Author name: K. Brooks

Date of submission: Sunday, 6 March 2022

Your submission for this review:
Central Coast Council (CCC) admits in its own submission that this is a "repeat application." It is essentially the same application CCC submitted last year and was partially rejected by IPART. CCC is therefore in effect appealing against t is therefore effectively an appeal against that decision. Many people in our community who took the time to make submissions last year have told me they won't be doing so again this year because they don't have the time to respond year after year to a Council that won't take no for an answer. Nor do they see the point when it seems obvious IPART's processes are rigged against us. This is not a level playing field. In the past two years CCC has spent millions of dollars (ironically ratepayers money) in staff costs, consultancies and other costs putting together its submissions. Community members have to use our own resources in our own time. CCC receives assistance from IPART officials on its application - and opportunities for behind the scenes lobbying and relationship building. We are given no such access. CCC can submit repeat applications year after year. We have no right of appeal. No wonder many in our community have simply become cynical about this process.

Your comments on Criterion 1:
Central Coast Council has failed to meet this criterion as explained in section 2 of my uploaded submission.

Your comments on Criterion 2:
Central Coast Council has failed to meet this criterion as explained in section 3 of my uploaded submission.

Your comments on Criterion 3:
Central Coast Council has failed to meet this criterion as explained in section 4 of my uploaded submission.

Your comments on Criterion 4:
Central Coast Council has failed to meet this criterion as explained in section 5 of my uploaded submission.

Your comments on Criterion 5:
Central Coast Council has failed to meet this criterion as explained in section 6 of my uploaded submission.

# Say “No” to Yet Another Rate Hike


**Central Coast Council (CCC) Special Variation 2022/23**
**(*in effect an appeal by CCC against IPART’s 2021/22 decision*)**

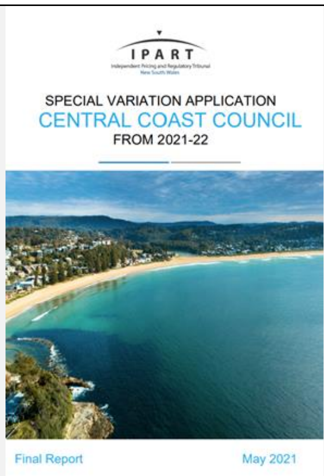
**Submission by Kevin Brooks**

**Contents**

# 1 Why is Central Coast Council being allowed to appeal IPART's 2021 decision, when ratepayers had no right of appeal?

***"The council's proposal to increase its rates permanently is inconsistent with its intention to use the SV funds to repay the loans."***

IPART's Final Report on CCC's 2021 SV Application, May 2021.




1.1 In May 2021, IPART largely rejected CCC's application for a permanent 15% Special Variation (SV). IPART restricted the SV to three years. IPART explained the main reason for its decision was the SV would raise far more money than was needed for its stated purposes, mainly paying off emergency loans from the financial crisis. IPART also suggested that CCC should use the breathing space to improve productivity and liberate efficiencies from the merger.

1.2 Within a month of that decision, however, and having made no further effort to improve productivity or liberate efficiencies from the merger, CCC resolved to reapply for a 10-year SV (in effect permanent) this year.

1.3 CCC itself confirms this is an appeal against the 2021 decision on page 23 of its own 2022 application:

"While the exhibition process occurred during December and January (22 December to 21 January), **this SV is a repeat of last year's application…….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."**

1.4 CCC's new application is therefore an appeal against IPART's May 2021 Determination. IPART's rules do not allow appeals against its decisions. Certainly, ratepayers, who opposed the three-year SV, were given no right of appeal against the decision. This is yet another example of the way IPART, which exists to protect customers from monopoly pricing, has processes that are engineered to assist Councils more than the ratepayers it exists to protect.

1.5 Nothing has changed since May 2021. Council still argues it needs $110 M from rates to repay the financial crisis loans with the rest coming from asset sales and other means. CCC has confirmed this in public many times, for example Rik Hart in Coast News on 2 July:

***"The plan to pay (the loans) includes writing off about $40M in internally restricted funds; selling assets of about $60M and paying off the rest – about $110M – over a 10-year period."*** [1]

1.6 This SV application raises about $26M per year. If Council only needs $11M per year to pay off the loans from the financial crisis, what is the other $15M a year for? It seems, CCC has a recurring structural deficit that has still not been brought under control.

1.7 What has caused this recurring structural deficit? General rates have gone up well in excess of inflation over the past decade. Before the merger, IPART granted Wyong Council a 31% increase over four years in 2013/14, and this was passed on to Gosford last year as part of rates harmonization leading to a 42% average increase in Gosford rates when added to the SV. At the same time, services have been significantly cut. **So, if rates have risen well above inflation, and services have been cut, why does CCC still have a recurring structural deficit even after paying off it loans?**

1.8 CCC's "repeat application" is no different from the previous one in that it is inconsistent with its main stated purpose of paying off the loans from the financial crisis. IPART rightly pointed that out in its previous decision in May 2021.

1.9 If IPART allows any part of this appeal, it will need to explain why it is doing so after rejecting it last year despite the reasons for rejection equally applying this year. IPART will need to explain exactly what has changed between May 2021 and an appeal launched just four weeks later.

1.10 IPART will also need to explain how it ever expects CCC to reform itself and its culture, improve performance, productivity, and efficiency, if it keeps getting bailed out by ratepayers.

[1] Central Coast News 2 July - https://coastcommunitynews.com.au/central-coast/news/2021/07/administrator-asks-local-mps-to-back-permanent-rates-increase/

# 2 The “financial need” criterion

## IPART must not incentivize poor performance

> ***“Fixable but unfixed bad performance is bad character and tends to create more of itself, causing more damage to the excuse giver with each tolerated instance.”***
>
> *Charlie Munger, Vice Chair Berkshire Hathaway*

2.1 The OLG regulations require IPART to assess the “financial need” of Councils when determining applications for special variations (SVs). OLG regulations should, however, be applied with common sense because an overly literal interpretation would enable Councils to “game the rules” by, for example, *intentionally* creating financial need by overspending.

