 38% choosing 'apply for SV extension') when asked to choose between the two options (see Slide 30), a clear majority (between 70-72%) indicated on separate questions that overall, they want Council to invest the same/more in services (see page 13, Attachment 11 (D15025537) – Appendix 3. Open-ended responses suggest those who prefer reduction in services rather than an SV extension think Council should be responsible for finding a financial solution and/or they don't want too or can't afford an increase in rates.

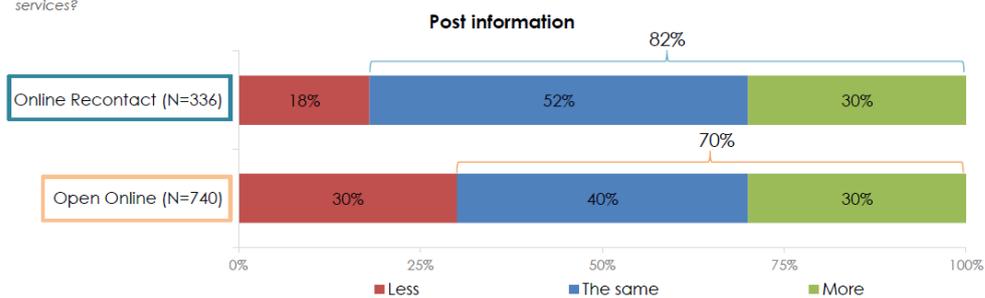
Diagram – Extract from page 13, Service Delivery Research, Stage 3 Open Online Survey Comparison Report, 21 January 2022. (See Attachment 11 (D15025537) Consultation Summary Report, Appendix 3, page 13).

Level of Investment for the Current Range of Services

Q3b. And overall, based on current service levels, do you think Council needs to invest more/the same/less than it currently does in providing its range of services?



Q8b. And overall, based on current service levels, do you think Council needs to invest more/the same/less than it currently does in providing its range of services?



Pre information, Open Online respondents were significantly more likely than the Stage 1/2 sample to state they think Council needs to invest less than it currently does into providing its range of services – although the majority (72%) wanted service levels to be the same or more.

Post information, the gap between the two samples closes – although even amongst the Open Online sample a clear majority (70%) still wanted service levels to be the same or more.

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Respondents were also asked to provide feedback on 47 current Council services, including whether or not you have used or relied upon each Council service in your local area in the past two to three years; how satisfied, if at all, you are with Council's performance of that service in your local area (even if you haven't used it recently); and based on what you now know about Council's financial situation, whether you feel that Council should invest less, the same, or more than they currently spend on that service.

The following diagrams compare results of usage, satisfaction ratings and the less/same/more investment questions, between the Open Online sample of 740 respondents and the Community Survey - Online Recontact sample of 336 respondents.

Diagram – Extract from page 21, Service Delivery Research, Stage 3 Open Online Survey Comparison Report, 21 January 2022. (See Attachment 11 (D15025537) Consultation Summary Report, Appendix 3, page 21)

Comparisons – Usage/Satisfaction/Investment

Summary of Differences Between Open Engagement – Online and Community Survey – Online Recontact Results

Top 5 largest differences for 'Usage' %	Used in past 2-3 years		
	Open Online	Online Recontact	Difference
Assessing and determining development applications	30%	19%	11%
Dealing with Council/Customer service – be it face to face, phone or online	78%	68%	10%
Library Online Services – audiobooks, e-learning and education programs	31%	21%	10%
Library services and programs	49%	40%	9%
Maintaining and minor upgrades to existing skate parks and BMX tracks - 25 skate parks, 4 BMX tracks	19%	27%	-9%
Average across all 47 services	49%	48%	1%

Top 5 largest differences for 'Satisfaction' %	Satisfaction (T3B%)		
	Open Online	Online Recontact	Difference
Central Coast Airport at Warnervale	40%	67%	-27%
Urban planning - planning for population growth, new housing, suburb amenity and a changing environment	44%	63%	-19%
Council-run childcare	71%	90%	-19%
Community development - partnerships with community and not-for-profit groups such as health and wellbeing programs	70%	88%	-18%
Assessing and determining development applications	49%	66%	-17%
Average across all 47 services	74%	82%	-8%

Top 5 largest differences for 'More/same investment' %	More/same investment		
	Open Online	Online Recontact	Difference
Community development - partnerships with community and not-for-profit groups such as health and wellbeing programs	56%	82%	-26%
Central Coast Airport at Warnervale	41%	65%	-24%
Managing Central Coast Stadium	46%	69%	-23%
Community events staged and managed by Council, such as Chrome fest, Lakes Festival, Harvest Festival	51%	70%	-19%
Council-run childcare	65%	83%	-18%
Average across all 47 services	74%	83%	-9%

There are some differences in service usage by sample type – although in terms of overall average usage per service, both the Open Online sample and the Stage 2 Online Re-contact sample had very similar results (49% v 48%). However, for satisfaction and investment, Open Online respondents were more likely on average to be less satisfied and want less investment in Council services, when compared to Stage 2 Online Re-contact respondents. Please see the next 4 slides for differences for all three metrics compared across the 47 services.

For business leaders in response to an open-ended question about service levels, the four main service themes that emerged where they wanted to see more or the same level of investment were infrastructure/maintenance and management to ensure the area remains visually appealing and core services were maintained; planning and development to ensure the growth of the region for infrastructure development and generation of employment; tourism to ensure visitor spending does not reduce and waste management as an important service.

In considering service changes, several themes emerged from residents and business leaders including Council looking at outsourcing some services to seek costs efficiency and business efficiencies achieved through other means such as collaborating with other Councils, sharing of equipment and consolidating events.

"I think, overarching, I probably sit more on the 'let's all pay a little bit more and keep all the services', but to this point directly, I was thinking about it on the drive up, like I run a household budget and community-driven projects are lovely and part of a dynamic community but like, a household budget... I like going to the movies... but if I can't afford it, I just don't do it. Like, I pay my electricity, I pay my rates, I pay my water; I don't take my kids to community things because it always costs me a fortune" Community Reference Group, 8 December 2021

"Rather than cut something entirely... pause for 12 months or for 2 years or whatever the time is and whatever the value is and make up the 26 million that way. And then my other question was coming back to, if we take out all the mandatory things and then apply the math's, what is the overall percentage then? We've said it's 11 or 11.5, what would it go up to?" Community Reference Group, 8 December 2021

"My kids went to a Council childcare centre, and they're known for their compliance, and they're heaps better because they have to comply, whereas private businesses don't. Also, they do have a policy, like I had to sign to say that if a child at risk needs a spot, then I had to clear the way... so they are there for those children that are in unsafe situations as well" Community Reference Group, 8 December 2021

"If you close them, and then in 5 years it's going to cost you more money to get it up and running, because it's been sitting there for so long" Community Reference Group, 8 December 2021

"We're talking about what, a 300 dollar... a 200 dollar a year increase on average? Obviously it's more for some of us, so it's not overly high, is it? It's not more than 3 or 4 dollars for the average ratepayer, not more than 3 or 4 dollars a week for the year and when we've been through that list of things we're talking about cutting from the communities, things that are better for the community..." Community Reference Group, 8 December 2021

A2. Support for the SV solution

Overall, the quantitative surveys showed the following results:

- On the Online Recontact Survey (representative sample), we asked a forced preference question—whether respondents would prefer an extension of the existing three-year SV for another seven years—or whether they would prefer a reduction in service levels. Results were polarised – with 49% selecting Reduced services and 47% selecting SV Extension. A further 4% skipped the question (we deliberately did not force an answer here for those who simply couldn't decide). This polarised response is seemingly at odds with the earlier measures- particularly that 82%of Online respondents indicated on a separate question that Council should invest the Same or More in services generally.

Analysis indicated that a number of those who chose the Reduced services option on the head-to-head preference question may be doing so due to dissatisfaction with Council more-so than a real desire to see service levels drop.

- Open Online respondents were more likely than the Online Recontact respondents to prefer that Council reduce services in order to address Council's financial situation, with 58% selecting Reduced services and 38% selecting SV extension. (A further 4% again skipped the question). Open-ended responses suggest that those who prefer a reduction in services think that Council should be responsible for finding a financial solution or they don't want the rate increase to continue.

Differences in results between survey representative samples and opt-in respondents can be because opt-in respondents may have vested interest in the topic being surveyed, or heightened awareness. This is why Council decided to include an opt-in open survey as it was important to engage with these community members too.

However again, the opt-in respondents were at odds, with a clear majority (between 70-72%) indicating on separate questions that overall, they want Council to invest the same/more in services.

In terms of some direct comments from a key stakeholder group, 9 out of 12 business leaders favoured the notion of extending the rate increase for an additional seven years rather than reducing services when asked this forced preference question in the meeting on 27 October 2021.

None believe just introducing service cuts is the best way forward... - "Nobody thinks the services we currently get are adequate. I don't think it's going to get you out of the hole here." Business Leaders Roundtable Meeting, 27 October 2021

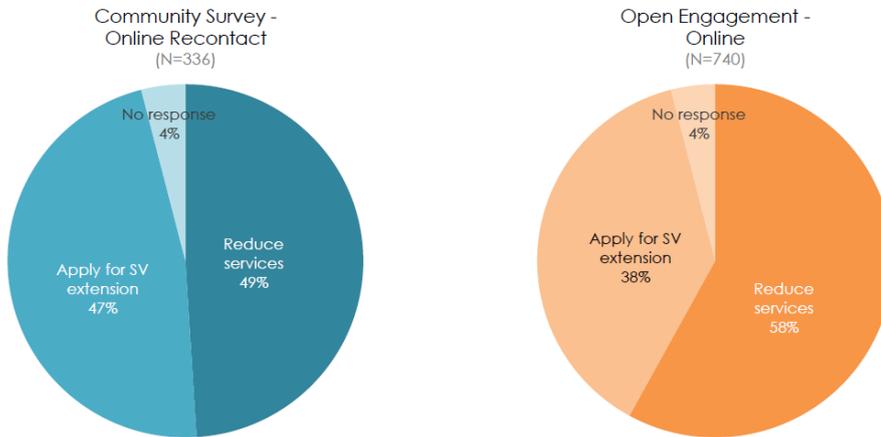
" We should work within the Maintain Special Variation scenario as an absolute minimum. Our household would be 100% behind an Enhance Scenario, if the increased rates would be used in meaningful, long term infrastructure projects. There is almost going to be a lot of loud noises against any kind of rate rises – no one wants to pay for 'anything', while wanting 'everything'. Human nature. Fact is though, that even on the Central Coast there are a fair amount of households with more than enough disposable funds that can be directed towards the development of the region, both within households of permanent residents, and those that use the area for recreational/holiday purposes only." Public Exhibition submission, January 2022

"In short, no i don't think this increase should be continued, because prior to Council's financial ineptness (and illegal use of funds as we have been told repeatedly) we were apparently fine on service provision, so why is that no longer the case, after being told this increase was just to cover repayment costs of above said funds." Public Exhibition submission, January 2022

Diagram – Extract from page 12, Service Delivery Research, Stage 3 Open Online Survey Comparison Report, 21 January 2022 (See Attachment 11 (D15025537) Consultation Summary Report, Appendix 3, page 12)

Preferred Option to Address Financial Situation

- Q9a. And now that you know more about the range of services offered by Council, which one of the following options would you prefer Council to pursue in order to help address the financial situation?
- Reduce service levels to meet the shortfall
 - Request IPART to extend the current one-off 1.3% Special Variation rates increase for an extra seven years - this would maintain the current increase of \$3.20 per week for the next nine years for the average household. The exact amount you will pay will vary depending on the rating category for your parcel of land and the value of your land as determined by the NSW Valuer General.



Open Online respondents were significantly more likely than Stage 2 Online Re-contact respondents to prefer that Council reduce services in order to address Council's financial situation.

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A3. Alternative solutions

When looking at open-ended reasons why some respondents want Council to reduce services, the Open Online sample was generally more likely to provide a range of responses – with two thirds saying it is because of 'Council mismanagement/lack of trust in Council/fix it internally/Council's responsibility'.

Themes

- State Government assistance
- Renegotiating the commercial loans
- Hybrid solutions: some rate increase combined with more cost cutting or selling assets
- Provide more options for community to consider

"Why are there only two options –cut services or increase rates? Have alternatives been discussed?" Community Reference Group, 8 December 2021

"If we don't get the 7 year increase, can we re-negotiate the loan conditions so we don't have to dramatically cut services?" Community Reference Group, 8 December 2021

"Can the State Government step in and negotiate with IPART?" Community Reference Group, 8 December 2021

A4. Awareness of Council's financial difficulties

There is high awareness within the community of Council's financial difficulties, with 89% aware. This is up from 80% awareness when a similar question was asked in February 2021. Council had a clear strategy to include information about Council's financial difficulties in the surveys so that residents understood the context of the questions that they were being asked.

"Just from tonight, from what we've talked about, from hearing some of the feedback that Council get from community members and based on the survey results –I don't think the community truly understands the significance of what Council's situation is" Community Reference Group, 8 December 2021

B. Indirect themes:

B1. Communication by Council

Residents and Business Leaders frequently suggested ways to improve the messaging from Council to the general community. Key themes included; simplified messaging with clear and concise information (preferably in dot points that can be easily understood and distributed), not using 'Council terminology' (e.g. residents did not understand 'harmonization'), having the information more accessible, informative (complete transparency particularly around actions taken to reduce costs) and having the messaging less on the 'Council clean up' but rather resident-focused that is positive, taking action and future focused by informing of plans and potential/likely impacts.

What was clear from the feedback is that different members of the community have different levels of understanding and preferences of how to receive information. For example, CRG members said a printed newsletter mailed direct to ratepayers was the best way to communicate, and business leaders preferred social media. This dissonance is symptomatic of the communication challenges facing Council.

"Key to communication is: authenticity, transparency and hope. Business will understand the need to extend rates, this is not the issue you need to convert them on. The average resident is your biggest antagonist. Businesses want the strategy and plan for how we are going to survive and thrive to gain confidence to continue investing in their growth. Their key levers are planning & approvals and economic development strategies. Businesses need clarity and guidelines, they will do the rest with helping us to generate revenue for the region." Business Leaders Roundtable Meeting, 27 October 2021

"I think, if I unwrapped my rates notice and it had a big red heading 'Where did all the money go?' and you had points, I would read it because like, that's what everyone wants to know. And even if it's a really boring list, then that becomes a conversation in the community I guess." Community Reference Group, 8 December 2021

"There'd be a level of empathy and understanding from the community members if they knew, because then they would go 'oh okay, well we understand' and then be able to... you know, be able to then support whatever then is rolled out from the next stage, where, at the moment, the communication is there...if people are interested, they can find it" Community Reference Group, 8 December 2021

As a subset of communication, the CRG provided valuable feedback to Council about the draft questionnaires for the survey and communication materials. Interestingly the group noted that the survey was relevant to them as a resident and understood the need for detail but that the length of the survey may be time consuming.

"The term 'harmonised' is your language. I think it needs to be stated clearly that Wyong and Gosford rates are now the same" Community Reference Group, 21 October 2021

"Do we need to specify that some of these things (such as compliance) are legally mandated things? That will make an impact on people's thoughts" Community Reference Group, 21 October 2021

"Outline what the online component of libraries is such as licensing and subscription fees" Community Reference Group, 21 October 2021

"Examples for community programs. Examples for community events" Community Reference Group, 21 October 2021

B2. Accountability and transparency

Various questions were raised throughout the consultation from residents around accountability and transparency in relation to Council's financial situation, governance of the organisation and general queries about how services are prioritised and delivered. There remains some community commentary about the impacts of amalgamation, as there was in the late 2020 consultation. The public exhibition of the draft revised Community Strategic Plan also generated comments about the timing of revising the document and concerns that the community did not have time to consider feedback.

"Did the Councillors know they were using funds they technically couldn't?" Community Reference Group, 8 December 2021

"Are we able to see which non-essential services are costing the most? This would allow people to make more informed decisions on which hard choices can make the biggest difference" Community Reference Group, 8 December 2021

"I look at this and I go 'that's exactly what we need to be doing'. This aligns to what I was thinking while I was doing the survey –every point on here I go 'yes, yes, yes!'. That's what Council needs to be doing" Community Reference Group, 8 December 2021 (Productivity Fact Sheet)

"The reality is, we have the Administrator now, this is the time to make the hard decisions to set the right foundation" Business Leaders Roundtable Meeting, 27 October 2021.

B3. Future growth / opportunity for the region

Business leaders were particularly concerned that opportunities to grow the region, such as maintaining employment and infrastructure development continued and that they wanted businesses to have a role working with Council. They also alluded to Council needing a plan because if Council wants businesses to support them, businesses will want to see that plan.

"Everybody understands that businesses go up and go down, but if they don't have the plan to get out of it then you won't get the business support" Business Leaders Roundtable Meeting, 27 October 2021

"There is some concern for no infrastructure for 10 years, we're obviously behind and if there's opportunity for follow up meetings with this group to discuss how we can attack that funding, maybe a third-party entity to deliver that project. The community doesn't want to see more asset sales but they don't understand" Business Leaders Roundtable Meeting, 27 October 2021

"In terms of accelerating for the whole Central Coast and obviously the financial position of the Central Coast Council, future growth & opportunity in terms of infrastructure is going to be critical to a whole range of things. Not just growing for us as actual businesses on the Coast but also for supporting the long-term fiscal position of the Central Coast Council. How can we work symbiotically to support outcomes for everyone?" Business Leaders Roundtable Meeting, 27 October 2021

B.4 Affordability

Council received two customer queries about affordability during the consultation period.

C. Other themes:

Additional matters raised during the Public Exhibition Period of the strategy documents were:

- Request for projects to be brought forward or for additional projects and activities to be included
- Questions and comments of Fees and Charges to be included or reduced / restructured.

2.4 How did the council respond to feedback from community consultation?

In the text box explain the action, if any, the council took in response to feedback from the community.

The level of the feedback the community provided through Council's engagement is detailed in Criteria 2.3a and the nature of that feedback is identified in Criteria 2.3b and grouped into a number of themes. At all times, Council endeavoured to provide the community with the most accurate information, presented in the most readily accessible and understandable form as detailed in Criteria 2.2 about all the methods Council sought feedback.

Council's response to each of the themes of feedback is articulated below.

A. Direct themes:

A 1. Service levels and impacts

Council considered the feedback from the survey respondents and the Community Reference Group (CRG) to consider options around reducing services that the community considered could be reduced. In the service areas where Council can spend less the savings realised would not meet Council's target of \$25.8 million annually, and some of these services are highly valued for the social benefits that they deliver such as access to community facilities and access to community programs. The amount of savings for those services equated to approximately \$5m annually. Council will incorporate this community feedback as it explores further ways to find efficiencies and reinvest in services that the community identified where more investment was needed.

Council acknowledges that the community wants Council to improve service delivery and that Council has not met some of the community expectation about the level of productivity improvements and timeliness of the benefits to flow to the community; for example gains made through the implementation of better technology to enhance services to the community.

Council's challenge with the community feedback about changing some service levels to find savings and at the same time deliver the benefits of productivity improvements so that other services are maintained, is the timeframe to deliver that outcome is not viable under the current conditions of Council needing to meet the emergency loan repayments.

A2. Support for the SV extension

Council considered community feedback from the representative telephone and online surveys and open community online survey and feedback from stakeholders across the other engagement activities, and responded by developing five proposed financial scenarios and impacts on services and programs and placing on public exhibition 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.

Council did not make any changes to its proposal to maintain the SV, as this scenario met the majority of the community expectations from the representative phone and recontact survey, and the online open survey to maintain services. Council acknowledged through the outline of the scenarios in the Long Term Financial Plan the difficulties of the community desire to both maintain the services and decrease the rates.

If the current rates are not maintained as outlined in Council's proposal to maintain the SV, Council will have an average annual ordinary rates income loss of \$25.8 million. This means Council will need to reduce or cease many services. Council did develop a Service Level analysis and included this in the Delivery Program to demonstrate the impact on reduce service option under the Deteriorate Scenario.

A3. Alternative solutions

The trend in community commentary about having more options to consider started with the first Community Reference Group meeting in October 2020 and continued through meetings the Administrator had with community associations and in his Open Office meetings with residents, via direct customer queries to Council and through the surveys. Council responded to this feedback by developing three (3) scenarios of *Baseline Scenario*, *Maintain Special Variation (SV) Scenario* and *Deteriorate Scenario* which were included in the Long Term Financial Plan. In addition, two (2) non-budgeted alternative scenarios of *Enhance Scenario* and *Less than seven (7) years extension Scenario* were considered based on this community feedback, but not included in the Long Term Financial Plan.

A4. Awareness of Council's financial difficulties

Given the high levels of awareness of Council's financial difficulties, Council's main response to this feedback was to ensure that specific questions about matters arising from the financial situation were addressed in the direct responses to customer queries.

Council also utilised the following standard response letter as a base to explain the steps that Council had taken to address the financial situation. Furthermore, Council acknowledged the community anger and concerns over the financial situation through the changes proposed to the draft Community Strategic Plan.



[Date]

[Name/Position Title]
[Business/Company Name]
[address_1]
[ADDRESS_2]

Dear [Name]

Thank you for taking the time to get in touch with Central Coast Council, we appreciate your candour and completely understand your frustration and disappointment with us.

We have taken decisive actions in a short space of time since uncovering our financial problems in October 2020. We have made changes to the organisation by appointing a new Chief Executive Officer and Chief Financial Officer and now have tighter budget management controls and transparent monthly financial reporting that is publicly available on Council's website. We have also implemented measures to manage costs including reducing staff by \$30 million, reducing materials and contracts by \$20 million, capping capital works programs at \$175 million, selling at least \$60 million in property assets and obtaining \$150 million in emergency bank loans to reimburse the \$200 million in restricted funds that had been spent unlawfully on projects that the community had benefited from.

We have done everything we can behind the scenes to reduce costs with minimum service reductions to the community. This includes a focus on productivity improvements which should have been realised as part of the 2016 merger of Gosford and Wyong Councils but were not, such as improving internal systems, processes, equipment and better management of staff time. These productivity improvements have ensured the necessary cost-cutting measures have had minimal service reductions to the community. Some of these productivity improvements will continue to have an ongoing positive impact on improved service delivery and the community will see the benefits year on year.

These cost management measures made up 70% of what we needed to do to satisfy the external lenders that we were getting Council finances back on track. The other 30% came from the temporary 13% special rate variation (plus 2% rate peg) approved by the Independent Pricing and Regulatory Tribunal (IPART) in May 2021. This temporary increase is for three years only. The external loans are the backbone of our financial recovery and we are required to repay these within ten years. To do this and continue to be able to deliver services at the current level, Council is proposing to apply to maintain the current rates for an additional seven years, or ten years in total.

Wyong Administration Building: 2 Hely St / PO Box 20 Wyong NSW 2259
P 1300 463 9541 W centralcoast.nsw.gov.au | ABN 73 149 644 003

2

If rates reduce at the end of three years, there will be shortfall of \$25.8 million annually on average for the following seven years and we will need to reduce services to meet this shortfall.

We have met or exceeded all the targets we set ourselves as part of our recovery plan. Our financial recovery is on track and we are taking every possible action to ensure the long-term financial sustainability of Council.

You can have your say about maintaining Council services and rates through an online survey available at yourvoiceourcoast.com/servicesandrates.

We encourage you to read the information materials and frequently asked questions about services and rates.

Yours sincerely,

Natalia Cowley
Director Corporate Affairs and Chief Financial Officer
Corporate Affairs
Central Coast Council

Reference No:

Wyong Administration Building: 2 Hely St / PO Box 20 Wyong NSW 2259
P 1300 463 9541 W centralcoast.nsw.gov.au | ABN 73 149 644 003

B. Indirect themes:

B1. Communication by Council

Council took on board the qualitative feedback provided by residents and business leaders to improve the information materials utilised during the engagement program, including:

- Replacing Council terminology, such as 'rates harmonisation' and "amalgamation" with easier-to-understand common terms across Fact Sheets and the preambles to the community surveys
- Giving examples of Council assets so the community understood what was being described in a list of services in the community surveys
- Changing the format of how long and complex information was set out, to dot points and short sentences in the community surveys
- Using tables and a graph to show detailed rates information in the rates brochure and within the Long Term Financial Plan including showing the dollar and absolute values
- Explaining simply what the restricted funds were spent on, through updating FAQs on the website and providing this information in direct response to queries via email and letters
- Balancing the key messaging less on the 'Council clean up' but rather resident-focused that is positive, taking action and future focused by informing of plans and potential/likely impacts
- Utilising various methods of communicating to ensure that community members could access the information

Diagram – Extract from page 9, Service Delivery Research, Community Reference Group and Business Leaders Workshop, 12 November 2021 (See Attachment 11 (D15025537 Consultation Summary Report – Appendix 1

Community Feedback on Q4 (Phone Recruit)

From this:

- Q4** Approximately one year ago, it was discovered that Central Coast Council was facing financial difficulties. Council had been spending more money than it was receiving, both before and after amalgamation. The money came from restricted funds. (A restricted fund is a reserve account that contains money that can only be used for specific purposes.) The money was not lost rather it was spent on infrastructure and services that directly benefited the community. Prior to this call, were you aware that Council was facing financial difficulties?
- Yes
 No
 Not sure

<p>Community Feedback:</p> <p><i>"The use of 'amalgamation' should be simplified – not language that everyone will understand – will lower socio-economic groups be able to understand the question"</i></p> <p><i>"Give some examples of what infrastructure the money had been spent on e.g., those in the Northern part would have seen different things to those in the Southern part"</i></p>	<p><i>"Maybe explaining verbally over the phone what a reserve account is e.g., liked Rik's analogies of using savings account, credit card, etc."</i></p> <p><i>"The money was not lost" sounds a bit defensive"</i></p> <p><i>"Can we just leave out everything from the 3rd sentence onwards and then just ask the question?"</i></p>
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To this:

- Q4** Approximately one year ago, it was discovered that Central Coast Council was facing financial difficulties. These difficulties were not related to COVID-19 – rather, Council had been spending more money than it was receiving, both before and after the previous Gosford and Wyong Councils were merged in 2016. The money came from restricted funds. A restricted fund is a reserve account that contains money that can only be used for specific purposes – it's a little like a household using money it had set aside for a home deposit on something else. The money was not lost rather it was spent on infrastructure such as roads and a range of services that directly benefited the community. Prior to this call, were you aware that Council was facing financial difficulties?
- Yes
 No
 Not sure

More detail about the feedback and Council's response to this feedback is on pages 15 in Attachment 11 (D15025537) Consultation Summary Report).

B2. Accountability and transparency

Council responded to questions about accountability and transparency through consistent responses to customer queries, media enquiries and availability of FAQs on the website. For questions related to the timeline of the Public Exhibition of the IP&R documents, Council advised the community that they could still provide feedback direct to IPART and also that they would have another opportunity to provide feedback on the draft Delivery Program in April 2022.

Attachment 11 (D15025537) Consultation Summary Report,) Appendix 4 and Appendix 5 provide summary of the responses to customer queries and submissions from the Public Exhibition of the IP&R documents.

B3 Future growth / opportunity for the region

Council responded to the business leaders and residents concerns about impacts to future opportunities and growth for the region by outlining potential impacts to the amenity and liveability factors of the region in the rate scenarios outlined in the IP&R documents. Information that impacts may be mid to long term for the region were also made clear in FAQs and through media interviews.

Business Leaders agreed with Council's suggestion to have regular quarterly meetings to discuss regional impacts of Council policy and decisions and Council will action these meetings going forward.

B4 Affordability

Council included information in the community awareness materials and also the Delivery Program outlining clearly the impacts to rates of the scenarios. Also included in the Frequently Asked Questions information about its Debt Recovery and Hardship Policy.

C. Other themes:

Council responded to questions about other issues through coordination of responses through Council's usual customer query process and involving subject matter experts and senior service managers. Where required, specific queries were raised as usual service requests.

Table 2.1 Criterion 2 attachments

Council- assigned number	Name of document	Page references^a
19 (D15024734)	Communications and Engagement Plan SV Project	Whole document
11 (D15025537)	Consultation Summary Report – Maintaining Services and Rates January 2022	Pages are referred into text boxes under each criterion question
10 (D15024738)	Community Engagement Information and Supplied Materials	10, 42-43

a. If document only relevant in part.

Criterion 3: Impact on ratepayers

Criterion 3 in the SV Guidelines is:

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:

- clearly show the impact of any rises upon the community
- include the council's consideration of the community's capacity and willingness to pay rates and
- establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

3.1 What is the impact on rates of the proposed special variation?

In the text box provide information about the impact on rates of all affected ratepayer categories.

When council reviews its rating structure each year equity, simplicity, and sustainability are considered. Rates are set to ensure each ratepayer contributes a fair share for funding of services and infrastructure. Each share of funding considers ability to pay where property values correlate with wealth and ability. Rate income is reviewed for sustainability in that it can meet the required cost of providing and maintaining services, maintaining infrastructure, considering the economic conditions we operate in. Treating ratepayer groups in a similar way promotes fairness and equality amongst competing businesses across the Central Coast.

Council uses the method of ad valorem and minimum rates to determine the amount of rates paid by each property owner. Council applies the maximum allowable minimum rate where a properties unimproved land valuation does not meet the threshold.

Current Rating Structure

The table I below highlights Central Coast Council's current rate structure that has been levied in the FY22 as per Council's Operational Plan.

Table I: Ordinary and Special rates levied in 2021-22

Ordinary Rates	Name of sub-category	Number of Assessments	Ad Valorem Rate	Min \$	Land Value as at 01/07/21	Ordinary Rates Income 2021-22	Avg Rates 2021-22	Percentage of Ordinary income
Residential		135,355	0.34245	\$565	\$48,846,143,555	\$171,502,945	\$1,267.06	84.8%
Business		6,663	0.663713	\$565	\$3,330,354,002	\$22,542,218	\$3,383.19	11.1%
Business	Major Retail	22	1.078595	\$565	\$171,236,000	\$1,846,943	\$83,951.95	0.9%
Business	Local Retail	26	0.716435	\$565	\$42,195,400	\$303,710	\$11,681.15	0.2%
Farmland		429	0.183622	\$565	\$486,353,520	\$898,618	\$2,094.68	0.4%
Mining		5	46.76621	\$565	\$5,075,000	\$2,373,385	\$474,677.00	1.2%
Total Ordinary Rates						\$199,467,819		98.6%

Special Rates		Number of Assessments	Ad Valorem Rate	Min \$	Land Value as at 01/07/21	Ordinary Rates Income 2021-22	Avg Rates 2021-22	Percentage of Ordinary income
Gosford Parking Rate		372	0.137966	\$0	\$164,185,243	\$226,520	\$608.92	0.1%
CBD Improvement Rate		372	0.35993	\$0	\$164,185,243	\$590,952	\$1,588.58	0.3%
Business Tourism		3,600	0.050684	\$0	\$2,146,304,859	\$1,087,568	\$302.10	0.5%
The Entrance		581	0.409161	\$0	\$162,211,738	\$663,707	\$1,142.35	0.3%
Toukley		202	0.304089	\$0	\$68,495,760	\$208,288	\$1,031.13	0.1%
Wyong		167	0.124524	\$0	\$73,881,500	\$92,000	\$550.90	0.0%
Total Special Rates						\$2,869,035		1.4%

Total Rates						\$202,336,854		100.0%
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Proposed changes

Council is seeking to maintain the 15% (including rate peg) Special Variation for a further seven (7) years to 2030-31. This means that the current rates levied will increase by the annual rate peg determined by IPART. In the SV application the rate peg assumption set by IPART is 2.5%. It should be noted that the actual rate peg can vary significantly. Other factors which may impact the amount of rates you pay are changes in your unimproved property value and changes in rating categories.

The 15% (including rate peg) was awarded on a temporary basis for 3 years from 2021-22 to 2023-24. Under this arrangement Council is to reduce its income in the 2024-25 rating year by \$23.6 million.

To maintain the SV Council's SV application for the 13.05% SV plus rate peg is required in Council's rate base beyond 2023-24 up to and including 2030-31. For the years 2022-23 to 2030-31 rates will increase by the rate peg determined by IPART. For more information, please refer to Council's response to Question 1: What is the type and size of the special variation the council is applying for?

There are no major changes proposed to Council's rating structure or the minimum amounts. The immediate impact will see rates increase in 2022-23 by the IPART approved rate peg of 1%. The long-term impact of the proposed changes will see the temporary rate increase extended beyond year 3 into 2024-25. For the purpose of the application an assumed rate peg of 2.5% has been applied. Communication about the impact on the LTFP and maintenance of the SV has been extensive with the community via the Community Reference group, Business Leaders group, phone survey, brochures to all ratepayers

Impact of the proposed changes

Table J below demonstrates the impact on ordinary rate income, from the maintain SV scenario, from the current rating year to 2031-32 where it is proposed that the SV will cease, and ordinary rate income will be reduced.

Table J: Maintain SV scenario – forecasted ordinary rates to 2031-32

Rate Peg	2.0%	1.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Ordinary Rates	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Residential	171,502,945	173,217,974	177,548,424	181,987,134	186,536,813	191,200,233	195,980,239	200,879,745	205,901,739	211,049,282	191,939,490
Farmland	898,618	907,604	930,294	953,552	977,390	1,001,825	1,026,871	1,052,543	1,078,856	1,105,828	1,005,699
Business	22,542,218	22,856,300	23,427,708	24,013,401	24,613,736	25,229,079	25,859,806	26,506,301	27,168,959	27,848,183	25,326,625
Business Local Retail	303,710	307,942	315,640	323,531	331,619	339,910	348,408	357,118	366,046	375,197	341,224
Business Major Retail	1,846,943	1,872,677	1,919,494	1,967,481	2,016,668	2,067,085	2,118,762	2,171,731	2,226,024	2,281,675	2,075,077
Mining	2,373,385	2,300,000	2,357,500	2,416,438	2,476,848	2,538,770	2,602,239	2,667,295	2,733,977	2,802,327	2,548,586
Total Ordinary Rates	199,467,819	201,462,497	206,499,060	211,661,536	216,953,075	222,376,901	227,936,324	233,634,732	239,475,600	245,462,490	223,236,700
Total Council Rate											
Income Increase	26,501,022	1,994,678	5,036,562	5,162,476	5,291,538	5,423,827	5,559,423	5,698,408	5,840,868	5,986,890	(22,225,791)
Additional Rates											
Income from prior year	15.32%	1.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	-9.05%

Table K below demonstrates the impact on the average ordinary rates payable by category from the current year to 2031-32 where it is proposed that the SV will cease, and the average ordinary rates will be reduced.

Table K: Maintain SV scenario –forecasted average ordinary rates to 2031-32

SV Application - 2021-22 15% (13% SV plus rate peg) with SV in rates income to 2030-31 FY and rate peg moving forward assumed to be 2.5% from 2022-23 FY and onwards											
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Residential Annual Average	\$1,267	\$1,280	\$1,312	\$1,345	\$1,378	\$1,413	\$1,448	\$1,484	\$1,521	\$1,559	\$1,418
Farmland Annual Average	\$2,095	\$2,116	\$2,169	\$2,223	\$2,278	\$2,335	\$2,394	\$2,453	\$2,515	\$2,578	\$2,344
Business Annual Average	\$3,375	\$3,422	\$3,507	\$3,595	\$3,685	\$3,777	\$3,871	\$3,968	\$4,067	\$4,169	\$3,791
Business Local Retail Annual Average	\$11,681	\$11,844	\$12,140	\$12,444	\$12,755	\$13,073	\$13,400	\$13,735	\$14,079	\$14,431	\$13,124
Business Major Retail Annual Average	\$83,952	\$85,122	\$87,250	\$89,431	\$91,667	\$93,958	\$96,307	\$98,715	\$101,183	\$103,712	\$94,322
Mining Annual Average	\$474,677	\$460,000	\$471,500	\$483,288	\$495,370	\$507,754	\$520,448	\$533,459	\$546,795	\$560,465	\$509,717
Total Council rate income increase*	15.3%	1.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	-9.1%
Additional Rates											
Income (from prior year) in Millions	\$26.5	\$2.0	\$5.0	\$5.2	\$5.3	\$5.4	\$5.6	\$5.7	\$5.8	\$6.0	(\$22.2)

The figures quoted in tables J and K above have been developed from financial modelling based on current property data and land values held in Council's property & rating systems as of 6 October 2021 (note: land values are based on the Valuer General's last release which has a base date of 1 July 2019). Final 2022-23 figures will vary due to changes resulting from new land values, processing supplementary adjustments and changes to rating categories. The average rates have been calculated based on the rating income for each rating category divided by the number of ratepayers in the rating category. Rounding has been applied throughout the document.