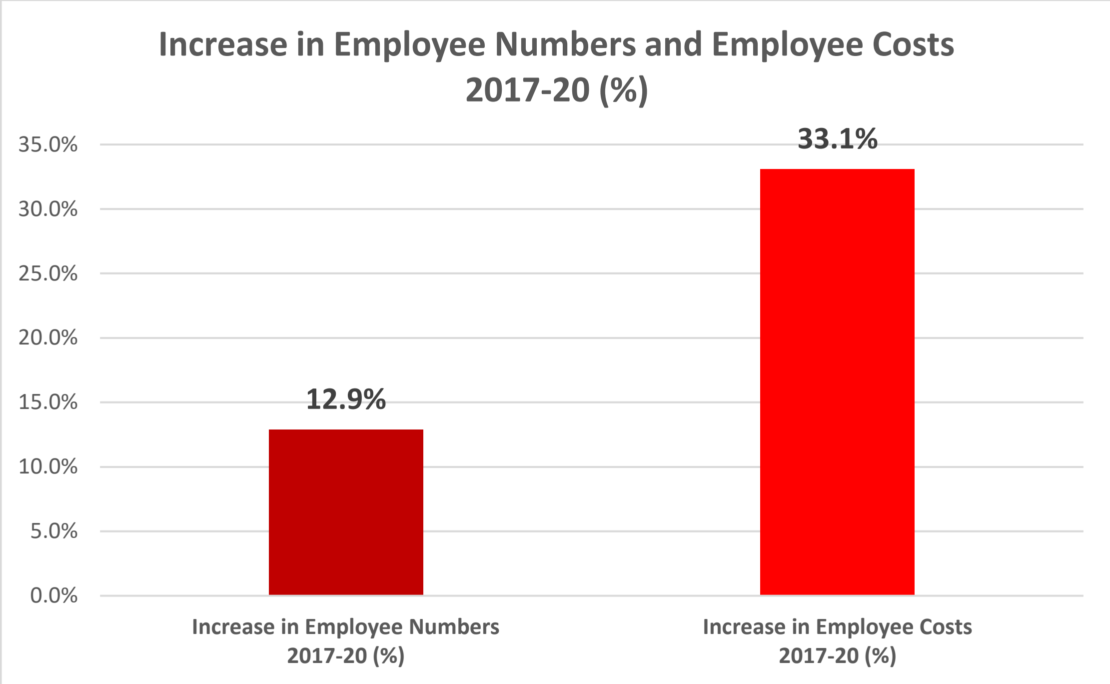
2.2 IPART uses the Operating Performance Ratio (OPR) to measure financial need. The OPR, however, is really a measure of how well a Council manages its finances. Councils can intentionally create a lower OPR simply by increasing expenditure to unsustainable levels – thereby unlocking IPART’s criteria for a rate hike.

2.3 This demonstrates why IPART needs to interpret the OLG regulations with common sense. In particular, IPART needs to take account of what has created the “financial need” in the first place. Central Coast Council (CCC) freely admits its “financial need” was caused by its own financial mismanagement. Ratepayers should not have to pay for this.

## Where did all the money go?

2.4 We can see this very clearly in the increase in employee costs between 2017 and 2020, as reported in the Administrator’s 30-day report. Employee numbers rose 12.9% during this period. **But what is truly shocking is that employee costs over the same period rose 33.1% (see picture 1).**

2.5 This means employee costs rose two and a half times faster than employee numbers – which means salaries and other perks were rising well beyond annual public sector awards which are typically 2-3%.




***Picture 1***

***Source: Graphical representation of figures on page 7 of the Interim Administrator's 30-day report***

2.6 Normally, if employee numbers rise 12.9% you might expect employee costs to rise by a similar percentage plus a bit extra for annual award increases. So, for employee costs to rise two and a half times faster than employee numbers shows the extent of above award pay increases, more expensive Executive contracts, and other perks in this period.

2.7 Some of this was done under the guise of "pay harmonization" post Council merger. This effectively means managers being pushed up the pay scale following individual job re-evaluations to reflect merged organization charts. There is no reason this should have happened on the scale that it did. It was an uncontrolled excess by a self-interested bureaucracy.

2.8 As a result of these pay hikes, the pay senior management has increased. The managerial structure for new Council (including a whole new category of "section manager" is now as follows):

- Chief Executive Officer – over $500,000 (more than the Premier)
- Executive Directors - $300,000 - $400,000
- Unit Managers - $200,000 - $300,000
- Section Managers - $100,000 - $200,000.

2.9 In its IPART submission, CCC repeats the discredited claim that it has reduced the Executive from 9 to 5. This is another example of Council spin and based on the definition of "Executive" and removal of some posts that had never been filled. In fact, the Interim Administrator confirmed that he had more people earning over $300,000 than before the Council entered administration. This was pointed out in response to CCC's 2021 submission, but IPART still accepted CCC's claim at face value and commented positively on it in the Determination Report. It would be helpful if IPART were to track the average salaries of Executives compare over a one, three, five, and ten year period when it considers SV applications.

2.10 Salaries, however, are only one part of "employee costs." The above blow out in salaries was accompanied by a large increase in other benefits, cars, office fit outs, and Executive and Personal Assistants, etc.. Under current Council policies, a manager can drive their whole family to Cairns and back for a holiday and the ratepayer will pay for their petrol.

2.11 Whilst Council has reduced employee numbers in the past year in response to the financial crisis (whilst also cutting services), higher salaries for those still employed remain in the budget base and therefore continue to drive deficits and rate demands.