Graph 9: Comparison of average residential ordinary rates to 2031-32



Impact without SV

Council cannot put at risk its financial sustainability and loan repayment ability and must continue to demonstrate to commercial lenders that Council is able to repay the loans and maintain the current service levels for the Central Coast community. If the current rates are not maintained beyond the current SV in 2023-24, Council will have an average annual ordinary rates income loss of \$25.8 million. This means Council will need to reduce or cease many services among other strategies.

Table L below demonstrates the impact on ordinary rate income from the current rating year to 2031-32. In this scenario ordinary rates are reduced in 2024-25.

Table L: Baseline and Deteriorate scenario – forecasted ordinary rates to 2031-32

Rate Peg	2.0%	1.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Ordinary Rates	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Residential	171,502,945	173,217,974	177,548,424	161,472,020	165,508,821	169,646,541	173,887,705	178,234,897	182,690,770	187,258,039	191,939,490
Farmland	898,618	907,604	930,294	846,059	867,211	888,891	911,113	933,891	957,238	981,169	1,005,699
Business	22,542,218	22,856,300	23,427,708	21,306,409	21,839,069	22,385,046	22,944,672	23,518,289	24,106,246	24,708,902	25,326,625
Business Local Retail	303,710	307,942	315,640	287,060	294,237	301,592	309,132	316,861	324,782	332,902	341,224
Business Major Retail	1,846,943	1,872,677	1,919,494	1,745,690	1,789,332	1,834,065	1,879,917	1,926,915	1,975,088	2,024,465	2,075,077
Mining	2,373,385	2,300,000	2,357,500	2,144,036	2,197,637	2,252,578	2,308,893	2,366,615	2,425,780	2,486,425	2,548,586
Total Ordinary Rates	199,467,819	201,462,497	206,499,060	187,801,275	192,496,306	197,308,714	202,241,432	207,297,468	212,479,904	217,791,902	223,236,700

Total Council Rate Income Increase	26,501,022	1,994,678	5,036,562	(18,697,785)	4,695,032	4,812,408	4,932,718	5,056,036	5,182,437	5,311,998	5,444,798
Additional Rates Income from prior year	15.32%	1.00%	2.50%	-9.05%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Table M demonstrates the impact on the average ordinary rates payable by category with a reduction in ordinary rates in 2024-25.

Table M: Baseline and Deteriorate scenario –forecasted average ordinary rates to 2031-32

Baseline Option - 2021-22 FY 15% (13% SV plus rate peg) with SV in rates income to 2023-24 FY and rate peg moving forward assumed to be 2.5% from 2022-23 FY and onwards											
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Residential Annual Average	\$1,267	\$1,280	\$1,312	\$1,193	\$1,223	\$1,253	\$1,285	\$1,317	\$1,350	\$1,383	\$1,418
Farmland Annual Average	\$2,095	\$2,116	\$2,169	\$1,972	\$2,021	\$2,072	\$2,124	\$2,177	\$2,231	\$2,287	\$2,344
Business Annual Average	\$3,375	\$3,422	\$3,507	\$3,190	\$3,269	\$3,351	\$3,435	\$3,521	\$3,609	\$3,699	\$3,791
Business Local Retail Annual Average	\$11,681	\$11,844	\$12,140	\$11,041	\$11,317	\$11,600	\$11,890	\$12,187	\$12,492	\$12,804	\$13,124
Business Major Retail Annual Average	\$83,952	\$85,122	\$87,250	\$79,350	\$81,333	\$83,367	\$85,451	\$87,587	\$89,777	\$92,021	\$94,322
Mining Annual Average	\$474,677	\$460,000	\$471,500	\$428,807	\$439,527	\$450,516	\$461,779	\$473,323	\$485,156	\$497,285	\$509,717
Total Council rate income increase*	15.3%	1.0%	2.5%	-9.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Additional Rates Income (from prior year) in Millions	\$26.5	\$2.0	\$5.0	(\$18.7)	\$4.7	\$4.8	\$4.9	\$5.1	\$5.2	\$5.3	\$5.4

The figures quoted in tables L and M above have been developed from financial modelling based on current property data and land values held in Council's property & rating systems as of 6 October 2021 (note: land values are based on the Valuer General's last release which has a base date of 1 July 2019). Final 2022-23 figures will vary due to changes resulting from new land values, processing supplementary adjustments and changes to rating categories. The average rates have been calculated based on the rating income for each rating category divided by the number of ratepayers in the rating category. Rounding has been applied throughout the document.

3.2 How has the council considered affordability and the community's capacity and willingness to pay?

In the text box explain how the council considered whether the rate increases would be affordable for the community, including any socioeconomic data referred to in making its assessment.

Council is seeking to maintain the current level of rates, that is, no further increases above the annual rate peg as determined by IPART. This means that moving forward Council's rating income will increase by the rate peg. Changes in unimproved land values within the Central Coast Council Local Government Area as part of the Valuer General's revaluations for rating purposes (provided to Council once every three years) does not impact Council's rating income. Land values will redistribute rates amongst ratepayers within each rating category.

Our analysis of the community's capacity to maintain paying an increase in rates beyond 2023-24 recognises that while the community will face financial challenges, Council must consider the consequences of not addressing the financial situation for future generations. In assessing these consequences Council has considered the public safety risks, social and economic impacts, and impact on essential or valued infrastructure.

The following summary from the Socio-Economic Review undertaken by .id (informed Decisions) provides quantitative information of residents and households on the Central Coast and highlights areas within the region that are more disadvantaged than others to assist Council to identify trends and inform community needs and levels of impact across different wards. The impacts of COVID-19 have been considered where data is available for analysis.

Demographic summary

Population growth on the Central Coast has been slower than in Regional New South Wales or Greater Sydney. However, the population still increases by 2,000-3,000 residents per year, with the Wyong Ward and Budgewoi Ward recording highest rates of recent population growth. These wards are also forecast to grow at rates above the LGA average in the next ten years.

The Central Coast population has been ageing over time, with a higher proportion of residents aged over 65 in 2016 than in 2011. Within the LGA, the Wyong Ward and The Entrance Ward experienced the highest increases of residents aged over 65 years.

Educational qualifications, one of the most important indicators of socioeconomic status, shows that the proportion of residents with no qualifications is higher on the Central Coast than in Regional New South Wales or Greater Sydney. High proportions of residents with no educational qualifications can impact residents' financial stability and socioeconomic status. Within Central Coast, the Budgewoi Ward had the highest levels of residents with no educational qualifications.

Economic and employment summary

The Central Coast's economy, as indicated by GRP statistics, shows reasonable levels of growth before 2019, followed by a decrease in growth and a decline in GRP in 2020.

Employed residents' totals have been growing steadily over the past decade but decreased in 2020, likely a result of Covid-19's impact on the Australian economy. A similar pattern was also recorded for local jobs, where above-average local job growth was recorded in the past five years, with a loss of local jobs in 2020.

Labour force participation increased over time, a positive socioeconomic indicator. Labour force growth has been highest in the Budgewoi Ward and lowest in The Entrance Ward. Recent statistics show that the unemployment rate has been steady, with a slight increase in 2021. Wards such as the Wyong Ward and Budgewoi Ward have unemployment rates higher than the LGA average.

Other unemployment indicators relevant in the context of understanding residents' capacity to pay council rates include JobSeeker statistics. On the Central Coast, JobSeeker figures increased in early 2020, as was the case in most of Australia. The uptake rates remained high for more than a year but are now declining each month. The uptake rate was similar to that of Regional New South Wales. Within the Central Coast, the Gosford West Ward and Wyong Ward recorded the highest levels of JobSeeker uptake.

Income and expenses summary

A higher proportion of Central Coast households are low-income households than Regional New South Wales and Greater Sydney. However, the trend over time is positive, where more households are moving from low-income categories into medium and highest income categories.

Recent individual income statistics show that Central Coast is below the Regional New South Wales and Greater Sydney medians but has been gaining on the Regional New South Wales median income in recent years. Within the LGA, the Budgewoi Ward and Gosford West Ward had the highest proportions of low-income households.

LGA-level net savings statistics show little change in the levels of net savings on the Central Coast in recent years, until 2020, when net savings, like in many places across Australia, increased – see page 58, Attachment 12 (D15029093) Central Coast Socio Economic Review 2022.

Housing tenure and housing costs summary

Mortgage stress levels on the Central Coast are lower than in Regional New South Wales or Greater Sydney and have decreased over time. The Budgewoi Ward had the highest levels of mortgage stress, whereas the Gosford East Ward had the lowest. On the other hand, rental stress increased over time and indicated more pressure on some residents and households to cover housing costs. The Budgewoi Ward had the highest levels of rental stress, and the Gosford East Ward, the lowest.

Socioeconomic disadvantage index summary

The SEIFA index of disadvantage shows that the Central Coast is less disadvantaged than Regional New South Wales, but more so than Greater Sydney. Within the LGA, the Budgewoi Ward, Gosford West Ward, the Wyong Ward had higher levels of disadvantage than the LGA, whereas The Entrance Ward and Gosford East Wards, had lower levels of disadvantage.

The Central Coast region is diverse with a spread of residents from disadvantaged, to very advantaged. The Socio-Economic Index for Areas (SEIFA) measures the relative level of socio-economic disadvantage based on a range of Census characteristics. The index is derived from attributes that reflect disadvantage such as low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations. It is useful in identifying geographic areas that are relatively disadvantaged.

Higher scores indicate less disadvantage while lower scores indicate more disadvantage. For example, the Central Coast Council area has a SEIFA index of 989, which when ranked among all local government areas of New South Wales, puts it at 86th most disadvantaged of 130 local government areas.

A score of 989 indicates that Central Coast is more disadvantaged than the national (1002) and New South Wales (1001) averages but less disadvantaged than the Regional New South Wales index of 971.

It is important to note that over the past two years there has been a change in relation to the rental market in regional areas across NSW, for the Central Coast it has become a highly competitive market driven by Sydneysiders and other factors such as COVID-19 and Working from Home arrangements. Rental vacancies are extremely low, and rents are high driven by demand. As well absent owners are either living in their rental properties or using them as Airbnb properties and this has been a contributing factor for housing affordability.

Full details of the Socio-Economic Review are in Attachment 12 (D15029093) - Central Coast Socio-Economic Review 2022.

Council has considered the following in developing the Delivery Program, Operational Plan and Long-Term Financial Plan:

- No additional separate or specific rating categories
- Socio-Economic considerations
- Review for new revenue streams or ensuring current fees and charges are appropriate when benchmarked to other Councils or industry service providers (refer to section 5.3 Productivity Improvements for additional information)
- Assumption in the LTFP is that regular grant funding and subsidies will continue. Should the regular grant funding and subsidies reduce then Council has three options:
 - New revenue streams
 - Reduction in services
 - Increased reliance on rating income
- Impact of rate peg – IPART determines the rate peg for NSW Councils annually. The LTFP has been developed using the IPART rate peg SV application assumption of 2.5% annually. Council's rate peg for 2022-23 is 1.0% which is 1.5% lower than the SV application assumption. It is also lower than the annual Award increase of 2.0% and the increase in the superannuation guarantee percentage of 0.5%. The All groups CPI Sydney inflation percentage from December 2020 to December 2021 is 3.1%. This means that the increase in Council's cost base is increasing faster than the increase in Council's rating income.
- Other possible special variations – Council has submitted to IPART in September 2021 its water, wastewater (sewerage), stormwater drainage, trade waste services and other water related services pricing submission to apply from 1 July 2022. IPART has published an Information Paper on Stormwater Drainage as IPART is considering whether to continue to set prices for stormwater drainage services as part of the Water Supply Authority or funded through Council's rating income.

At this time IPART has not made a decision (Final Report and Determination will be issued in May 2022) and as such the General Fund LTFP has been prepared based on the current structure – that is the stormwater drainage income and expenditure are reflected in the drainage fund. Should IPART determine that stormwater drainage services should be funded via Council's rating income Council will commence a separate SV application process including Community Engagement.
- Council's rating structure is a maximum minimum for ordinary rates and there are no plans to change from the maximum minimum at this time.

When preparing the Long-Term Financial Plan consideration was given to the socio-economic profile of the Central Coast Council Local Government Area (LGA). Council's total revenue is largely made up of rates, annual charges and user fees and charges so it is important to consider the capacity of ratepayers, residents, and visitors to pay.

Council understands that ratepayers may experience hardship from time to time and has options available under relevant legislation to provide support.

It is recognised there is a unique issue with those on a Pension and their capacity to pay. The most recent data from the Australian Government (Data.gov.au) identifies that there were 50,281 payment recipients accessing the Age Pension, and 13,293 payment recipients receiving the Disability Support Pension on the Central Coast in September 2021.

There were 24,237 eligible pensioners who were receiving a rebate on their rates as of October 2021. Council provides the mandatory rebate for eligible pensioners under Section 575 of the Local Government Act 1993 up to a maximum of \$250.

Comparative Rating Data

Comparisons are difficult to make to other councils due to a range of factors, including but not limited to the area in the LGA, population density and the number of rateable assessments, the number and types of services provided by councils.

Table M below shows the average rates taken from the OLG Time Series Data 2019-20 for Group 7 (Metropolitan Fringe) councils [<https://www.olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/>]

Table M: 2019-20 Average rates for Group 7 (Metropolitan Fringe) Councils

Average Rates \$	Central Coast	Group 7
Residential	\$1,101	\$1,305
Business	\$3,074	\$3,556
Farmland	\$1,799	\$4,482
Mining	\$188,600	\$101,300

Compared to Councils within the same category (OLG categories) and classification, Central Coast Council consistently has the lowest average ordinary rates for residential, business and farmland. Central Coast Council's average mining rate is higher than the average mining rate for Group 7 councils due to the decision on how much each rating category contributes to the overall rating burden.

Table N below shows the average residential ratepayer for two neighbouring councils and one similar council in terms of demographics to the Central Coast

Table N: 2021-22 Comparative average residential rates

Charge	Central Coast 2021-22	Lake Macquarie 2021-22	Newcastle 2021-22	Wollongong 2021-22
Ordinary Residential Rates	\$1,268.00	\$1,520.00	\$1,614.91	\$1,570.00
Difference		\$252.00	\$346.91	\$302.00

Residential properties make up 95% of the rate base. The average Central Coast residential rate payer is paying less for ordinary rates when compared to our neighbours in Lake Macquarie and Newcastle. The typical Central Coast residential ratepayer is also paying less than residents in the Wollongong LGA who has similar demographics and typography to the Central Coast LGA.

The data shows that retaining the SV funding for the 10 years in the rate base would not place council in a position where the average rates are higher than comparative or neighbouring councils.

As a result, the proposal to maintain the rate variation is reasonable in the context of the current ordinary rate levels and in comparison, to the ordinary rate levels (excludes waste and other annual charges) of similar Councils and neighbouring Councils.

The capacity to pay principle that underpins the ad valorem rating system results in properties with higher rateable land values attracting a higher rate. 2021-21 is the last rating year that unimproved land valuations with a base date of 1 July 2019. The NSW Valuer General will undertake a General Revaluation in 2022. All NSW councils will be required to use the valuations with a base date of 1 July 2022 from the 2023-24 rating year for three years. Increases in unimproved land valuations do not increase the amount of ordinary rates Council can raise, it effectively redistributes the rating burden.

If land values increase more than the average, then an increase in rates is likely. Likewise, if the unimproved land value does not increase by as much as the average, then a decrease may be experienced. If under the next General Revaluation, there is a consistent increase in land values then ratepayers will not experience any major changes to their ordinary rates.

History of Arrangements to Pay (ATP)

Information on the number of ATP from Council's external debt collection provider as of 15 October 2021 is shown below.

- 2018-19 financial year reflects pre-COVID arrangements to pay and Council's previous debt recovery strategy. This is the baseline to compare the changes to the number ATP for the next financial years
- 2019-20 financial year reflects ATP during initial COVID lock down where the State Government directed Councils to cease collection activity
- 2020-21 financial year reflects the ATP during the second COVID lock down for Delta strain and the implementation of Council's new debt recovery strategy
- 2021-22 financial year reflects the ATP post rates harmonisation and SV implementation. As the data was extracted in October 2021 the 2021-22 annualised ATP is forecasted to be 435 based on the ATP entered into from July to October 2021.

Table O: Historical Arrangements to Pay Information (2018-19 to 2021-22) from external debt collection provider

Arrangements to Pay	2018-19	2019-20	2020-21	2021-22 [^]
Former Gosford LGA	212	307	249	34
Former Wyong LGA	220	275	251	93
Total ATP	432	582	500	127
Annualised ATP				435
Increase from 2018-19 baseline		150	68	3
		34.7%	15.7%	0.7%

[^] Data as at 15 October 2021

The data shows that the number of ATP increased during 2019-20 and 2020-21 financials from the 2018-19 base year by 150 (34.7%) and 68 (15.7%) respectively. This is due to changes made to Council's debt recovery strategy and COVID. During the first COVID-19 lockdown the NSW Government made legislative changes to debt recovery practices (unable to commence legal proceedings until 26 September 2020). Also interest on outstanding balances was set to 0% from 1 July to 31 December 2020 in response to the financial impacts faced by the community as a result of the COVID-19 Pandemic. These two factors led to an increase in the amounts outstanding which in turn has increased the number of ATP.

Based on the ATP data to 15 October 2021 the 2021-22 forecasted ATP is a slight increase of 0.7% or 3 from the 2018-19. The ATP information from Council's external legal service provider and the receivables information below indicates that ratepayers have the capacity and willingness to pay.

Council's debt recovery strategy refers matters to its legal service provider once a debt becomes more than two payment cycles in arrears and there has been no response to a reminder letter and a second letter referencing potential legal action (Notice of Legal Action). For rates this means the amount outstanding is two quarterly instalments.

This changed in July 2020 from previous practices during 2018 and 2019 where after the second letter (Notice of Legal Action) was issued, an outbound dialling strategy was adopted to engage customers verbally to enter into an arrangement to pay to avoid legal action. Whilst this approach can be considered more customer centric, it delayed Council's attempts to recover outstanding dollars sooner and ultimately contributed to the increase in Council's debt ratio, in combination with other factors such as COVID, and Council's large component of pensioner rebated debts. This change has positively impacted Council's arrears percentage.

Number of ratepayers paying instalments late during the year

Council has reviewed the number of ratepayers who have received a reminder notice during each financial year. Where a ratepayer has received multiple rates reminder notices during the year they will appear once in the information below based on the largest amount outstanding during the year.

As the reminder notices are based on the rates assessments the amounts outstanding include rates, domestic or commercial waste charges (depending on the ratepayer type, location and selected services) and on-site sewage management charges (if applicable) as these charges are all included in the rates notices issued in July.

The information is provided for 2018-19 to 2021-22 (YTD) in line with the historical ATP information to capture the changes from:

- 2018-19 financial year reflects the number of ratepayers paying late pre-COVID and Council's previous debt recovery strategy. This is the baseline to compare the changes to the number of ratepayers paying late for the next financial years
- 2019-20 financial year reflects the number ratepayers paying late during initial COVID lock down where the State Government directed Councils to ceased collection activity and interest on outstanding balances was set to 0% from 1 July to 31 December 2020 in response to the financial impacts faced by the community as a result of the COVID-19 Pandemic
- 2020-21 financial year reflects the number of ratepayers paying late during the second COVID lock down for Delta strain and the implementation of Council's new debt recovery strategy
- 2021-22 financial year reflects the number ratepayers paying late post rates harmonisation and SV implementation. As the data was extracted in October 2021 the 2021-22 annualised ATP is forecasted to be 435 based on the ATP entered into from July to October 2021.

Reminder notices are run after the due date of quarterly instalments. In the data below there were three reminder notice runs in the former Gosford in 2018-19 and 2020-21.

^ For 2021-22 there have been two reminder notices for the year to date. We are unable to annualise the 2021-22 information to forecast the estimated number of ratepayers paying late for the 2021-22 however we can look at the ratepayers paying late during the year by the amount outstanding at the time the reminder notices are run.

Table P: Number of ratepayers who have received a reminder notice during the year by the amount outstanding

Outstanding Value	2018-19	2019-20	2020-21	2021-22^A
01 - < \$150	1,602	2,273	2,003	1,885
02 - < \$200	1,479	862	948	877
03 - < \$300	4,527	5,349	6,383	3,924
04 - < \$400	9,964	9,115	11,615	6,239
05 - < \$500	6,504	5,822	6,383	5,623
06 - < \$1,000	8,162	8,854	7,366	8,253
07 - < \$1,500	1,914	2,822	2,242	1,949
08 - < \$2,000	643	968	1,108	703
09 - < \$3,000	487	482	722	337
10 - < \$5,000	279	224	280	169
11 - < \$7,500	101	69	112	94
12 - < \$10,000	31	36	44	44
13 - < \$20,000	40	36	61	66
14 - < \$50,000	11	10	38	37
15 - < \$100,000	-	2	2	2
16 - < \$150,000	2	-	-	2
Total	35,746	36,924	39,307	30,204
Total Number of Assessments	139,229	141,371	142,156	142,517
Percentage of Ratepayers paying late	25.7%	26.1%	27.7%	21.2%

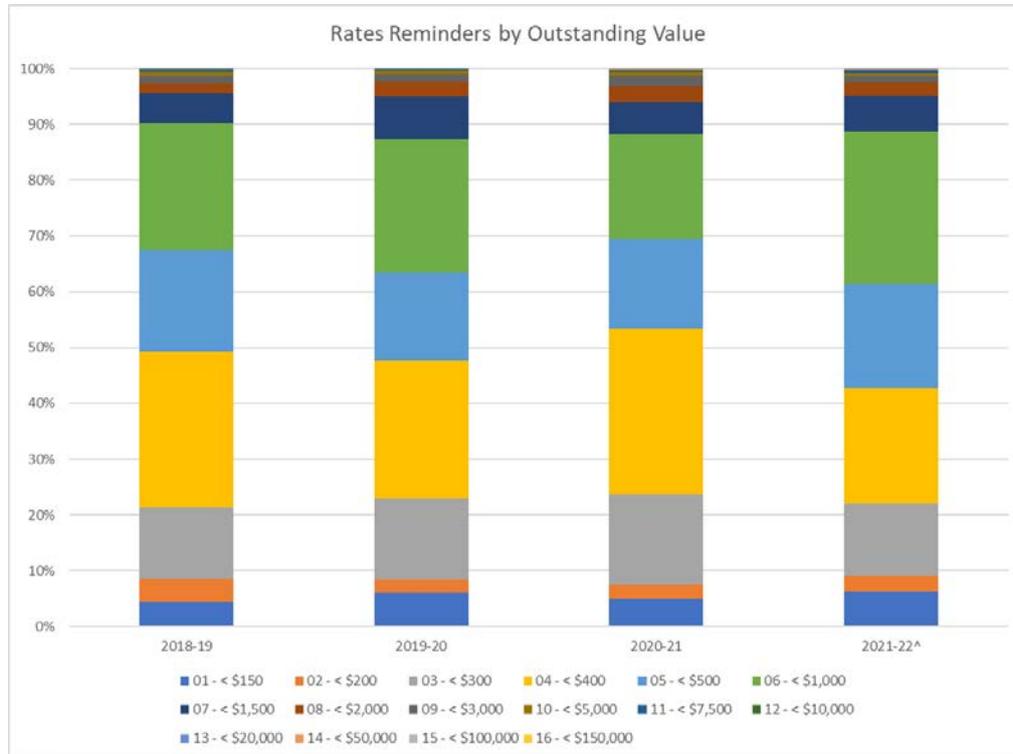
The percentage of ratepayers paying late has increase slightly in 2019-20 and 2020-21 from the 2018-19 pre-COVID baseline. The YTD 2021-22 percentage of ratepayers paying late has decreased from the 2018-19 baseline however 2021-22 only reflects two rates reminder notice runs covering the instalments due in August and November 2021.

The percentage of ratepayers paying late by the outstanding values is shown in table Q below with the majority of the reminder notices for outstanding values from \$200 to \$1,000.

Table Q: Percentage of late paying ratepayers by outstanding amount

Outstanding Value	2018-19	2019-20	2020-21	2021-22^A
01 - < \$150	4.5%	6.2%	5.1%	6.2%
02 - < \$200	4.1%	2.3%	2.4%	2.9%
03 - < \$300	12.7%	14.5%	16.2%	13.0%
04 - < \$400	27.9%	24.7%	29.5%	20.7%
05 - < \$500	18.2%	15.8%	16.2%	18.6%
06 - < \$1,000	22.8%	24.0%	18.7%	27.3%
07 - < \$1,500	5.4%	7.6%	5.7%	6.5%
08 - < \$2,000	1.8%	2.6%	2.8%	2.3%
09 - < \$3,000	1.4%	1.3%	1.8%	1.1%
10 - < \$5,000	0.8%	0.6%	0.7%	0.6%
11 - < \$7,500	0.3%	0.2%	0.3%	0.3%
12 - < \$10,000	0.1%	0.1%	0.1%	0.1%
13 - < \$20,000	0.1%	0.1%	0.2%	0.2%
14 - < \$50,000	0.0%	0.0%	0.1%	0.1%
15 - < \$100,000	0.0%	0.0%	0.0%	0.0%
16 - < \$150,000	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Graph 10: Percentage of late paying ratepayers by outstanding amount



From 2018-19 to 2021-22 year to date (YTD) the cumulative percentage of ratepayers paying late by outstanding value (refer table R below) has stayed relatively consistent when reviewing where the majority of the amounts outstanding lie between \$200 to \$1,000. Approximately 90% of reminder notices issued are for outstanding values of less than \$1,000. Approximately 95% of reminder notices issued are for outstanding values of less than \$1,500.

Table R: Cumulative percentage of late paying ratepayers by outstanding amount

Outstanding Value	2018-19	2019-20	2020-21	2021-22^
% of reminders < \$300	21.3%	23.0%	23.7%	22.1%
% of reminders < \$400	49.2%	47.7%	53.3%	42.8%
% of reminders < \$500	67.4%	63.4%	69.5%	61.4%
% of reminders < \$1,000	90.2%	87.4%	88.3%	88.7%
% of reminders < \$1,500	95.5%	95.1%	94.0%	95.2%

Receivables and Outstanding Debt Ratio

Council monitors the total amount of outstanding rates and charges on a weekly basis to provide a high-level understanding of the balance receivable. The outstanding rates and charges includes all amounts levied via the annual rates notice or charges generated during the year including ordinary and special rates, domestic and commercial waste and on-site sewage management charges.

The calculation methodology used to monitor the 'Receivables' uses the overall outstanding balance at 30 June of the prior year plus any new rates and charges levied on 1 July (via the annual rates notice) less payments and other adjustments (rebates etc) made each week. This calculation method does not follow the OLG benchmark method used for the annual Financial Statements where drainage is included as the General Fund in the Financial Statements includes all funds except for the Water and Sewer funds as the financial statements template shows a maximum of three funds.

At the end of December 2021 Council had collected 55.3% of the total rates and annual charges levied (including overpayments and domestic waste charges) for the 2021-22 financial year. Rates and annual charges collected so far have been for the Q1 and Q2 instalments (due August and November 2021 respectively). This compares to 53.7% of rates being collected for the same period in 2020-21 and 52.9% for the same period in 2019-20.

Despite two waves of COVID and its impacts, ratepayers continue to pay. Being mindful of the impacts of COVID Council has limited the types of recovery activities used, avoiding where possible actions such as wage and bank garnishees for example.

At the end of the 2020-21 financial year Council's consolidated Rates, Annual Charges and Interest Outstanding percentage was 5.69%. While this is slightly higher than the Local Government Benchmark of 5.0%, it is a significant reduction of the final overall result of 9.01% in 2019-20. It is also noted that Council has adjusted recovery actions due to the impacts of COVID.

This demonstrates that ratepayers both have capacity and are willing to pay even during pandemic circumstances and with limited debt recovery measures.

Willingness to pay

Council has undertaken an extensive community engagement program to give the community ample opportunity to be engaged, involved and submit their views of the continuation of the special variation.

Through this program Council engaged an external research company, Micromex to undertake research with a statistically valid representative sample of residents from the Central Coast region to understand their views on current services and service levels and whether Council should invest the same, more or less in those services.

- When asked on the Phone Survey whether Council needs to invest Less/Same/More in services generally, 92% of residents selected Same or More –only 2% selected Less (with 6% Can't say).
- On the Online Recontact Survey (when the same question was repeated), the Less score jumped significantly to 18%. However, this means there were still 82% of residents who selected the Same or More.
- In the Online Reconnect Survey the highest 'less' investment in services score is 36%, meaning that at least 64% or more of respondents want the same or more investment for each service.
- When asked on the Online Recontact Survey whether Council needs to invest Less/Same/More in assets, 27% of residents felt that Council could invest Less in new assets –whilst 73% would like to see the Same or More investment
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- When asked the same question on the Open Online Survey community members are potentially 'conflicted': whilst 58% of them chose 'reduce services' (compared to 38% choosing 'apply for SV extension') when asked to choose between the two options (see page 30 Attachment 11 (D15025537) Consultation Summary Report – Appendix 3, a clear majority (between 70-72%) indicated on separate questions that overall, they want Council to invest the same/more in services (see page 13 Attachment 11 (D15025537) Consultation Summary Report – Appendix 3). Open-ended responses suggest those who prefer reduction in services rather than an SV extension think Council should be responsible for finding a financial solution and/or they don't want too or can't afford an increase in rates.

In considering this feedback respondents provide a clear response that maintaining services is desired and they are willing to invest same or more in a range of these services. Detailed information is included in Appendix 1 of Representative Telephone Survey 1 and Recontact Survey 2 Response Report and Analysis report.

Customer Experience Surveys – Customers value the services we provide

Over the last three years Central Coast Council has been focused on understanding what is important to our customers to ensure that we are meeting the current and future needs of our community. Council has conducted annual Customer Experience telephone surveys using Micromex Research since June 2018 interviewing over 600 customers each year.

Participants are representative of the Central Coast community in both demographics and Ward (120 residents each), ensuring we accurately reflect our community's differing needs, opinions and backgrounds.

- Each year the survey asks residents and ratepayers about:
 - Satisfaction levels with current services and facilities within the community (service quality/ perceptions),
 - Importance of these services and facilities,
 - Overall satisfaction with Council, and
 - Preferred methods of communication and engagement with Council.

Data is analysed and benchmarked against other similar Councils within NSW. The collective results since 2018 to 2020 consistently reveal the importance of Trust within Council. Customer's value good governance, meaning they want:

- Value for rates paid,
- Council working for the best interests of the community,
- Information about Council decisions are clear and accessible, and
- Council is a well-managed and well-run organisation.

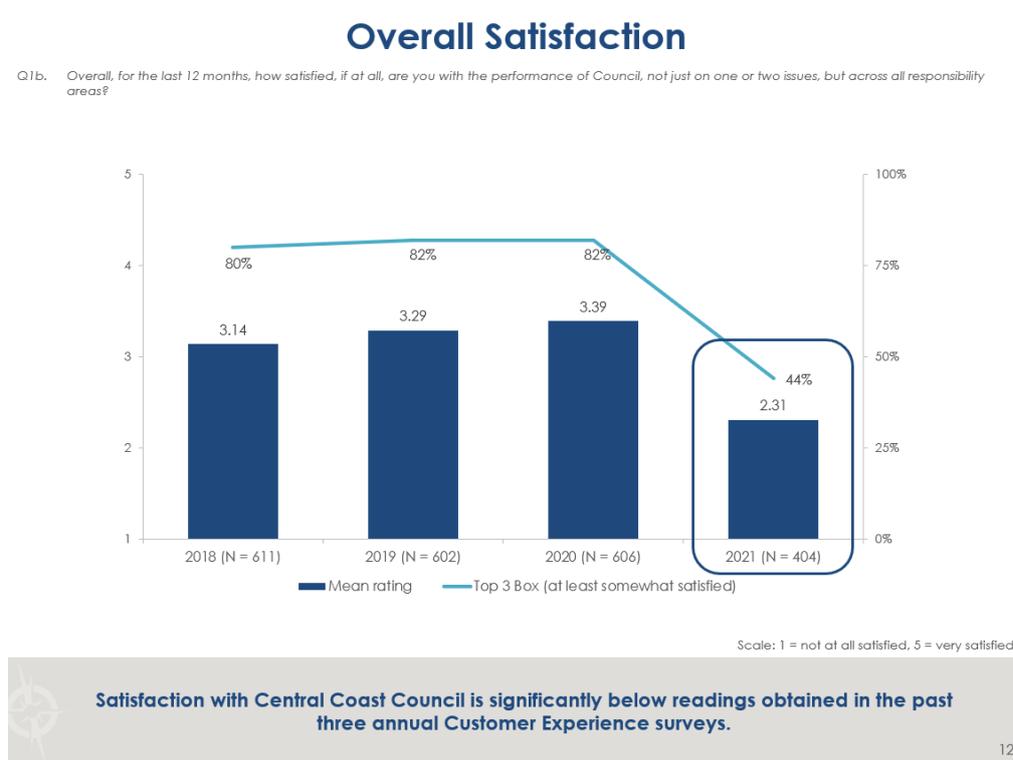
What our customers consistently tell us they need from Council is:

- Good governance,
 - Connectivity, particularly roads, footpaths and parking, and
 - Focus on natural environment: particularly management of lakes and foreshores and
 - The provision of parks, gardens and reserves.
-

The survey clarifies what is important to our customers (Year by year benchmark comparisons below) and we have focused on these areas to improve our customers overall satisfaction (overall satisfaction below). These results have been trending upwards since 2018 and compare well against other similar Councils.

This survey was not conducted in full for 2021 due to Council's engagement on the proposed SV 2021/22 application seeking feedback on Council's proposal to introduce a SRV above rate peg. One question that is asked across all of Council's Customer Experience Surveys is "Overall Level of Satisfaction with Services", not surprisingly at the height of the financial crisis there was a marked drop in Council's mean score for satisfaction as noted in graph 11 below.

Graph 11 - Special Variation of Rates Research – 2021



As part of Council's engagement with residents on the 2022-23 proposal to maintain SV for a further seven years, this same question was asked.

Overall Satisfaction with Services: Based on the Phone survey, the majority (77%) of respondents are at least Somewhat Satisfied with the quality of services overall. However, there is a sizeable minority (22%) who are Not very/Not at all satisfied.

Based on the Online re-contact survey (when the same question was repeated), once respondents had time to consider Council's financial situation and its range of services in detail, there was a softening of overall satisfaction with services – dissatisfaction did not increase, but there was a very noticeable shift from the Satisfied/Very satisfied codes to Somewhat satisfied.

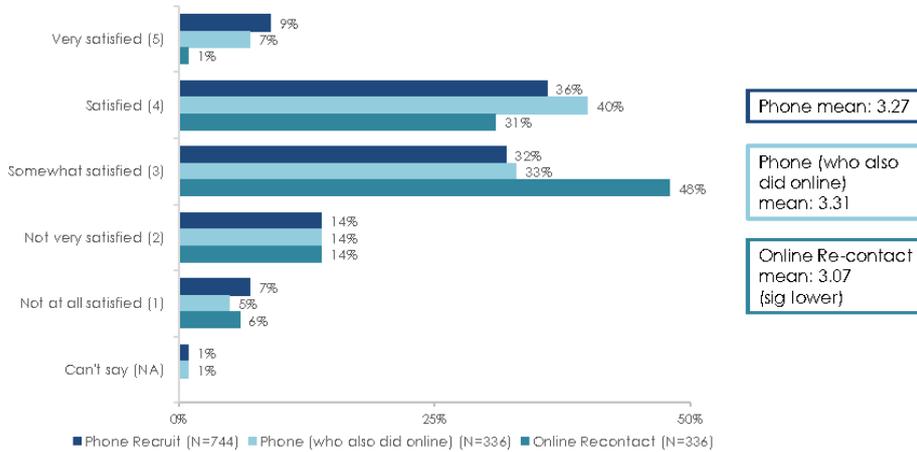
See page 10 Attachment 11 (D15025537) Consultation Summary Report – Appendix 2 Stages 1 & 2 Telephone Recruit and Online Recontact Report.