2.12 This blow out in employee costs between 2017-20 was also the underlying root cause of the operational deficits that led to the use of restricted funds. Repayment of the loans taken out to repay those restricted funds are also part of this SV which is why it is pertinent to ask: Why should customers of a monopoly service provider with no choice of alternative service provision, nor any longer any democratic representation, fund the excesses of an unaccountable bureaucracy?

## Council Plans Another 13% Increase in Employee Costs if SV is Approved

2.13 **The Long-Term Financial Plan that went on exhibition in December 2021 proposes a $23M (13%) increase in employee costs next year (2022/23) compared with this year (2021/22) – see picture 2 below.**

**Long Term Financial Plan**
**Maintain SV Scenario**
**Consolidated Income Statement**

| | Base Year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 |
| **Income from Continuing Operations** | | | | | | | | | | | |
| *Revenue:* | | | | | | | | | | | |
| Rates & Annual Charges | 362,210 | 418,492 | 426,537 | 434,710 | 443,077 | 451,500 | 459,620 | 467,920 | 476,404 | 485,077 | 465,172 |
| User Charges & Fees | 141,332 | 148,071 | 148,279 | 149,113 | 149,963 | 150,733 | 151,486 | 152,244 | 153,005 | 153,770 | 154,539 |
| Interest & Investment Revenue | 4,442 | 4,753 | 4,776 | 4,914 | 5,061 | 5,211 | 5,376 | 5,544 | 5,713 | 5,889 | 5,980 |
| Other Revenue | 10,122 | 9,160 | 9,206 | 9,252 | 9,298 | 9,345 | 9,391 | 9,438 | 9,486 | 9,533 | 9,581 |
| Other Income | 7,621 | 7,927 | 7,966 | 8,006 | 8,046 | 8,087 | 8,127 | 8,168 | 8,208 | 8,250 | 8,291 |
| Grants & Contributions provided for Operating Purposes | 42,176 | 42,798 | 43,211 | 43,630 | 44,055 | 44,486 | 44,924 | 45,368 | 45,819 | 46,276 | 46,741 |
| Grants & Contributions provided for Capital Purposes | 67,675 | 81,530 | 62,425 | 57,565 | 51,964 | 59,571 | 59,571 | 59,571 | 59,571 | 59,571 | 59,571 |
| Net Internal Revenue | 72,955 | 73,320 | 73,687 | 74,055 | 74,425 | 74,797 | 75,171 | 75,547 | 75,925 | 76,305 | 76,686 |
| *Other Income:* | | | | | | | | | | | |
| Net gains from the disposal of assets | 25,740 | 5,294 | 1,412 | 284 | 1,730 | - | - | - | - | - | - |
| **Total Income from Continuing Operations** | 734,273 | 791,346 | 777,499 | 781,529 | 787,621 | 803,730 | 813,667 | 823,800 | 834,131 | 844,671 | 826,560 |
| **Expenses from Continuing Operations** | | | | | | | | | | | |
| Employee Benefits & On-Costs | 172,594 | 195,854 | 201,875 | 206,152 | 210,219 | 213,544 | 217,815 | 222,172 | 226,615 | 231,147 | 229,770 |
| Borrowing Costs | 12,689 | [illegible] | 12,056 | 11,187 | 10,199 | 9,036 | 8,779 | 8,622 | 8,313 | 8,052 | 7,741 |
| Materials & Contracts | [illegible] | 267,413 | 267,024 | 272,239 | 271,483 | 271,470 | 272,127 | 273,293 | 277,215 | 275,655 | 272,950 |
| Depreciation & Amortisation | 170,021 | 156,321 | 160,318 | 164,314 | 168,310 | 172,306 | 176,303 | 180,299 | 184,295 | 188,292 | 192,288 |
| Other Expenses | 37,712 | 37,705 | 37,705 | 37,705 | 37,705 | 37,705 | 37,705 | 37,705 | 37,705 | 37,705 | 37,705 |
| Net Losses from the Disposal of Assets | | | | | | | | | | | |
| **Total Expenses from Continuing Operations** | 637,765 | 670,053 | 678,978 | 691,597 | 697,915 | 704,062 | 712,730 | 722,091 | 734,144 | 740,851 | 740,455 |
| **Operating Result from Continuing Operations** | 96,508 | 121,293 | 98,521 | 89,932 | 89,705 | 99,668 | 100,937 | 101,709 | 99,988 | 103,821 | 86,105 |
| **Net Operating Result for the Year** | 96,508 | 121,293 | 98,521 | 89,932 | 89,705 | 99,668 | 100,937 | 101,709 | 99,988 | 103,821 | 86,105 |
| Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | 28,833 | 39,763 | 36,096 | 32,367 | 37,742 | 40,097 | 41,366 | 42,138 | 40,416 | 44,249 | 26,534 |

2.14 It seems Council once again intends splashing the extra cash on the bureaucracy, not the community. This 13% increase in employee costs will adversely impact the OPR which perversely helps CCC meet IPART's "financial need" criterion. This is why IPART needs to interpret the criterion with common sense. Rather than increasing rates, CCC could pare back its planned increase in employee costs. It could also improve productivity and efficiency as suggested by IPART in its May 2021 Determination. Unfortunately, CCC will never see the need to do that if it is constantly bailed out by ratepayers.

2.15 It also worth noting that CCC's forecast for employee costs in 2022/23 of $195,854,000 are 27% higher than employee costs immediately before amalgamation of $154,382,000 (source – CCC's own June 2021 financial report -see paragraph 3.2 below). **This means that, despite the claims in CCC's submission, employee costs since 2016 will have increased (27%) by 2022/23 - significantly more than CPI inflation (approx. 10%) over the same period (source RBA inflation calculator - https://www.rba.gov.au/calculator/annualDecimal.html**

2.16 IPART's 2021 Determination has already awarded CCC a substantial amount of ratepayers' money to pay off the bulk of the loans taken out to resolve the 2020 financial crisis. CCC has freely admitted this financial crisis was caused by its own mismanagement. IPART has therefore perversely incentivized financial mismanagement through its 2021 Determination. It is important this error is not compounded in the 2022 Determination.