Graph 12: Overall Satisfaction with Quality of Services

Overall Satisfaction with Quality of Services

Q3a (Phone). Councils provide many services to their communities – too many to list here – but we don't just mean the customer service they provide when you contact them but also all the services they provide out in the community... Overall, how satisfied, if at all, are you with the quality of services currently provided by Central Coast Council?

Q3a (Online). Now that you have worked through that list of services, overall how satisfied, if at all, are you with the quality of services currently provided by Central Coast Council?



Sample: Phone & Online

Very similar satisfaction scores for total phone sample (N=744, mean of 3.27) and the phone results for the subset of the 744 who also did the online survey (N=336, mean of 3.31). However, there is a noticeable 'softening' of satisfaction (i.e.: more selections of 'somewhat satisfied') on the online survey (after respondents have been exposed to more information and the detailed list of services).

Council customer service request system (CX) over the period of 1 October – 31 December 2021: has received:

- Road concerns – 7 requests re: Wyong Road lack of maintenance including overgrown vegetation concerns – 3 Berkeley Vale, 2 Killarney Vale, 1 Tuggerah, 1 Bateau Bay
- General Road maintenance – 5 requests re: bad potholes and poor surface condition, road needs upgrade or lack of work – 1 Killarney Vale, 2 Wyongah, 1 Kanwal, 1 Gorokan.

During the same period, Council has received 128 MP requests from constituents in relation to reduced service, concerns with quality of amenity of local places or requests for improvements and services or particular concerns with amenity of assets.

These requests are an indication of community expectations and concerns on the already reduced level of service in these particular areas.

3.3 How does the council intend to address hardship?

Does the council have a Hardship Policy? Yes

If Yes, is an interest charge applied to late rate payments? Yes

In the text box:

a. Explain the measures the council proposes to use to reduce the impact of the proposed SV on vulnerable ratepayers, or alternatively, explain why no measures are proposed.

Central Coast Council's Debt Recovery and Hardship Policy (see Attachment 13 (D15025300) covers situations where ratepayers are facing financial hardship impacting their ability to pay.

This policy allows for those experiencing financial difficulties to enter into an agreement with Council to pay rates by instalments.

Council has reviewed its Hardship Policy in accordance with the 23A guidelines issued by the Office of Local Government. The specific changes include additional clarity regarding the decision making and appeal process. In addition, the Policy now specifically sets out where those facing financial hardship can go to get additional advice.

On 8 February 2021, Council adopted the revised Policy for the purpose of public exhibition. The Policy was on exhibition for 28 days with no significant responses to the policy.

Council is committed to assisting customers who are experiencing adverse financial hardship and offer payment arrangements to ease the burden. Any ratepayer (including pensioners) experiencing genuine financial stress may be able to access one of three types of payment arrangements available:

- Payment plan to clear arrears prior to the next instalment falling due
- Payment plan to clear arrears including current instalments within 9 months
- Payments plan for pensioners to clear arrears and current within 24 months

Other strategies employed by Council to help ratepayers pay on time include:

- Options for ratepayers receive their rates notices electronically via multiple mediums
- Flexible payment arrangements including weekly, fortnightly, and monthly
- Use of Centrepay as an alternative way for pensioners to pay their rates directly from their Centrelink payments

In addition, Central Coast Council offers all eligible pensioner ratepayers a discount of up to \$250, pursuant to Section 575 of the Local Government Act 1993. (See Attachment 14 (D15024737) Central Coast Council Pensioner Concessions Policy.

b. Indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

Under the Statement of Revenue chapter, within Council's Delivery Program 2022-2025 (and Operational Plan 2022-23), the Hardship Policy is referenced. Attachment 8 (D15029198) - Adopted Delivery Program 2022-2025 - Condensed Version. See extract from page 228 as follows:

Hardship Policy

Council recognises the hardship residents or businesses may experience and has a Hardship Policy that offers a number of resources to assist ratepayers during these times. The Hardship Policy was updated in February 2021 and takes into consideration the rate increase. If IPART approves the continuation of the SV, help will continue to be available to those having trouble paying their rates. For more information you see webpage:

www.centralcoast.nsw.gov.au/residents/property/pay-rates-and-water-bills/rebates-and-hardship-assistance#hardship.

In addition to the above point, Council's Rating and Revenue Policy outlines Council's Pensioner Rebate Policy which includes details of Council's annual rates and charges rebate for eligible pensioners of up to \$250.

Table 3.1 Criterion 3 attachments

Council- assigned number	Name of document	Page references^a
12 (D15029093)	Central Coast Socio Economic Review 2022	Whole document
13 (D15025300)	Central Coast Council Debt Recovery and Hardship Policy	Whole document
14 (D15024737)	Central Coast Council Pensioner Concessions Policy	Whole document
8 (D15029198)	Adopted Delivery Program 2022-2025 Condensed Version	See extract from full version in text box

a. If document only relevant in part.

Criterion 4: Exhibition of IP&R documents

Criterion 4 in the SV Guidelines is:

The relevant IP&R documents must be exhibited (where required., approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

To complete the questions for Criterion 4.

Refer also to the Information Paper – *Special Variations in 2022-23*.

4.1 What IP&R processes did the council use in determining to apply for a special variation?

In the text box outline the council's IP&R processes as they relate to public exhibition and adoption of the IP&R documents relevant to the council's application for the SV.

As the financial situation was realised in October 2020, Council communicated initial impacts and changes to the Operational Plan 2020-21 via its Quarterly Business Report. Whilst the initial Special Variation (SV) did not apply to the 2020-21 financial year, a Revised Delivery Program and Operational Plan 2020-21 excerpt (See page 257-322 Attachment 22 (D15029340) Previous Reports and Plans) was produced, which included details of the need to apply for the initial SV type, purpose and service levels based on the options of a standard rate peg (Scenario 1) or a 15% SV (Scenario 2), and details of the impacts to the Operational Plan 2020-21 projects, actions and measures based on the financial situation. This was included as an attachment to the *Securing Your Future: Consideration of a Rate Rise* Council Report on the 8 February 2021. And publicly available via Council's *Securing your Future with a Rate Rise* webpage.

A Revised Long Term Financial Plan 2021 – 2031 (Attachment 30 (D14480010) (*Please note* this relates to the current instrument) was also drafted based on the financial crisis and included considerations of the SV. This was adopted as part of the *Securing Your Future: Consideration of a Rate Rise* Council Report on the 8 February 2021 and publicly exhibited from 9 February 2021 to 9 March 2021. There were 24 submissions received during exhibition. These submissions were mainly focussed on what led Council to the financial situation, rather than feedback on the details within the Revised LTP. Objections the SV itself were also received, but again did not result in a change to the Revised Long Term Financial Plan. Rather though these submissions required clarification back to the customer on the items raised regarding the financial situation. As Council's initial SV survey had closed the objections were included as part of IPART's public submissions process which had opened. Consideration of these submissions (Attachment 26 (D14536429) Summary of Submission for Revised LTFP and Draft Debt Recovery and Hardship Policy) and adoption of the Revised LTFP (Attachment 30) was reported to Council on 23 March 2021. Formal responses were then provided back to the submitters.

The Draft Operational Plan for 2021-22 (See pages 171-225 Attachment 22 (D15029340) was then produced and contained details of the SV, including the need, type, purpose, service levels changes and proposed program of works. The Draft Operational Plan 2021-22 also included the Long Term Financial Plan and detailed the 10 year financial forecast for the organisation based on assumptions and the options of a standard rate peg (Scenario 1) or a 15% SV (Scenario 2), The Statement of Revenue was also included in the draft Operational Plan 2021-22 and included specific details on what ratepayers would expect under the options of a standard rate peg (Scenario 1) or a 15% SV (Scenario 2), Council was also undergoing rates harmonisation, which was also included in the Draft. The Draft Operational Plan 2021-22 was adopted by Council for public exhibition on 27 April 2021, and publicly exhibited from 29 April 2021 to 26 May 2021. There were 140 submissions received during exhibition. Key items raised in those submissions included:

- Commentary on the financial situation and resultant actions that are underway (e.g., Asset Sales Program, Special Variation, The Entrance Library closure)
- Request for additional projects, actions or work to be carried out
- Support or commentary on projects, actions or work listed in the Draft Operational Plan 2021-2022
- Commentary on the proposed budget and allocation of funding
- Reduction to specific fees listed in the Fees and Charges 2021-2022.

Changes to the Draft Operational Plan 2021-22 based on submissions and other necessary changes were included in the final Operational Plan 2021-22, and consideration of these submissions (see Attachment 27 (D14685283) Summary of Submission for the Draft Operational Plan and adoption of the final Operational Plan 2021-22 (see Attachment 22 (D15029340) Previous Reports and Plans see pages 225 -257), was reported to Council on 29 June 2021. Formal responses were then provided back to the submitters.

Community Strategic Plan (CSP)

The inaugural Community Strategic Plan (CSP) for the Central Coast was adopted by Council on 25 June 2018. The process to prepare the CSP involved a robust and inclusive two phased approach to community engagement, with the results of Phase 1 informing the questions and activities undertaken in Phase 2 – see following diagram.



As the Central Coast was newly amalgamated, the focus of engagement was on the newly recognised region and what the community's thoughts and feelings were in terms of what they want to see for the Central Coast in 10 years (2018 to 2028). An Engagement Report (Attachment 22 (D15029340) Previous Plans and Reports, see pages 6-170) for Phases 1 and 2 was developed and published on Council's engagement website, with feedback and key finding covering the following topics:

- The economy;
- The built environment;
- Service and facilities;
- Activities and entertainment;
- The community;
- Transport and movement;
- The natural environment; and
- Governance.

The two phases of engagement resulted in a large amount of feedback. Overall, 7,400 people participated in community engagement activities, with over 3100 people in face-to-face engagement activities and over 3,300 hard copies, online and telephone surveys completed. There were 6,100 visits to the Help Shape the Future of the Coast page on Your Voice Our Coast. In total over 36,000 ideas and comments were collected during the Community Strategic Plan engagement.

Considering all this feedback, the Draft CSP – *One Central Coast*, was developed and publicly exhibited from 30 April 2018 to 28 May 2018. A total of 30 submissions were received during the exhibition, with key items raised including:

- Suggested wording changes or further inclusions
- Request for specific projects or actions (which were more relevant and considered as part of the Delivery Program and Operational Plan 2018-19)
- Support for the CSP.

Changes to the Draft CSP based on submissions were included in the final CSP, and consideration of these submissions and adoption of the final CSP (see pages 1-5 Attachment 22 (D15029340) Previous Reports and Plans) was reported to Council on 25 June 2018. Formal responses were then provided back to the submitters.

Revised Community Strategic Plan (CSP)

The inaugural CSP was reflective of the community's feedback and relevant at the time, but since its adoption Council's financial situation significantly changed. This meant that the community's sentiment about what it wants from its Council and Council's commitment to financial acuity was not something that the community had pointedly raised during the engagement of the inaugural CSP. It was only since Council's financial crisis was realised that the community provided overwhelming feedback. It was evident from this that the CSP as it stood did not reflect the current community sentiment or acknowledgement of Council's commitment to financial responsibility on behalf of the community.

In usual circumstances a full review of the CSP and updates aren't required until a local government election is held. As Central Coast Council is currently under Administration and the elections have been deferred by the Minister for Local Government until sometime in 2022, it was determined that the following phases would be undertaken to address the situation:

- **Phase 1: Desktop Review.** As part of this Phase, community engagement data based on the financial situation and initial SV would be analysed to understand what the community is feeling and what the community want from their Council. Benchmarking would also undertake to gauge how other council's address the community's aspirations around fiscal responsibility. Amendments to the CSP to reflect and acknowledge this would be contained in a revised version. No other changes will be made to the CSP as part of this Phase.
- **Phase 2: Comprehensive Review.** This Phase is in accordance with the *Local Government Act 1993* and is triggered by a local government election. A date of the election is yet to be announced but is expected to occur sometime in 2022. This Phase will include community engagement to determine if the CSP is still what the community aspires to. This Phase will be completely focussed on the feedback from the community, with any changes directly as a result of their feedback. The newly elected Council would adopt the Phase 2 CSP following their election and commencement.

Phase 1 was actioned and a Draft Revised CSP was developed. In summary, based on the community feedback analysis and benchmarking, amendments were made to the Objectives and Indicators under the CSP Theme and Focus Area of *Responsible: Good Governance and Great Partnerships*. (See page 7 Attachment 28 (D15025551) Revised Community Strategic Plan 2018-2028 February 2022. Amendments included:

- Streamlining the G2 and G3 Objective into one
- The inclusion of a new Objective (G3) to reflect Council's commitment to financial responsibility
- Additional indicators to measure the new G3 Objective
- It should be noted that the G1 and G4 Objectives remained unchanged. These respond to partnerships and service delivery, which are still very much at the forefront of the community's mind
- Administrator Message added to replace the previous Mayor's Message.

The draft Revised CSP was adopted by Council for public exhibition on 20 December 2021, and publicly exhibited from 22 December 2021 to 21 January 2021. There were 16 submissions received during public exhibition, and while some of the submissions were not in relation to the Draft revisions made to the CSP, they were still relevant to the Draft Delivery Program 2022-2025 or the Draft Resourcing Strategy, and as such were still considered by Council. The items raised in those submissions included:

- Suggestions / comments on the overall CSP, including wording changes / inclusions to the Objectives, layout and format of the document
- Support for the changes, but comments on suggested changes
- Objection to SV / comment on the need for better financial accountability within Council
- Comment to demerge Central Coast Council
- Comment on Fees and Charges

-
- Request for projects to be brought forward or for additional projects and activities to be included.

No changes were made to the Draft Revised CSP based on submissions. The consideration of these submissions (Attachment 11 (D15025537) Consultation Summary Report – Appendix 5 see pages 1-5 and adoption of the final Revised CSP, (Attachment 7 (D15029202) Community Strategic Plan – Condensed version) was reported to Council on 3 February 2022. Formal responses have been provided back to the submitters.

Delivery Program

The Draft Delivery Program 2022-2025 (including the Draft Operational Plan 2022-23) was prepared, detailing the program of actions, projects and activities that Council will deliver over the 2022-23, 2023-2024, 2024-25 financial years and aligned to the Draft Revised CSP. It also included financial information including proposed income and expenditure for the immediate 2022-23 financial year, a three-year capital works program and the Statement of Revenue, which details the rates and annual charges are set and what they are proposed to be in 2022-23. As Council is exploring the continuation of the current 15% SV, the Draft Delivery Program detailed the actions Council had implemented so far as part of its Financial Recovery Plan, the continued path of recovery and sustainability and why the continued SV is needed. As part of detailing the need for the continued SV, the Draft Delivery Program also detailed the five scenarios considered, with three that would, could or likely occur.

These scenarios include:

- Baseline scenario – catastrophic impact
- Maintain Special Variation (SV) scenario – sustainable impact
- Deteriorate scenario – distressed impact
- Enhance scenario – improved services impact
- Less than seven (7) years extension scenario - community destabilising impact.

The Draft Delivery Program 2022-2025 (including the Draft Operational Plan 2022-23) was adopted by Council for public exhibition on 20 December 2021, and publicly exhibited from 22 December 2021 to 21 January 2022. There were 38 submissions received during exhibition. Key items raised in those submissions included:

- Support for the Special Variation
 - Objections to the Special Variation
 - Concerns for the service levels and need to ensure they are maintained
 - Commentary on accountability and transparency
 - Comments on alternative solutions / scenarios
 - General queries / comments on Council functions
 - Request for projects to be brought forward or for additional projects and activities to be included
 - Questions and comments of Fees and Charges to be included or reduced / restructured
-

Changes to the Draft Delivery Program 2022-2025 (including the Draft Operational Plan 2022-23) based on submissions and other necessary changes were included in the Adopted Delivery Program 2022-2025 Condensed version (Attachment 8 (D15029198), and consideration of these submissions (Attachment 11 (D15025537) Consultation Summary Report – Appendix 5 see pages 6-17). and adoption of the final Delivery Program 2022-2025 was reported to Council on 3 February 2022. Formal responses have been provided back to the submitters.

Resourcing Strategy

The Resourcing Strategy supports the Draft Delivery Program, identifying how Council will deliver those actions, projects, programs and activities through its finances, people and assets., Details contained in the three elements are:

- Long Term Financial Plan (LTFP). The LTFP considered the three scenarios of Baseline, Maintain the Special Variation, and Deteriorate. The 10-year financial forecasting was detailed under each.
- Workforce Management Strategy (WFMS). The WFMS covers the financial years of 2022-23, 2023-24, 2024-25 and 2025-26. It was developed based on the Maintain the Special Variation scenario, but notes the impacts that the Deteriorate scenario would have on the organisation and community.
- Revised Asset Management Strategy (AMS). The Revised AMS was updated to include more current information and included information advising that the proposed SV was not to fund an asset backlog and that Council is still proposing maintain and renew its existing assets.

The Draft Resourcing Strategy was adopted by Council for public exhibition on 20 December 2021, and publicly exhibited from 22 December 2021 to 21 January 2022. There were 12 submissions received during exhibition. Key items raised in those submissions included:

- Objections to the Special Variation
- Commentary on accountability and transparency
- Comments on alternative solutions / scenarios
- General queries / comments on Council functions

Changes to the Draft Resourcing Strategy based on submissions and other necessary changes were included in the Adopted Resourcing Strategy (Attachment 15 (D15029199), and consideration of these submissions (Attachment 11 (D15025537) Consultation Summary Report – Appendix 5 see pages 18-22) and adoption of the final Resourcing Strategy was reported to Council on 3 February 2022. Formal responses have been provided back to the submitters.

4.2 When did the council meet the formal requirements for all relevant IP&R documents?

Complete Table 4.1 for the mandatory IP&R documents. If other IP&R documents are relevant to the council's application, also complete Table 4.2.

As required by Section 7 of the SV Guidelines, councils should provide web links to all relevant IP&R documents in Table 4.3.

Table 4.1 Mandatory IP&R documents

Document	Date(s)
Community Strategic Plan	
Exhibition	30 April 2018 to 28 May 2018
Adoption by council	25 June 2018
Placed on council website	By 25 July 2018
Revised Community Strategic Plan	
Exhibition	22 December 2021 to 21 January 2022
Adoption by council	3 February 2022
Placed on council website	4 February 2022
Delivery Program 2022-2025 (including Operational Plan 2022-23)	
Exhibition	22 December 2021 to 21 January 2022
Adoption by council	3 February 2022
Placed on council website	4 February 2022
Long Term Financial Plan	
Exhibition	22 December 2021 to 21 January 2022
Adoption by council	3 February 2022
Placed on council website	4 February 2022

Table 4.2 Other IP&R documents (if relevant)

Document	Date(s)
Asset Management Strategy / Plan(s)	
Exhibition	22 December 2021 to 21 January 2022
Adoption by council	3 February 2022
Placed on council website	4 February 2022
Workforce Management Strategy	
Exhibition	22 December 2021 to 21 January 2022
Adoption by council	3 February 2022
Placed on council website	4 February 2022
Operational Plan 2021-22	
Exhibition	29 April 2021 to 26 May 2021
Adoption by council	29 June 2021
Placed on council website	30 June 2021
Revised Delivery Program and Operational Plan 2020-21	
Endorsed by council	8 February 2021
Placed on council website	9 February 2021

Table 4.3 Website links for council's IP&R documents

Document	Website link
Inaugural Community Strategic Plan	https://www.centralcoast.nsw.gov.au/council/forms-and-publications/community-strategic-plan
Revised Community Strategic Plan	https://www.yourvoiceourcoast.com/CSP
Delivery Program	https://www.yourvoiceourcoast.com/delivery
Long Term Financial Plan	https://www.yourvoiceourcoast.com/resourcing

4.3 What, if any, relevant issues arose in the public exhibition of the IP&R documents?

In the text box explain any issues arising from the council's IP&R processes and documentation associated with the proposed SV which you consider are relevant factors to be considered in assessing the council's application, including responses to public exhibition.

During public exhibition, Council received 66 submissions. Key matter raised during the exhibition of the Draft Revised Community Strategic Plan, Draft Delivery Program 2022-2025, Draft Resourcing Strategy and Draft Fees and Charges 2022-23, include:

- Support for the Special Variation
- Objections to the Special Variation
- Suggestions / Comments on the overall CSP, including wording changes / inclusions to the Objectives, layout and format of the document
- Concerns for the service levels and need to ensure they are maintained
- Commentary on accountability and transparency
- Comments on alternative solutions / scenarios
- General queries / comments on Council functions
- Request for projects to be brought forward or for additional projects and activities to be included
- Questions and comments of Fees and Charges to be included or reduced / restructured (See Attachment 25 (DX15021317) Central Coast Council – Fees and Charges 2022-23.

These do not differ to what has been identified in Section 2 of this application. These submissions were considered by Council at its meeting on 3 February 2022 (Attachment 11 D15025537) Consultation Summary Report – Appendix 5 see pages 1-22). Formal responses have been provided back to the submitters.

4.4 Where is the proposed special variation referred to in the council's IP&R documents?

Complete Table 4.4 with all relevant page (or section) references in the mandatory IP&R documents for material related to each criterion. Add rows for other IP&R documents if necessary.

Table 4.4 IP&R documents

IP&R document	Page reference(s)
Criterion 1: Financial need	
Delivery Program 2022-2025 (including Operational Plan 2022-23)	8-9, 16-19, 29, 29-34, 132-137, 188,
Resourcing Strategy	14-17, 63, 66, 89, 94, 105, 108
Revised Community Strategic Plan Summary	4, 6
Revised Community Strategic Plan	6-7, 28, 35
Revised Delivery Program and Operational Plan 2020-21	258-262, 267-322
Draft Operational Plan 2021-22	176-181, 184-187, 197-198, 203-209
Adopted Operational Plan 2021-22	231, 234, 237-245
Criterion 2: Community awareness and engagement	
Delivery Program 2022-2025 (including Operational Plan 2022-23)	24-27
Revised Community Strategic Plan Summary	4-5,
Criterion 3: Impact on ratepayers	
Delivery Program 2022-2025 (including Operational Plan 2022-23)	31-34, 188-219
Resourcing Strategy	16-17, 23-57
Revised Delivery Program and Operational Plan 2020-21	260-263
Draft Operational Plan 2021-22	179-181, 213-223
Adopted Operational Plan 2021-22	247-255,

Table 4.5 Criterion 4 attachments

Council- assigned number	Name of document	Page references ^a
8 (D15029198)	Adopted Delivery Program 2022-2025 Condensed version	Whole document
15 (D15029199)	Adopted Resourcing Strategy 2022-2025 Condensed version	Whole document
7 (D15029202)	Revised Adopted Community Strategic Plan – excerpt	2
28 (D15025551)	Revised CSP Community Strategic Plan Summary of Changes 2018-2028 – February 2022	7
11 (D15025797)	Consultation Summary Report – Maintaining Services and Rates – January 2022 including appendices	Appendix 4 and 5 1-5 6-17 1-22 8-22
22 (D15029340)	Previous Reports and Plans - CSP (Excerpt), CSP Engagement Report (Excerpt), Draft and Adopted Operational Plan 2021-22 (Excerpt), Revised Operational Plan 2020-21	Pages are referred in text boxes under each criterion question
25 (DX15021317)	Central Coast Council – Fees and Charges 2022-23.	Whole document
26 (D14536429)	Summary of Submissions for Revised LTFP and Draft Debt Recovery and Hardship Policy 2021-2031	Whole document
27 (D14685283)	Summary of Submissions for the Draft Operational Plan 2021-22	Whole document

Criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the SV Guidelines is:

The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years and plans to realise over the proposed special variation period.

To complete the questions, refer to the Application Guide for SV Application Form Part B.

Refer also to the Information Paper, *Special Variations in 2022-23* –

5.1 What is the council's strategic approach to improving productivity in its operations and asset management?

In the text box explain the council's overall approach to improving productivity, containing costs, increasing own source revenue in the context of its operations and IP&R resource planning.

Council's strategic approach to improvement has been focused on the following key elements:

- Core Systems Implementation Plan
- Transformation Projects
- Asset Management Plans
- Enterprise Risk Management
- Strategic Procurement.

Whilst considerable work had been undertaken to consolidate the operations of two former Council's over 2017-2019, some major pieces of work had not been completed. Investment in some of these activities was expensive and often delayed due to other competing priorities set about in Council's Operational Plan.

More recently in response to the financial crisis Council has turned around its strategic approach for improvement and managing change with short to medium-long term plans as its strategy:

- Implementing the Recovery Plan (short term)
- Productivity Improvement Plan - capturing past, present and future opportunities (short to medium term)
- Corporate Plan (medium to long term).

Challenges that Council has identified in the development of the LTFP have been allocated specific strategic actions to ensure ongoing improvement. These actions are included in the Corporate Plan and are addressed in question 5.3.

Financial Recovery Plan

Council's financial Recovery Plan put in place in October 2020 (see link to the plan and progress. [Link here](#)) has been successfully executed and Council has met all major milestones and targets in this recovery plan.

As outlined in Council's 2021-22 SV application on proposed actions, Council has now implemented cost management measures including reduction of staffing by \$30 million, ongoing annual reduction of materials and contracts by \$20 million, capped capital works programs at \$175 million annually, selling at least \$60 million in property assets and made wholesale changes to the management team, implemented tighter budget management controls and productivity improvements.

The cost management measures made up 70% of what Council needed to do to satisfy the external lenders that Council's finances were getting back on track. The other 30% came from the temporary 15% (includes 2% rate peg) rate increase approved by IPART in May 2021 and implemented from 1 July 2021 for three years only, expiring in June 2024.

Productivity Improvement Plan

In 2021, Council commenced a Productivity Improvement Plan to reflect on achievements to date and plan for further initiatives over coming years. Productivity improvements have been made through better management of staff time; purposeful equipment to help staff do their job efficiently; and our technological progression coming to fruition with our staff benefiting from using upgraded technology systems and transitioning manual processes into digital ones.

These productivity improvements have and will in the future ensure the necessary cost-cutting measures in our Financial Recovery Plan have meant minimal service reductions for the community. Some of these productivity gains will continue to have an ongoing positive impact on improved service delivery and the community will see the benefits year on year.

There are four key themes that actions are grouped under:

- Consolidating services to make it easier for our customers and staff
- Technological progression benefitting our customers and staff
- Purposeful equipment so staff time is managed well
- "BetterWays" program for staff ideas benefitting our community

With the need to address the restructure impacts from December 2020 through to June 2021, and to deliver an operating surplus, the direction to leaders was to identify opportunities for efficiencies and productivity gains to support the continued delivery of infrastructure and services to the community and to manage service levels. The outcome is seeking ways to reinvest these gains back into service delivery.

To raise the profile of the business improvement program, the BetterWays initiative was developed and launched as a platform to enhance the capture of ideas and suggestions from staff members across the organisation. It is aimed at encouraging staff to think about 'is there a better way?' as they carry out their day-to-day work activities.

The business improvement initiative is being carried out across the organisation and is proving to be successful with improvements already implemented across the business providing cost savings and improving the staff and customer experience.

The challenge impacting this program is time, with the imperative of the Emergency Loans requirements and the implementation of core systems to support staff in reducing duplication of activities.

Organisational Direction

Council has developed a corporate strategy for the improvement to its operations to drive superior customer service, digitise services and operations, improve productivity and identify new revenue opportunities.

The Organisational Direction developed in 2021 will direct the organisation's actions in achieving improvement to operations and support productivity outcomes. The expectation from our residents is that Council seeks to make reductions in the costs associated with administration, overheads or deliver improved productivity and efficiency in service delivery. Each direction in the plan has key success measures and will be reported on a quarterly basis.



Productivity measures have been built into Council's LTFP (see page 23-24, Attachment 15 (D15029199) Resourcing Strategy 2022-25 Condensed version) and will be captured through the Productivity Improvement Plan; savings realised will then be reinvested into delivering high quality services that align to community expectations from the consultation undertaken in November 2021.

5.2 What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?

In the text box:

- a. Explain initiatives undertaken in the past few years to improve productivity and contain costs.

Financial Recovery Plan

The Financial Recovery Plan was about getting things done fast, so we could demonstrate to financial lenders and our community that we could do more or save cost and resource, to not only continue to operate but to get other benefits work done more quickly.

Organisation Restructure

The organisation restructure undertaken from November 2020 through to June 2021 has been one the most significant in local government, coupled with reductions in contractors and temporary employees and significant restrictions on overtime. This restructure achieved:

-
- o At its peak Council's headcount was 2,719. During 2020-21, the organisational restructure was undertaken, with voluntary redundancies offered as part of the process. At the conclusion of the restructure, the headcount had been reduced to 2,183. The current headcount for 2021-22 is 2,172 – *please note this includes all employees (full time, part time, temporary and casual workers). This number fluctuates as roles are filled or become vacant.*
 - o Reduced the number of Executive Leadership Team positions from nine to five.
 - o Reduced the number of Unit Managers from 39 to 26.
 - o Council has reduced employee costs by \$30M per annum of which \$26.1 million is from the General Fund.
 - o Council's overtime costs in the General Fund were reduced from \$9.2 million in 2019-20 to \$5.2 million in 2020-21 a reduction of \$4.0 million due to the restructure and reduction in employee costs as covered in the point above. The 2021-22 overtime budget is \$4.2 million which is a reduction of \$1.0 million from 2020-21. A cumulative saving of \$5.1 million from 2019-20. As at December 2021 the General Fund actual overtime was \$1.8 million in comparison to a budget of \$2.0 million resulting in a favourable variance of \$0.2 million.

Improved financial reporting

Council's promise to the community is sound financial management and sharing information regularly about its financial position.

Introduced in 2021 the Finance Monthly Reports provide consolidated financial information relevant to the operations, capital expenditure funding and cash position of Council. The reports cover the key areas of Council's finances including year to date trading position for the consolidated entity, water and sewer funds and general/drainage/waste funds; consolidated entity summary commentary with revenue and expenditure graphs; detailed consolidated results with commentary; summary capital expenditure by each Council Directorate and funding source; cash and investments and borrowing position; year to date cashflow forecast to actual; and restricted and unrestricted funds position.

Commentary is provided within each Finance Monthly Report to enable understanding of the information.

Improved financial management

Quarter 1 (1 July to 30 September 2021) result for 2021/22 demonstrates Council's consolidated YTD operating surplus (excluding capital revenue) of \$10.4 million compared to 2020/21 Quarter 1 consolidated YTD operating deficit of \$15.2 million, giving rise to a \$25.7 million improvement from 2020/21.

Quarter 1 (1 July to 30 September 2021) result for 2021/22 demonstrates Council's general fund YTD operating surplus (excluding capital revenue) of \$10.5 million compared to 2020/21 Quarter 1 general fund YTD operating deficit of \$13.3 million, giving rise to a \$23.8 million improvement from 2020/21. Council is on track to deliver the savings and projected improvements.

Reviewing service levels

Commenced the preliminary work for Service Reviews and undertook market research to understand the views of the community in applying for an SV that will maintain the expiring SV and contribute towards reducing operating losses and support financial sustainability outcomes. Through this process we engaged on current services and service levels seeking to understand investment levels: less, same or more.

Engaged with the community on services and level of support to maintain service levels.

Asset Management

Implementation of a capital works committee that oversees the delivery of the entire capital program across all directorates adding additional governance to the delivery of the program.

Developing comprehensive asset management plans to identify future needs. This has already been achieved for Roads and Drainage Assets and other asset classes are currently in the basic form.

Lifecycle cost management for assets principle is applied making sure we have the right asset, managed and maintained the right way to ensure the lowest full life cycle cost.

Exploring revenue streams

All business units undertake benchmarking either through industry/business analysis or comparative analysis of neighbouring or similar Councils to ensure Council is maximising the revenue that can be generated, whilst still considering capacity to pay.

- o Fees and Charges 2022-23 have undergone a benchmarking process. From benchmarking and harmonisation fees and charges in prior years additional revenue of \$1.4 million has been generated.
- o Council sourced \$41.7 million in funding from Operating Grants and Contributions for 2020-21 in the General Fund. The forecasted 2021-22 Operating Grants and Contributions at Quarter 1 is \$42.1 million in the General Fund. Actuals as at 31 December 2021 is \$12.1 million compared to a budget of \$11.8 million a favourable variance of \$0.3 million.
- o New operational revenue streams – \$0.8 million forecasted for new ongoing revenue streams in 2021-22 with a further \$1.5 million in 2022-23. One off additional revenue of \$300K per annum in 2021-22 from Energy Savings Certificate Program from the LED Street Light Replacement Program.
- o New capital revenue streams – an additional \$10 million for new ongoing capital grants to fund capital works.

Optimising Property Portfolio

Council continues the path to financial recovery and sustainability and is pursuing over \$60 million in property asset sales as outlined in Council's Financial Recovery Plan. The sale of Council assets which are underperforming or surplus to Council's current and future needs is crucial to deliver a much-needed boost to Council's financial position. The review and sale of Council assets will be an ongoing process, undertaken in a strategic and well-considered manner for both the immediate and future prosperity of the Central Coast. The properties will be sold through a competitive sales and marketing campaign to achieve the best sale's price for no less than the market value.

At Council's Ordinary Meeting held on the 14 December 2021 an update was provided on the progress of the property assets sales. To date Council has sold a number of properties generating \$34.7 million in proceeds from the disposal of the properties. Council is on track to achieve over \$60 million in property asset sales.

Customer Experience and Community Engagement

Implementing the Customer Experience Strategy and Roadmap Program which includes an increased range of online options, developing an omni-channel contact centre and the streamlining of Council forms and processes. This program is currently in its second year of implementation with a new online Customer Service Centre Portal improving customer experience and its usage demonstrate that it is a trusted channel with 80% conversion rate, indicating that most people who visit the online page submit a feedback request. This initiative has enabled productivity KPI's to be met with a reduction of three full time equivalent (FTE) roles. This has been supported with a leadership commitment to customer response organisational KPI of 5-day response time.

Council has undertaken a review of the Engagement Strategy in June and December 2021. This review sought to refresh Council's Engagement Strategy (2016) to reflect Council's approach to engagement and focus areas for the next 12 months. These focus areas are:

1. Inclusive engagement:
2. Place based engagement
3. Community capacity building
4. Community Participation Plan Feb 2021.

Council will undertake a more comprehensive review of the Engagement Framework 2023 following Council election.

Customer Insights

Feedback from our community provides Council with valuable customer insights into areas where service standards are meeting customers' expectations or where service standards have not been met and improvements need to be made. Qualtrics insights survey is a new approach to understanding our customer's experience when transacting with Council.

We have completed our first stage in this program and individual dashboards are created for each Department in Council to identify improvements and implement through their service delivery.

Audit Risk and Improvement Plan

Council conducts a risk-based audit program delivered by both internal resources and an external audit partner. This arrangement was confirmed and adopted by Council's Audit, Risk & Improvement Committee (ARIC) in September 2021. The current Audit Program deals with (amongst other matters) the Operational Plan deliverables, cyber security, asset management, and Council's self-insurance arrangements.

Identified improvement opportunities are assessed in relation to cost-effectiveness and impact, so Council focusses on those items that will be most effective in ensuring its ongoing improvement and developing maturity.

Strategic Procurement

Council has increased automation processes within the Enterprise Resource Planning (ERP) system to maintain procurement productivity with reduced human resource. All procurement requisitions are now processed online, and 20% of purchase requisitions (Low Risk/Low Value) are automatically generated and distributed to relevant suppliers. This initiative has enabled productivity KPI's to be met with a reduction of three FTE.

Information Management

Standardisation of the desktop computing environment including the mandate of laptop, collaboration tools, and the implementation of a VPN has enabled staff to work from anywhere. This has significantly reduced the need to travel between council offices. It also enabled a seamless transition to work from home since COVID hit in 2020. As of April 2020, all (1,100+) computer users were working seamlessly from home.

Consolidation and standardisation of core business systems and process has reduced system maintenance, duplicate processing, training requirements, and resource requirements. Transformation of council's datacentres and IT infrastructure has significantly improved availability and resilience of IT services, meaning IT systems are rarely unavailable. Prior to this, IT systems were unstable leading to reduced productivity.

The IT workforce has significantly reduced by 20% in 2021, without significantly impacting services. This demonstrates that the productivity improvements have benefited IT.