2.17 As noted in paragraphs 1.5 to 1.10 above, CCC has publicly stated it only needs $11M per year over 10 years to repay the loans whereas this new application raises $26M a year. The bulk of the SV ($15M per year) is therefore not to repay loans but to fund a structural deficit still not under control. IPART could send a strong signal and incentivise better financial management if it rejects this application and suggests CCC addresses its structural deficit through better management and improved efficiency. Providing yet more ratepayers' money will reduce the incentive for CCC (and other Councils) to reform.

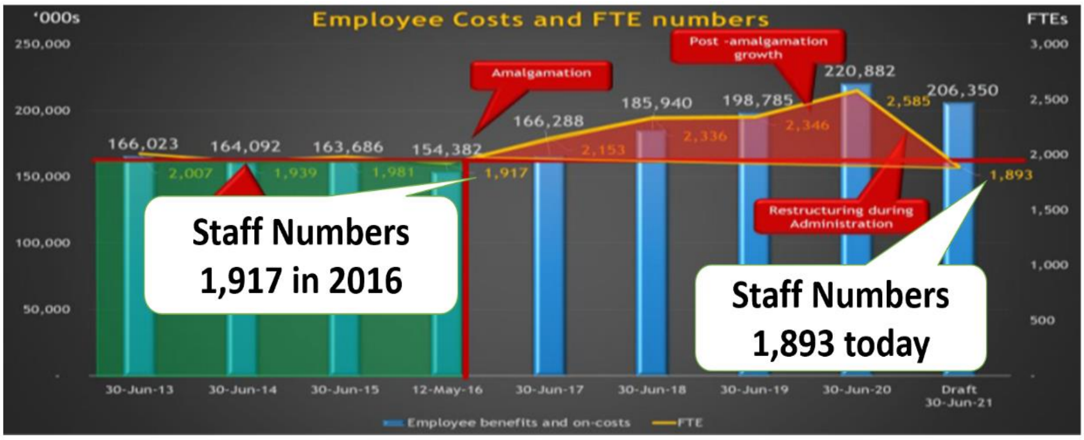
## 3 The “productivity” criterion.

### CCC productivity still lower than five years ago

> ***“Productivity isn't everything, but, in the long run, it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per employee.”***
>
> Paul Krugman, Professor of Economics and International Affairs Emeritus at Princeton University and Centennial Professor London School of Economics

3.1 In the real world, salary increases such as those shown for executives and senior managers in paragraph 2.8 above are earned by higher productivity. Indeed, most organisations seek to improve productivity and efficiency year on year.

3.2 Unfortunately, the evidence suggests CCC’s productivity, far from increasing year on year, is lower than five years ago - which is one of the main reasons it can only balance the books through rate hikes.




***Picture 3***
***Source: Central Coast Council Draft Financial Statements June 2021***

3.3 CCC produced the above chart to demonstrate that it has now reduced its employee numbers back to 2016 levels after a massive blow out between 2016 and 2020. There’s a bit of smoke and mirrors in this claim because the administrator uses a different definition of staff numbers to that used by his predecessor enabling him to include 337 vacant posts in the reduction.

3.4 **But, even if we accept the administrator's new definition, employee numbers are still only about the same as they were five years ago. Meanwhile, services have been extensively cut so productivity (output per employee) must be lower than five years ago.**

3.5 And there is no doubt services have been extensively cut. Over 50 individual service cuts were announced in a single Council meeting on 23 March 2021. These included: increased timescales for pothole repairs; less environmental maintenance; closure of facilities such as the Entrance Library; longer processing times for development applications; a 40% reduction in community grants; increased compliance response times; a reduction in youth services; and a reduction in a whole range of other services and Council run events. **How can this Council be doing so much less with the same number of staff it had five years ago?**

3.6 CCC's IPART submission contains no overall measure of productivity because it knows it is doing less with the same number of staff it had five years ago. Instead, CCC's submission cherry picks examples of productivity improvements (many of which aren't strictly speaking productivity improvements) whilst ignoring counter examples where productivity has declined.

3.7 CCC's submission also stresses recent staff reductions without mentioning the service cuts that have accompanied them (productivity is output per employee so if both output and employees fall together that does not necessarily mean productivity has improved).

3.8 There is no measure or quantification of productivity (output per employee) anywhere in CCC's submission. It is also noticeable that where they do try to quantify savings such as staff reductions (not productivity per se as explained in the previous paragraph), they conveniently compare with recent years such as 2020 or 2021. This is smoke and mirrors because there was a huge blow out in costs between 2016 and 2020. Savings over the past year or so merely reduce that blow out, without necessarily meaning savings compared with say 2016. As ever in statistics, the base year for comparison is important.

3.9 **The bottom line here is that CCC is providing fewer and worse services despite having about the same number of employees as five years ago. That means productivity (output per employee) has fallen.**

3.10 And this is despite all the opportunities presented by amalgamation to liberate merger savings through economies of scale. Indeed, we were told the main reason for extending the Council's administration was to allow time for the current administrator Rik Hart and new CEO David Farmer to liberate cost savings through completion of the merger.

3.11 Yet none of the 190 projects in the Council's recently approved Delivery Program relate to completion of the merger. Any savings achieved appear ad hoc rather than driven by a focused integration plan. This is in marked contrast to my own experience of bank mergers where dedicated integration projects, each with quantifiable targets for benefits realisation, are given high priority and relentlessly tracked to completion.