Other cost containment strategies that have been achieved:

- o Managing general savings and cost containment projects, e.g., asset rationalisation and overdue rates recovery, employee oncost review.
- o Savings from joint contract negotiations e.g., electricity supply. This joint contract will save Council an average of \$1.6 million average per annum over 10 years. Note: this is based on current usage.
- o New Property and Rating System was completed in December 2021 which is estimated to delivery approximate \$800,000 savings in annual licensing costs and improvement to the customer experience.
- o IT capital and operating costs have significantly reduced (based on 2021-22 costs) since 2018-19. This is due to the completed consolidation of systems and the reduced workforce. The consolidation of core systems and vendors (including business applications and IT infrastructure) removed duplicated costs and streamlined operations. In addition, strategic sourcing has enabled significant cost reductions and optimised spend with our vendors. This has been benchmarked with other similar sized organisations.

Productivity Improvement Plan

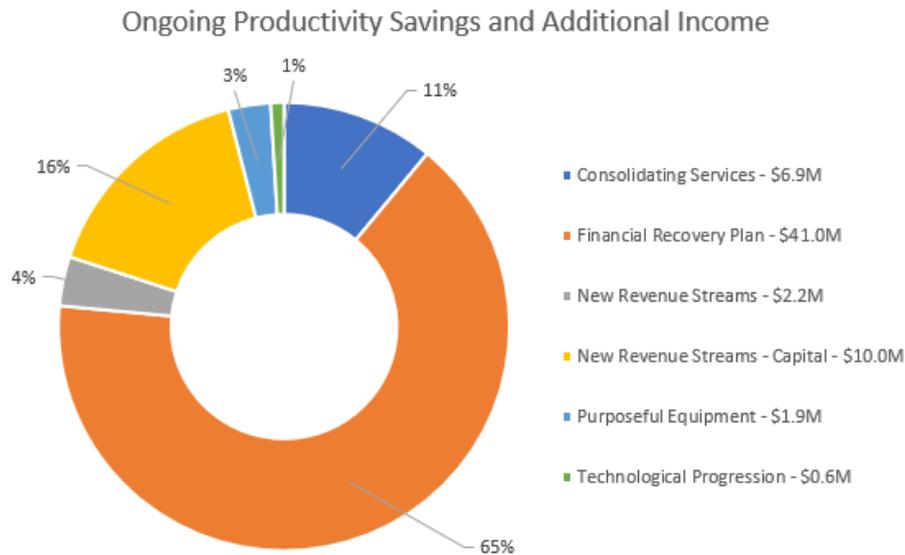
Table S below outlines the General Fund productivity improvements that have been delivered since amalgamation and projected savings from productivity improvements being implemented now.

Table S: General Fund Productivity Improvements and Financial Recovery Plan Actions

\$M	Amalgamation to 2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
One-Off Productivity Savings or Additional Income	3,500,000	55,850,000	23,440,190	5,742,379	1,940,551	3,019,800
Financial Recovery Plan	3,030,000	55,850,000	23,440,190	5,742,379	1,940,551	3,019,800
Technological Progression	470,000	-	-	-	-	-
Ongoing Productivity Savings or Additional Income	5,511,095	41,151,808	3,128,919	388,800	137,500	50,000
Consolidating Services	4,059,800	1,350,000	972,420	293,800	137,500	50,000
Financial Recovery Plan	-	39,710,000	1,301,499	-	-	-
Purposeful Equipment	950,000	-	855,000	95,000	-	-
Technological Progression	501,295	91,808	-	-	-	-
Grand Total	9,011,095	97,001,808	26,569,109	6,131,179	2,078,051	3,069,800

Total historical and forecasted ongoing productivity improvements (including financial recovery plan) and additional income is shown in graph 13 below.

Graph 13: General Fund Ongoing Productivity Savings and Additional Income



There were a number of productivity improvements since amalgamation which resulted in efficiency gains enabling staff to have more available hours to perform their duties or additional amalgamation duties.

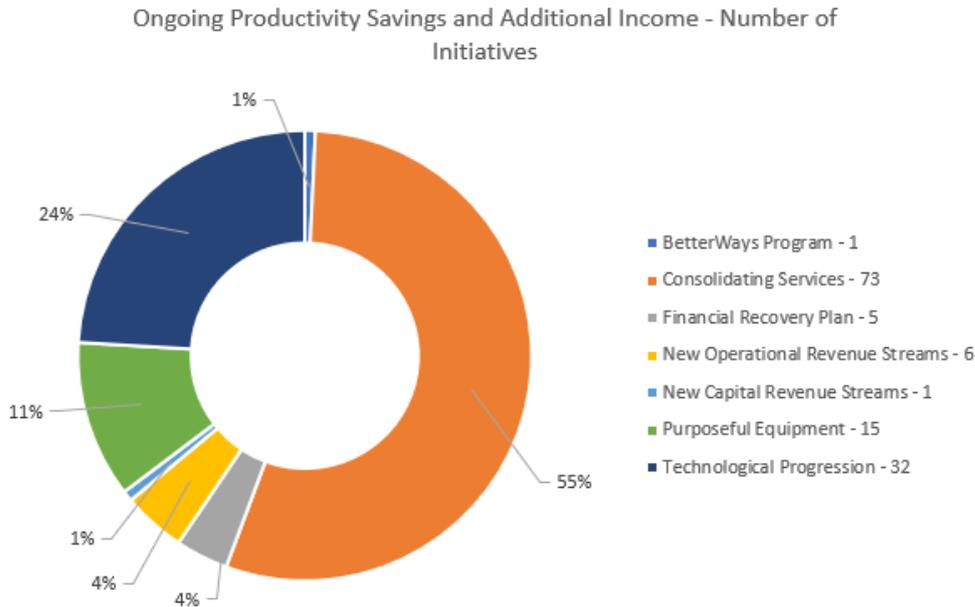
Council has inbuilt efficiency savings into the LTFP as materials and services costs is indexed by 0.35% and there is no indexation for other expenses annually which is less than CPI. The inbuilt savings have been communicated internally and managers are accountable for achieving the efficiency savings. There are productivity improvements which are being investigated however it is too early to quantify the future savings from these productivity improvements.

Council has identified 137 initiatives which cover productivity improvements and new revenue streams of which four are one off and 133 ongoing. The values for each financial year indicate the number of initiatives implemented in each financial year. Some initiatives are implemented over a number of years such as the one-off asset sales program as part of the Financial Recovery Plan. The asset sales program will be delivered over a number of financial years based on the number of properties identified for sale and the complexity of negotiations for the sale of some properties such as the Gosford Administration Building.

Table T: Productivity Initiatives and Financial Recovery Plan Actions

	Total Initiatives	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
One-Off	4				1	2	2	2	1	1	1
Financial Recovery Plan	1					1	1	1	1	1	1
New Revenue Streams	1						1	1			
Technological Progression	2				1	1					
Ongoing	133	9	11	18	23	43	33	15	7	2	1
BetterWays Program	1					1					
Consolidating Services	73	4	7	12	14	20	21	8	5	2	1
Financial Recovery Plan	5					1	3	1			
New Operational Revenue Streams	6						4	3	1		
New Capital Revenue Streams	1					1					
Purposeful Equipment	15	3	1	2	4	6	1	2	1		
Technological Progression	32	2	3	4	5	14	4	1			
Grand Total	137	9	11	18	24	45	35	17	8	3	2

Graph 14: General Fund Number of Ongoing Productivity Savings and Additional Income Initiatives



These productivity improvements have enabled Council to continue to deliver services with a reduction in Council's budget for employee costs and materials and services in line with the Financial Recovery Plan.

c. Where possible, quantify the gains these past initiatives have realised.

Quantified savings – Productivity Improvement Plan

- \$150,000 reduction in costs from consolidation of two former call centres into one call centre resulting in a single point of contact and single phone number
- \$120,000 reduction in costs from consolidation of two former after hours call centres into one
- \$50,000 reduction in costs from consolidating three corporate websites into one website
- \$40,000 reduction in costs from consolidating two online engagement platforms into one platform – Your Voice Our Coast
- \$200,000 in additional revenue from harmonising Vehicle Access Crossings
- \$1.5 million reduction in software license and maintenance costs from the consolidation of two applications to one core system
- \$300,000 reduction in costs from the consolidation of printer contracts whilst improving the security of information, reduction in paper wastage and all printers on a single platform improving the user experience
- \$500,000 reduction in costs from onsite excavation and reuse of resource recovered materials at Councils waste facilities. Replaced the need to externally source operational material for building internal access roads, maintaining all weather access, building landfill cells and cover material.
- \$1.5 million reduction in costs from ceasing hauling and land-filling non-putrescible waste outside of LGA.

Overall summary of projected savings and new revenue streams – achieved in 2020/21 excluding the initiatives from the Financial Recovery Plan (reduction in employee costs, materials and services and asset sales program)

- \$40,000 reduction in costs from implementing interactive road signage compared to constructing traffic calming devices
 - \$40,000 additional income from alignment of all fees and charges for community facilities and meeting rooms
 - \$152,000 in additional income annually from fuel tax credit claims from implementation of GPS and using this data to prepare the fuel tax credit claim. Also a one off back claim for fuel tax credits resulting in \$370,000 in additional income
 - \$20,000 reduction in costs from consolidating waste sharps collections services across Councils operations into a single contract
 - \$30,000 reduction in costs from implementation of Asset Management System which has removed multiple databases holding a specific asset classes' asset information – removal of software systems for a specific asset class
 - \$10.0 million in additional capital grant funding for roads and shared pathway projects.
-

5.3 What productivity improvements and cost containment strategies are planned for future years?

In the text box summarise the council's ongoing efficiency measures.

- a. Explain the initiatives which the council intends to implement.

Organisational Direction

Across the following five pillars Council will implement 21 initiatives to improve both the productivity and efficiency of the organisation and to deliver on commitments of achieving ongoing operating surplus and delivering services within our means. The pillars are:

- Asset Management / Project Management
- 'One Way'
- Governance and Reporting
- Financial Discipline
- Service

Council knows it needs to get the best out of the services we provide for our residents, and culture change is the key to delivering on this, likewise early intervention and prevention work to avoid inefficiencies.

Some of the initiatives planned for 2021-22:

- One outdoor dining application and management process to replace two processes. The outcome of the review will achieve a single consistent Policy for outdoor dining, which will ensure that both planning approvals and licensing requirements are appropriately addressed in order to best meet community expectations and commercial demand whilst also mitigating potential risks.
-

-
- One cemeteries management system combining a number of different processes will achieve a single consistent customer experience and enable self-serve information searches for the customer.
 - One public tree service system with consistent procedures and timeframes instead of two current systems.

Productivity Improvement Plan

The key focus for Council's Productivity Improvement Plan considers what are the benefits that can be realised and what service areas can deliver on increased revenue, cost avoidance, reduced cost, improved performance and/or digital enablement.

Actions planned for 2021-22 include:

- A new Customer KnowledgeBase will be rolled out in February 2022 which includes a comprehensive outline of services Council provides, along with service levels. This new program will reduce the call wait times for customers with Call Centre staff able to answer customer queries at the first point of contact, reducing the need to transfer calls and reduce call wait times.
- Consolidating a number of aspects of road, drainage and pavement design and overall management to create efficiencies in staff time.
- Ten-year strategy to transition to electric light vehicles underway to stay abreast of industry trends and to reduce Council's total fleet fuel consumption rates.
- New revenue stream opportunities.

All initiatives or projects will need to be supported with cost benefit analysis and scheduled to ensure the resources needed to do them are available.

b. Estimate their financial impact.

There is a table in Section 5.2 What outcomes has the council achieved from productivity improvements and cost containment strategies in past years? showing the productivity improvements and new revenue streams historically and forecasted values based on current productivity improvements being implemented.

As Council as inbuilt an efficiency target/dividend in the LTFP that Managers are aware that they need to achieve for their areas of responsibility there is an ongoing review for further productivity improvements.

Forecasted productivity improvements and new revenue streams for 2021-22 and future years:

- \$800,000 reduction in software costs from consolidating property & rating systems into one system.
- \$108,000 reduction in cost of printers from reducing the number of printers within Council's facilities
- \$337,000 in new ongoing revenue streams from temporary leasing of road reserves and Council land, advertising on illuminated street signs, new contract for advertising on bus shelters, recoup cost of replacing infrastructure following traffic crashes/vandalism and ongoing participation in the Energy Savings Certificate Program. Also \$600,000 one off new revenue from participation in the Energy Savings Certificate Program due to the LED Street Light Replacement Program

- \$1.6 million reduction in electricity costs from the newly negotiated energy contracts based on current electricity usage
- \$20,000 savings in water and electricity charges from telemetry added to floodlighting and irrigation at sporting facilities
- \$950,000 reduction in electricity and maintenance costs from the LED streetlight replacement program
- \$70,000 additional revenue from flood certificates with more detailed information contained in the flood certificates. Additional revenue from benchmarking against neighbouring LGAs

c. Indicate whether these have been incorporated in the council's Long Term Financial Plan.

Council's LTFP includes an annual efficiency dividend of \$2.5 million in 2022-23 for the General Fund as materials and services are increased by 0.35% per year and other expenses is not increased. This is compared to an assumed CPI of 2.00%. This equates to approximately 0.6% of Council's General Fund operating expenditure of \$393.1 million. The annual efficiency dividend equates to 1.6% of Council's General Fund operating expenditure adjusted for employee costs and depreciation in 2022-23.

The annual efficiency dividend increases each year as materials and services is increased each year by 0.35% and there is no increase in other expenses which is less than the assumed CPI of 2.00%.

Annual efficiency dividend under the maintain SV scenario commences at 0.6% or \$2.5 million of the General Fund's total operating expenditure in 2022-23 and increases to 6.3% in 2031-32. Annual efficiency dividend is 1.6% of the General Fund's total operating expenditure adjusted for employee costs and depreciation in 2022-23 and increases to 18.3% in 2031-32.

Table U: Efficiency dividend built into the LTFP under the maintain SV scenario

Absorbed savings in Materials & Services and Other Expenses
Calculation of absorbed savings in Materials and Other Expenses as less than CPI of 2%

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Maintain Scenario										
General Fund Materials and Services	2,049	4,144	6,278	8,452	10,665	12,919	15,213	17,556	19,950	22,394
General Fund Other Expenses	452	913	1,384	1,864	2,353	2,852	3,361	3,881	4,410	4,951
GF absorbed efficiency savings	2,501	5,057	7,662	10,315	13,018	15,771	18,574	21,437	24,360	27,345
Operating Expenditure	393,065	397,485	404,062	411,918	415,206	420,895	427,250	436,268	439,911	433,422
Inbuilt annual efficiency target as a percentage of Operating Expenditure	0.6%	1.3%	1.9%	2.5%	3.1%	3.7%	4.3%	4.9%	5.5%	6.3%
Total General Fund Operating Expenditure excluding employee costs and depreciation	159,106	156,572	156,502	157,614	154,868	154,459	154,649	157,436	154,779	149,719
Inbuilt annual efficiency target as a percentage of Operating Expenditure	1.6%	3.2%	4.9%	6.5%	8.4%	10.2%	12.0%	13.6%	15.7%	18.3%

|

5.4 How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?

In the text box summarise data which demonstrates how the council has improved productivity and indicate its performance against that of comparable councils.

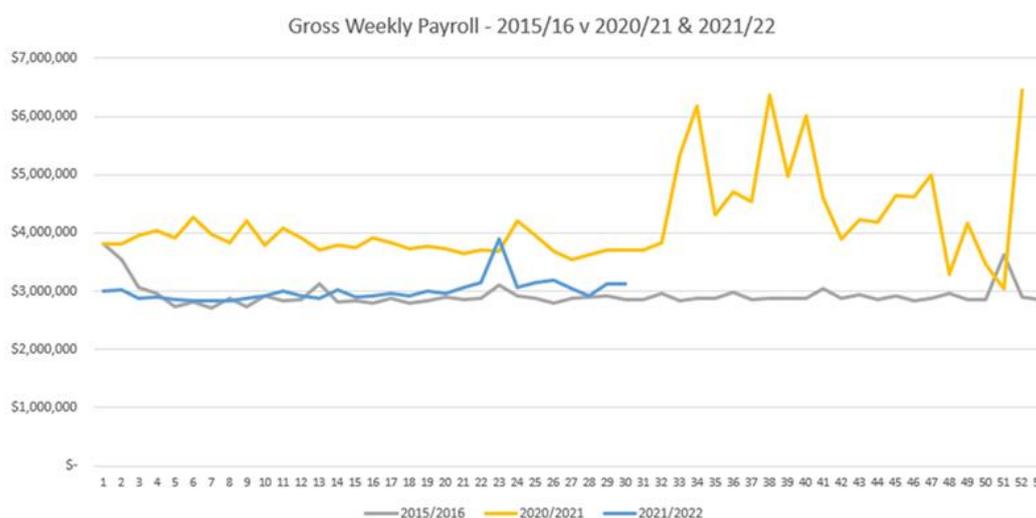
As evidenced by the recent financial years reported operating results, Central Coast Council had not significantly improved the overall efficiency of the general fund services. However, over the past 6-8 months this has been a very different story.

- Ratio – population to staff – 354,915 residents (source: ABS 2021)

The number of Full-Time Equivalent Employees (FTE) for the Council business (including Water and Sewer) has decreased from pre amalgamation of the two former Councils in 2015 (2127) FTE's 2020/21 (2442) FTE's to 2021/22 (1893) FTE's). The ratio of labour force (measured in Full Time Employees - FTE) per 354,915 residents (source: ABS 2021) is 1:187.4.

Graph 15 below compares employee salary / wages costs from 2015/2016 with 2020/2021 and 2021/2022

Graph 15: Gross weekly payroll trends – 2015/16 v 2020/21 and 2021/22



Benchmarking of Employee Costs (consolidated)

Table V below compares on the 2019-20 financial year information supplied by Councils. The information for 2020-21 is not available at the date of this submission. Central Coast Council is the only Council in the Urban – Fringe Councils which provides water and sewer (wastewater) services.