3.12 **IPART exists to protect customers from monopoly pricing. Senior managers of monopolies will always see price hikes as an easier option than the more challenging work of improving efficiency and productivity. And that is exactly what is happening with CCC.**

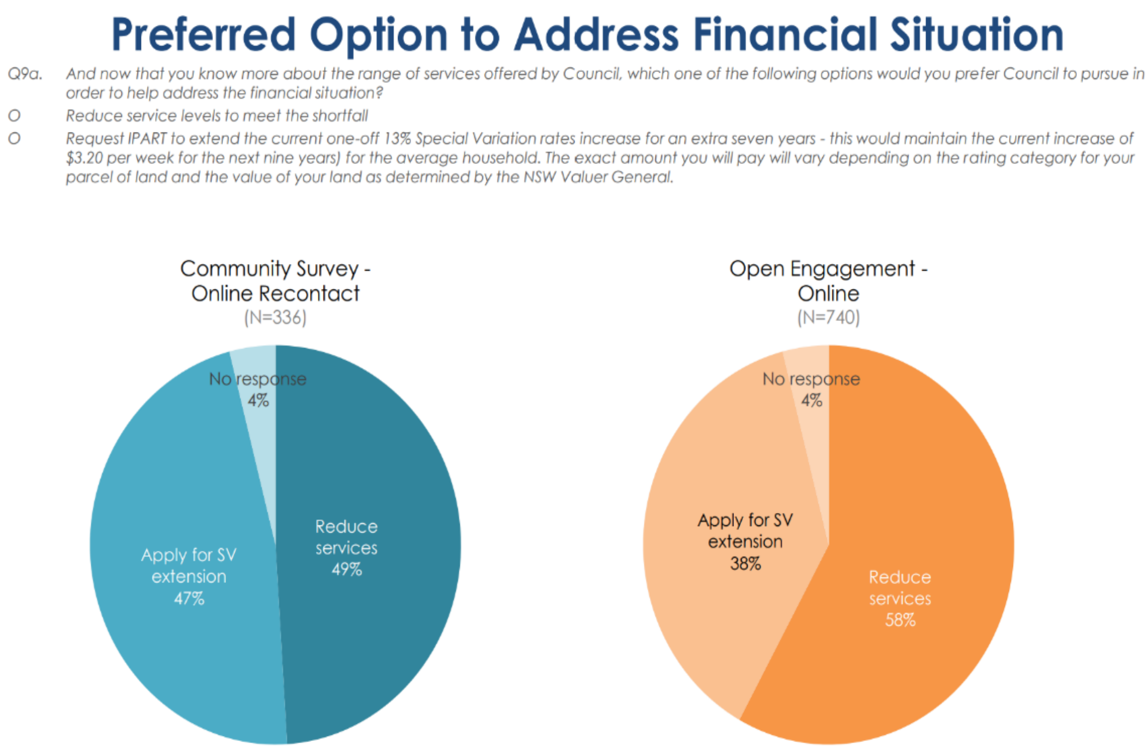
# 4 The “community awareness” criterion.

> ***“You can fool all the people some of the time and some of the people all the time, but you cannot fool all the people all the time.”***
>
> Abraham Lincoln

4.1 Over the past year, CCC has spent millions (ironically ratepayers’ money) on staff costs, consultancies, and marketing material in a relentless campaign for another rate hike.

4.2 Engagement surveys have become a tool of persuasion rather than consultation. The centerpiece of the “public engagement” exercise was a flawed survey methodology in which CCC selected a sample and subjected them to Council spin, including misleading information, before asking them to respond to loaded questions.

4.3 The key question in this survey was a binary choice between rate hikes or service cuts. There was no other option such as reducing internal costs or improving productivity. The sample must have felt a school bully had them in an armlock and was threatening to break their arm if they didn’t hand over their pocket money. **Yet despite these biased tactics, CCC still couldn’t get a majority for its SV application as picture 4 shows.**




***Picture 4***
***Source: Micromex survey report.***

4.4 Significantly, although the option of reduced internal costs, or improved efficiency and productivity, were never allowed in the survey, when respondents were invited to suggest services that could be reduced most suggested these as the best options. This is extraordinary feedback because internal costs and efficiency were never mentioned in the survey whereas the Council's main 47 services were listed and might therefore have been expected to be more likely to be mentioned in response to this question.

## Potential Services to Invest Less in

Q5. *If Council is forced to reduce service levels further, which, if any, particular services do you feel they could invest less in?*

| | | Open Online | Online Recontact |
|---|---|---|---|
| Council/ Assets | Staffing – reduce wages, reduce number of staff, no need for Council cars, etc. | 32% | 20% |
| | Make improvements/better management/better focus/more efficient operations and workers | 25% | 8% |
| | Contractors/consultants | 5% | 2% |
| | Council buildings | 5% | 1% |
| | Advertising | 4% | 1% |
| | Land/property e.g. sell off | 4% | <1% |
| | Studies/research | 3% | 1% |
| | Equipment | 1% | 1% |
| | IT/computer systems | 1% | <1% |
| | Compliance/regulation/red-tape | 1% | <1% |
| | **NET: Council/Assets** | **52%** | **27%** |
| Council's Main 47 Services | Library services/programs | 9% | 2% |
| | Maintaining and minor upgrades to existing parks, sportsfields, recreational reserves, outdoor gyms | 9% | 10% |
| | Cultural venues and programs/arts | 9% | 3% |
| | Urban planning | 9% | 3% |
| | Tourism and economic development (including Gosford Waterfront) | 8% | 3% |
| | Community events | 7% | 2% |
| | Community grants and sponsorship | 6% | 1% |
| | Council-run childcare | 6% | 1% |
| | Maintaining and minor upgrades to existing roads including potholes, kerb and gutters and roadside mowing | 5% | 5% |
| | Community education | 4% | <1% |
| | Managing and operating leisure centres, pools and tennis courts | 3% | 1% |
| | Central Coast Airport at Warnervale | 3% | <1% |
| | Managing Central Coast Stadium | 3% | <1% |
| | Maintaining and minor upgrades to existing pedestrian and bike paths | 3% | 4% |
| | Base | 740 | 744 |

***Picture 5***
***Source: Micromex survey report.***

4.5 **The feedback here is unmistakable. The community wants CCC to reduce the costs of bureaucracy and improve its performance, productivity, and efficiency. The community does not accept a binary choice between rate hikes or service cuts. And why should we? Why should we pay more for services that have already been cut?**

4.6 Yet, CCC perversely argues in its submission to IPART that rate hikes are somehow *"in direct opposition to the vast majority of the community's sentiment."* CCC claims some of those who opposed rate hikes in the above survey had also opposed spending less on specific services in other questions – questions which made no mention of the impact on rates. In other words, the Council gives more weight to questions that did not explain the impact on rates than questions that were more transparent.

4.7 This is all nonsense of course. It is entirely consistent for ratepayers, whose general rates have risen by inflation or more every year, to believe they have already provided sufficient revenue to maintain services. And of course, residents don't want service cuts per se. But they've also said loud and clear they don't expect to pay 15% more for services that have already been cut.

4.8 CCC's flawed and biased survey techniques have not delivered the result CCC expected. So, CCC is now misrepresenting the results. In doing so they are misrepresenting community sentiment.

4.9 In addition, CCC has resorted to threatening tactics in writing to community groups who receive Council funds or other support and stating such support is at risk if they do not write to IPART supporting the rate hike application. [redacted]

4.10 Complaints have been made to IPART about these biased, flawed, and inappropriate public engagement techniques including specific examples of inaccurate and misleading information provided to survey respondents. IPART has replied that it cannot investigate such matters. This seems odd given community engagement is one of IPART's five criteria for approving special variations. If IPART is not prepared to investigate such complaints, how can it judge whether an SV applicant has met the public engagement criteria? And how can it quote the results of tainted public engagement in its final reports as if they are somehow credible?

# 5 The “reasonable impact” criterion

## The Central Coast has some of the most disadvantaged areas in NSW

> ***“I’m as poor as a church mouse, that’s just had an enormous tax bill on the very day his wife ran off with another mouse, taking all the cheese.”***
>
> Rowan Atkinson (Blackadder).

5.1 Central Coast has higher levels of socio-economic disadvantage than NSW as a whole. CCC commissioned a socio-economic report by *Informed Decisions* (ID) in January 2022 which is included as attachment 12 to its SV submission. This report states on page 49:

***“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 86$^{th}$ most disadvantaged of 130 local government areas.”***

5.2 The Central Coast scores significantly more disadvantaged than greater Sydney across all indicators. Although its SEIFA index is similar to Regional NSW, there are many indicators where it is even more disadvantaged than Regional NSW, such as the proportion of low-income households, median individual income, and proportion of households with no educational qualifications.

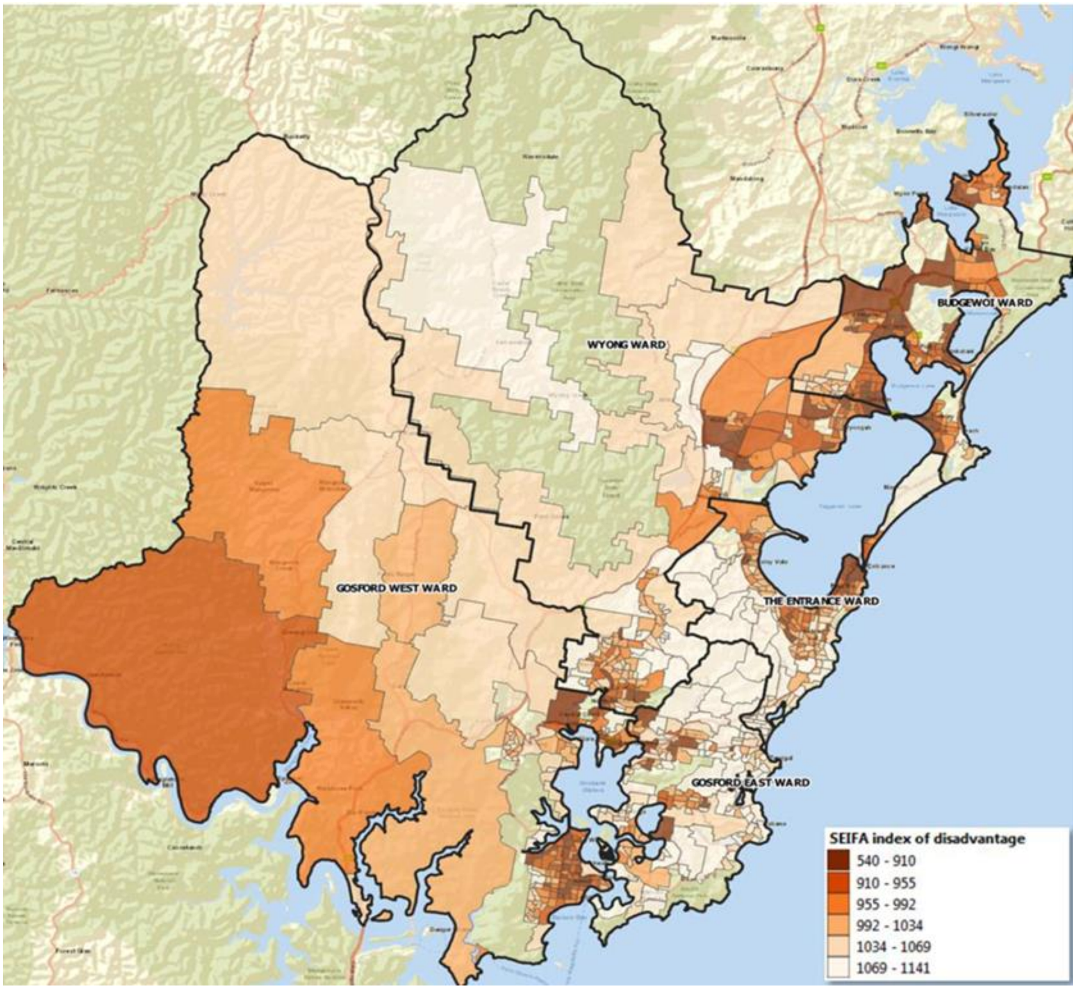
**Impact of the pandemic**

5.3 The Central Coast has also been impacted more by the pandemic than NSW as a whole. Thiis is illustrated by the following statistics (comparing 2020 with 2019) from the ID report:

- Gross Regional Product (GRP) decreased 0.9% in in the Central Coast compared with 0.6% in NSW
- Employed residents declined 3.6% in the Central Coast compared with 0.1% in NSW
- Number of local jobs dropped 1.3% in the Central Coast compared with 0.04% in NSW

**Socio-economic disadvantage is unevenly spread across the Central Coast**

5.4 The ID Report also shows that disadvantage is unevenly distributed across the region (see picture 6). This suggests there will be affordability issues for the most disadvantaged areas, and these will increase over time especially as other cost of living pressures ae increasing.



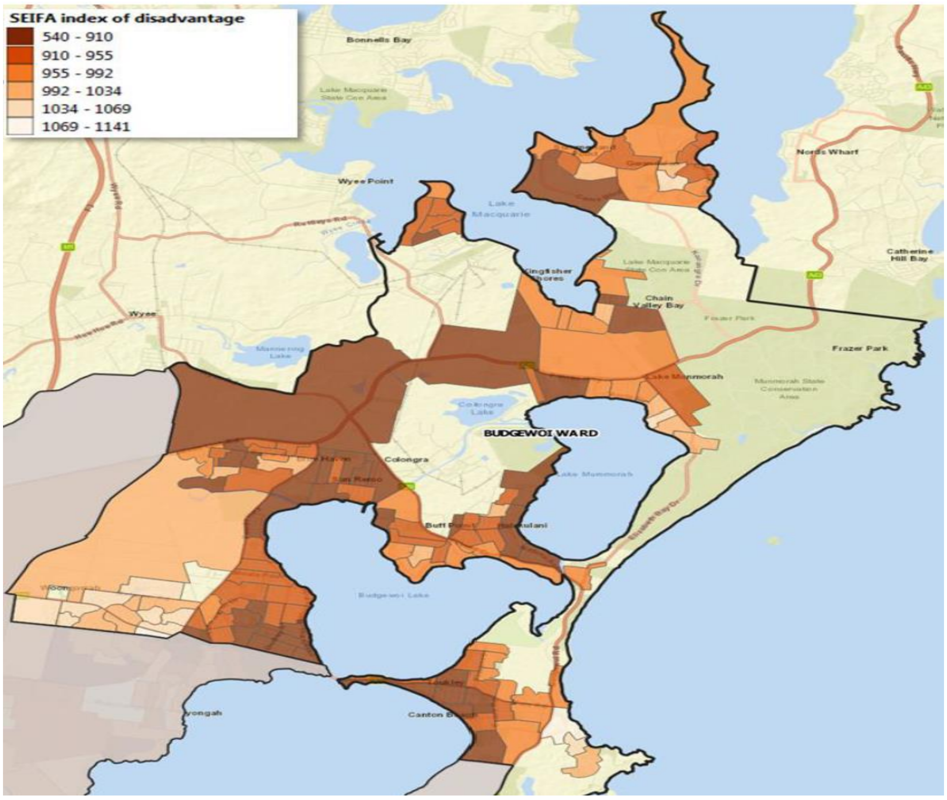

***Picture 6***
***Source: Central Coast Socio Economic Review – Attachment 12 CCC's SV Submission***

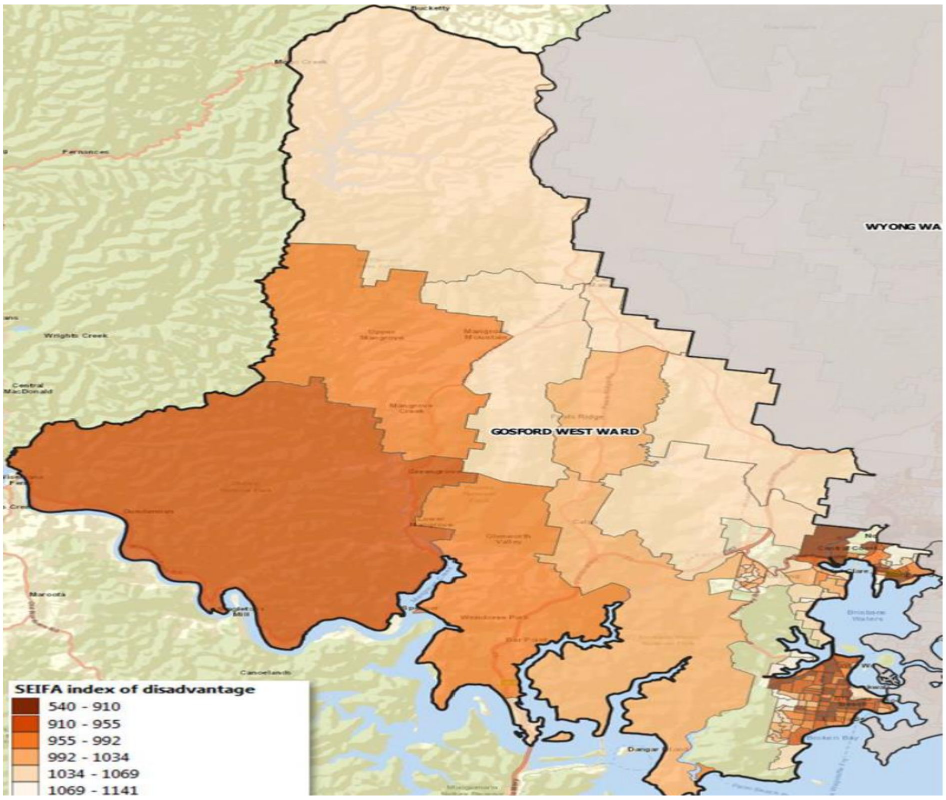
5.5 In fact, whilst the Central Coast has areas of affluence, it also has some of the most disadvantaged neighbourhoods in NSW (shown in darker colours in picture 6 above). The impact of the SV on these neighbourhoods, on top of the pandemic and current cost of living pressures, and with Central Coast Council also seeking to increase water rates by 34% next year, will be devastating.