Table V: Comparison of 2019-20 employee cost information for Urban – Fringe Councils

Urban - Fringe (70,001 + population)		2019-20		
Rank	Council	per OPEX %	Employee Costs \$'000	Total Operating Expenditure \$'000
4	Blue Mountains City Council	47.37	57,898	122,221

6	Penrith City Council	45.05	113,333	251,582
19	Campbelltown City Council	41.81	70,301	168,148
20	Camden Council	41.32	51,882	125,557
36	Liverpool City Council	38.82	76,908	198,110
43	The Hills Shire Council	37.87	55,079	145,436
59	The Council of the Shire of Hornsby	36.04	46,377	128,698
61	Central Coast Council	35.95	220,884	614,344

For Council's in our classification the highest is 47.37% (Blue Mountains City Council) and lowest is Central Coast Council. This data is based on 2019/20, since that time Central Coast Council has implemented an organisational restructure and cost containment measures to reduce operational costs by \$50 million of which \$30 million has been reduced from employee costs. Council's employee costs as a percentage of operating costs has reduced to 30.6% based on the 2021-22 Q1 budget.

In 2019-20 Council's actual audited operational employee costs totalled \$220.9M. The 2021-22 Q1 budget for operational employee costs is \$172.6 million which is a reduction of \$48.3 million or 21.9% from 2019-20. Table W below outlines this change.

Table W: Consolidated Council employee costs as a percentage of net operating costs

	2018-19	2019-20	2020-21	2021-22	2022-23
	Audited	Restated	Under Audit	Quarter 1 Forecast	Budgeted
	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Costs	198,785	220,882	222,616	172,594	195,854
Total Operating Expenditure	574,854	615,159	612,635	564,809	598,733
Employee Costs as a % of Operating Expenditure	34.6%	35.9%	36.3%	30.6%	32.7%

For all NSW merged Councils, Central Coast Council is ranked 61/128 for 2019-20 employee costs as a percentage of Operating Costs. Highest is 53.04% (Gilgandra Shire Council) and the lowest is 18.80% (Edward River Council). Council's employee costs as a percentage of operating costs has reduced to 30.6% based on the 2021-22 Q1 budget.

Table X: Comparison of 2019-20 employee cost information for merged Councils

Merged Councils		2019-20		
Rank	Council	per OPEX %	Employee Costs \$'000	Total Operating Expenditure \$'000
3	Inner West Council	47.9	115,727	241,582
22	Snowy Monaro Regional Council	40.82	33,637	82,403
27	Canterbury-Bankstown Council	39.93	132,888	332,806
29	Georges River Council	39.71	58,759	147,968
35	Northern Beaches Council	39.03	135,555	347,306
42	Murrumbidgee Council	37.94	7,249	19,106
61	Central Coast Council	35.95	220,884	614,344
69	Snowy Valleys Council	35.07	20,580	58,684
70	Hilltops Council	34.8	21,068	60,537
99	Armidale Regional Council	31.09	23,750	76,402
111	Murray River Council	29.28	16,199	55,331
114	Federation Council	28.49	14,287	50,142
116	MidCoast Council	27.99	72,351	258,520
117	Queanbeyan-Palerang Regional Council	27.87	40,899	146,775
128	Edward River Council	18.8	9,155	48,690

It should be noted that for merged Councils the highest is 47.9% (Inner West Council) and lowest is 18.80% (Edward River Council).

In 2019-20 Council's actual audited operational employee costs totalled \$220.9M. The 2021-22 Q1 budget for operational employee costs is \$172.6 million which is a reduction of \$48.3 million or 21.9% from 2019-20.

Comparison of key information with other Group 7 Councils

Central Coast Council is the largest council in the metropolitan fringe Group 7 Council grouping, and the only one that delivers Water and Sewer services.

Table Y: Comparative key information for Group 7 Councils

Your Local Government Area	Central Coast	Hornsby	The Hills	Penrith	Blue Mountains	Camden	Campbelltown
Population (No.) 2021 .id Profile	354,915	157,582	182,506	212,977	79,494	115,499	176,151
Population (No.) Forecast 2036	414,615	179,582	250,971	Not available	82,845	214,131	256,041
	16.82%	13.99%	37.51%		4.22%	85%	45.3%
Area (Km2)	1,681.1	455.0	386.2	404.7	1431.1	201	311.9

Total length of roads (local and regional) (km) 2019-20	2240.9	600.4	994.3	1208.6	747.6	716.8	781.5
Open Space (ha) 2019-20	3612.0	1336.5	1176.0	893.0	6556.4	472.4	1100.0
Public Swimming Pools (incl. tidal and rock pools) 2019-20	13	3	1	3	5	2	3
Public Halls 2019-20	116	25	31	42	16	26	18
Public Libraries 2019-20	12	4	4	3	6	2	4
Coastline (km)	80						
Population Density (Km2) 2021	205.8	334.8	475.8	534.3	55.32	536.4	559.1
Full Time Equivalent (No.)							
Vacant FTE 2021/22 Operational Plan	1893.35	447	579.15	1.178	623.1	480	689
FTE per population	187.45	352.5	315.12	186.73	127.58	240.62	255.66

Topography	Rural and residential area, with some commercial and industrial land use. Rural land is used mainly for farming, timber-getting and coal mining for electricity generation. The Central Coast Council area encompasses a total land area of about 1,680 square kilometres, including more than 80 kilometres of coastline. More than half of the Council area is national parks, state forest, bushland, open space, nature reserves and aquatic environments (beaches and waterways). The population is dispersed across a variety of urban settings.	Rural and residential area, with some commercial and industrial land use. The Shire encompasses a total land area of about 460 square kilometres, of which two-thirds is National Park and reserves. Most of the land in the northern section is rural. Two Major Centres Hornsby and Pennant Hills. There are also many suburbs, villages, islands and river	Rural and residential area, with some commercial and industrial land use. The Shire encompasses a total land area of about 386 square kilometres. Most of the land in the northern section is rural, the southern section is residential, and there are residential areas in the central section.	Residential and rural area, with most of the population living in residential areas in a linear corridor along the Great Western Highway and the Western railway. The City encompasses a land area of 407 square kilometres, of which around 80% is rural and rural-residential. Most of the urban area is residential, with some commercial areas and industrial areas, including extractive industries and manufacturing. Major commercial centres are located at Penrith and St Marys.	Residential, resort and rural area. The City encompasses a total land area of 1,432 square kilometres, of which 74% is World Heritage National Park, its forests, rock formations, bushwalks, waterfalls and lookouts. A further 14% of the City is contained in public reserves. The majority of the remaining area is residential, with most towns and villages located along the ridgelines and plateaus on the main east-west road and rail corridor.	Residential area, with rural, industrial and commercial areas. The Council area encompasses a total land area of about 200 square kilometres. Rural land is used largely for agriculture	Residential and rural area, with substantial commercial and industrial areas. The City encompasses a total land area of about 310 square kilometres.
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As alternative comparison to Group 7, table Z below compares Central Coast Council with Councils with similar topography

Table Z: Comparative key information for Councils with similar topography to Central Coast Council

Classification – Regional Town/City OLG Group 5 NSW– ABS Data and Demographics (2021) or as noted (2016) Sunshine Coast Council – QLD				
Note: Central Coast are also a Water Supply authority				
Your Local Government Area	Central Coast	Wollongong	Newcastle	Sunshine Coast
Population (No.)	354,915	221,157	171,307	336,482
Population Forecast 2036	414,615 16.82%	264,811 19.73%	195,043 13.85%	462,160
Pop. Density per square km	205.8	321.4	895.6	146.9
Area (Km ²)	1,681.1	684.0	186.8	2,291
Rateable Properties	142,534	79,577	65,660	148,007
Projected Dwelling Numbers 2036	199,150	106,649	85,247	200,047
Total length of roads (local and regional) (km) 2019-20	2240.9	1049.8	871.3	3062
Open Space (ha) 2019-20	3612.0	2466.0	4798.7	n/a

Public Swimming Pools (incl. tidal and rock pools) 2019-20	13	18	7	10
Public Halls 2019-20	116	36	16	30
Public Libraries 2019-20	12	7	12	10
Companion Animals (No. – 2019-20)	184,904	88,475	78,446	n/a
Coastline (km)	80	60	14	100
Patrolled Beaches	15	17	6	21
Waterways - Catchment (km)	700	751	79	159
Debt Service Ratio (2019-20)	12	4.0	4.0	n/a
			957	1800+
Full Time Equivalent (No) employees 2021/22 Operational Plan	1893.35	1243.1	(1277 contract employees and external labour hire)	
SEIFA Index Disadvantage (2016)	989	989	997	1014
Topography	Rural and residential area, with some commercial and industrial land use. Rural land is used mainly for farming, timber-getting and coal mining for electricity generation. The Central Coast Council area encompasses a total land area of about 1,680 square kilometres, including more than 80 kilometres of coastline. More than half of the Council area is national parks, state forest, bushland, open space, nature reserves and aquatic environments (beaches and waterways).	Rural and residential area, with substantial industrial, port and commercial areas and water catchments. Urban development is mainly along the coast, between the Illawarra Escarpment in the west and the Tasman Sea in the east. The City encompasses a total land area of 714 square kilometres, including bushland, dams, cliffs and beaches.	Residential and industrial area, with rural areas in the north-west and several commercial areas. The Newcastle local government area encompasses a total land area of nearly 200 square kilometres	Residential and tourist area, with substantial rural, rural-residential and parkland areas. The Council area encompasses a total land area of about 2,290 square kilometres, including significant beaches, coastline, waterways, national parks, state forests and bushland. The Council area includes coastal urban centres and inland towns. Tourism is a major industry with many resorts and holiday accommodation places. Much of the rural area is used for dairy farming, cattle grazing and crop growing

Table 5.1 Criterion 2 Attachments

Council- assigned number	Name of document	Page references ^a

a. If document only relevant in part.

Other relevant matters

Criterion 6 in the SV Guidelines is:

Any other matter that IPART considers relevant.

Reporting requirements SV compliance

In the text box propose additional SV compliance community awareness in addition to the requirements in the IP&R documentation.

Council has provided further information to the community through:

- Quarter 3 Rates Brochure – includes information on how to submit to IPART – February 2022
- Direct letters to stakeholders distributed 28 January 2022

If Council resolves to apply to IPART following the Extraordinary Council meeting on 3 February 2022, council will undertake further communication activities to assist the community to have their say through the IPART process.

The Guidelines provide further that we will assess each application based on its merits against the assessment criteria. In doing so, the following may be considered:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the special variation
- compliance with this or any other applicable guideline
- compliance with the conditions of any previous special variations, and
- any other matter considered relevant in the assessment of a special variation application.

To complete the questions for Criterion 6, refer to the Application Guide for SV Application Form Part B.

In the text box the council may provide information in addition to that provided elsewhere in the Application Form which it would like us to consider when assessing its proposed SV.

Water, wastewater (sewerage), stormwater drainage, trade waste services and other water related services pricing submission to IPART

Council has submitted to IPART in September 2021 its water, wastewater (sewerage), stormwater drainage, trade waste services and other water related services pricing submission to apply from 1 July 2022.

IPART has published an Information Paper on Stormwater Drainage as IPART is considering whether to continue to set prices for stormwater drainage services as part of the Water Supply Authority or funded through Council's rating income. At this time IPART has not made a decision (Final Report and Determination will be issued by IPART in May 2022) and as such the General Fund LTFP has been prepared based on the current structure – that is the stormwater drainage income and expenditure is reflected in the drainage fund. Should IPART determine that stormwater drainage services should be funded via Council's rating income Council will commence a separate SV application process including Community Engagement.

Council requests that IPART considers any decision to fund stormwater drainage services to be funded from Council's rating income to be in alignment with the full pricing determination period for water, wastewater (sewerage), trade waste services and other water related services.

If the drainage is removed from the water, wastewater (sewerage), stormwater drainage, trade waste services and other water related services pricing determination after two years, Council will require another SV, essentially requiring the community to go through the SV process again two SVs in subsequent years.

Public Inquiry

The NSW Government held a Public Inquiry into Central Coast Council's financial situation with public hearings occurring in October 2021 and a report is pending. This followed the Minister for Local Government appointing an Administrator to Council in October 2020, suspending the councillors and not including Central Coast Council in the recent local government elections held in December 2021.

Administrator Rik Hart has recommended to the recently resigned Minister for Local Government, Shelley Hancock, that the next general election for the Central Coast Council be conducted in late 2022 and be held in conjunction with the Constitutional Referendum, with the results of the Referendum to apply in the 2024 local government elections.

At the time of submitting Council's application there has been no further updates provided to Council on the outcome of the Public Inquiry. Council has continued to deliver on its conditions outlined in the current SV instrument.

Table 6.1 Criterion 6 attachments

Council- assigned number	Name of document	Page references ^a

a. If document only relevant in part.

Council certification and contact information

To prepare the Council certification and provide council information refer to the Application Guide for SV Application Form Part B.

Certification of application

Prepare a document in the form indicated below, sign, scan and attach as a public supporting document.

Attachment 3 (D15029429) Certification

Application for a Special Rate Variation

To be completed by General Manager and Responsible Accounting Officer

Attachment 3 (D15029429) Certification

Council contact information

General Manager

General Manager contact phone

General Manager contact email

Primary council contact

Council contact phone

Council contact email

Council email for inquiries about the SV application

List of attachments

To prepare the List of attachments, refer to the Application Guide for SV Increase Application Form Part B, List of attachments.

To complete (adding rows as necessary):

- Assign an identifying number and/or letter to each document.
- Name each document.
- Check the box to indicate that it is being submitted with the application.

List of attachments to the council's application

Council-assigned number	Name of attachment	Is the document included in the application as submitted?
Mandatory forms/attachments		
1 (D15030742)	Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>
2 (D15030741)	Application Form Part B (this Word document)	<input checked="" type="checkbox"/>
N/A	Council resolution to apply for the for the minimum rate increase variation	<input type="checkbox"/>
3 (D15029429)	Certification	<input checked="" type="checkbox"/>
	If applicable for Description and Context Question 4	<input type="checkbox"/>
4 (D15024732)	Instrument for expiring special variation	<input checked="" type="checkbox"/>
5 (D15025734)	OLG advice confirming calculation of amount to be removed from the council's general income	<input checked="" type="checkbox"/>
	If applicable for Description and Context Questions 5 and 6	<input type="checkbox"/>
6 (D15025304)	Declaration of compliance with conditions in current instruments (if applicable)	<input checked="" type="checkbox"/>
n/a	Relevant instrument(s) for past special variations (if applicable)	<input type="checkbox"/>
n/a	Evidence of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
	Mandatory public supporting material (i.e. to be published on IPART's website)	<input type="checkbox"/>
7 (D15029202)	Revised Adopted Community Strategic Plan – Excerpt	<input checked="" type="checkbox"/>
8 (D15029198)	Adopted Delivery Program – Condensed version	<input checked="" type="checkbox"/>
9 (D15029373)	2023 - 2032 General Fund Long Term Financial Plan	<input checked="" type="checkbox"/>
10 (D15024738)	Community Engagement Information and supplied materials	<input checked="" type="checkbox"/>
11 (D15025537)	Consultation Summary Report – Maintaining Services and Rates, January 2022	<input checked="" type="checkbox"/>
12 (D15029093)	Central Coast Socioeconomic Review 2022	<input checked="" type="checkbox"/>
13 (D15025300)	Debt Recovery and Hardship Policy	<input checked="" type="checkbox"/>
14 (D15024737)	Pensioner Concession Policy	<input checked="" type="checkbox"/>
	Other public supporting material	<input type="checkbox"/>
15 (D15029199)	Adopted Resourcing Strategy – 2022-2025 - Condensed Version(Asset Management Strategy and Workforce Management Strategy and Long Term Financial Plan)	<input checked="" type="checkbox"/>

Council- assigned number	Name of attachment	Is the document included in the application as submitted?
16 (n/a)	NSW Treasury Corporation report on financial sustainability (if applicable)	<input type="checkbox"/>
17 (D15024747)	Central Coast Council Resolutions	<input checked="" type="checkbox"/>
18 (D15024733)	Administrators "Submission in reply to public inquiry" dated 10 November 2021	<input checked="" type="checkbox"/>
19 (D15024734)	Communications and Engagement Plan - SV Project	<input checked="" type="checkbox"/>
20 (D15029164)	Central Coast Council Financial Reporting Extracts – includes: <i>2021/22 Quarter 1 - Presented to Council on 23 November 2021</i> <i>2021 September Monthly Financial Report - Presented to Council on 26 October 2021</i> <i>2021 December Monthly Financial Report - Presented to Council on 25 January 2022</i> <i>2021 December Monthly Investment Report - Presented to Council on 25 January 2022</i>	<input checked="" type="checkbox"/>
21 (D15025560)	Productivity Fact Sheet	<input checked="" type="checkbox"/>
22 (D15029340)	Previous Reports and Plans – CSP (Excerpt), CSP Engagement Report (Excerpt), Draft and Adopted Operational Plan 2021-22 (Excerpt), Revised Operational Plan 2020-21	<input checked="" type="checkbox"/>
23 (D15029326)	Council Report, 14 December 2021 - Asset Sales Program	<input checked="" type="checkbox"/>
24 (D15018178)	Council Report, 3 February 2022 - Consideration of Submissions and Adoption of the Revised CSP, Delivery Program 2022-2025 (including Operational Plan 2022-23) and Resourcing Strategy, and Consideration of an SV Application – presented to Council	<input checked="" type="checkbox"/>
25 (D15021317)	Central Coast Council - Fees and Charges 2022-23	<input checked="" type="checkbox"/>
26 (D15030713)	Summary of Submissions for Revised LTFP and Draft Debt Recovery and Hardship Policy	<input checked="" type="checkbox"/>
27 (D14685283)	Summary of Submissions for the Draft Operational Plan 2021-22	<input checked="" type="checkbox"/>
28 (D15025551)	Revised Community Strategic Plan Summary of Changes – 2018 – 2028 – February 2022	<input checked="" type="checkbox"/>
	Confidential supporting material (i.e. not to be published on IPART's website)	

Important information

Submitting online

Applications must be submitted through the Council portal by Monday, 7 February 2022.

- A file size limit of 10MB applies to the Part B Application Form.
- For supporting documents (Attachments) a file size limit of 70MB applies to public documents, and another 50MB to confidential documents.

Confidential content

We will post all applications (excluding confidential content) on our website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, a document such as a council working document that does not have formal status, or document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as CONFIDENTIAL.

Publishing the council's application

Councils should also post their application on their own website for the community to access.