5.6 Picture 6 also shows some of the most disadvantaged neighbourhoods are in the South where general rates rose 42% last year due to the impact of rates harmonization.

5.7 In its 2021 SV application, CCC opportunistically argued that because average disadvantage was higher in the North than the South, rates harmonization would have less impact. As picture 6 shows, however, this argument ignores areas of severe deprivation in some parts of the South.

5.8 The same report also shows that socio economic disadvantage is greatest in the Budgewoi and Gosford West wards. Budgewoi is in the 20% most disadvantaged sub urbs in NSW. Gosford West is in the 34% most disadvantaged. Even that, however, does not tell the whole story because disadvantage is not evenly spread within those wards. Some parts of those wards are severely disadvantaged as the pictures 7 and 8 show.




***Picture 7 (top) Budgewoi areas of disadvantage***
***Picture 8 (bottom) Gosford West areas of disadvantage***
***Source: Central Coast Socio Economic Review – Attachment 12 CCC's SV Submission***

5.9 Budgewoi, Wyong, The Entrance, and Gosford West have a higher proportion of households vulnerable to increased costs, such as rate hikes, than the LGA average (shown in red):

| Ward | One parent families with children | Older couples without children | Older lone person households |
|---|---|---|---|
| Budgewoi Ward | 7.5% | 13.9% | 3.4% |
| Gosford East Ward | 4.6% | 14.9% | 2.5% |
| Gosford West Ward | 5.0% | 11.5% | 4.9% |
| The Entrance Ward | 6.3% | 11.9% | 3.8% |
| Wyong Ward | 6.8% | 10.2% | 3.9% |
| **Central Coast** | **6.2%** | **12.4%** | **3.7%** |

***Picture 9***
***Wards where the percentage of families vulnerable to price increases (e.g., rate hikes) is above the LGA average are shown in red***
***Source: Central Coast Socio Economic Review – Attachment 12 CCC's SV Submission***

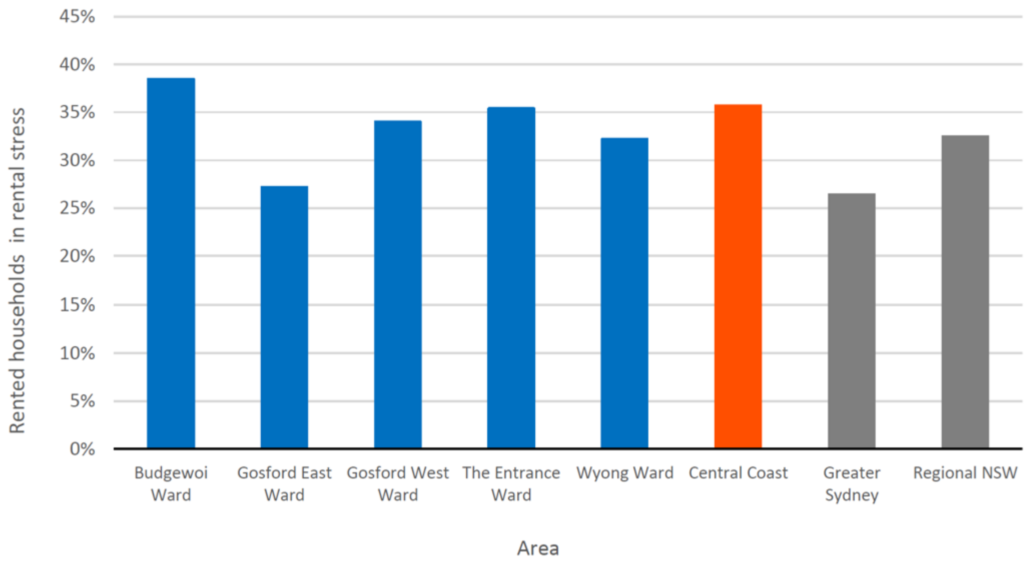
5.10 These same wards also include a higher proportion of industries adversely impacted by the pandemic as shown below in picture 10.

| Budgewoi Ward | Gosford East Ward | Gosford West Ward | The Entrance Ward | Wyong Ward |
|---|---|---|---|---|
| Health Care and Social Assistance **14.9%** | Health Care and Social Assistance **15.9%** | Health Care and Social Assistance **15.9%** | Health Care and Social Assistance **14.7%** | Health Care and Social Assistance **16.0%** |
| Construction **13.0%** | Construction **11.8%** | Retail Trade **10.5%** | Construction **12.6%** | Retail Trade **11.4%** |
| Retail Trade **13.0%** | Retail Trade **10.0%** | Construction 10.0% | Retail Trade **11.7%** | Construction **9.9%** |
| Accommodation and Food Services **7.9%** | Education and Training **9.8%** | Education and Training **7.1%** | Education and Training **8.5%** | Accommodation and Food Services **7.4%** |
| Manufacturing **7.6%** | Accommodation and Food Services **7.7%** | Accommodation and Food Services **7.0%** | Accommodation and Food Services **8.2%** | Education and Training **7.2%** |

***Picture 10 Top industries of employment by ward and the positive (green) or negative (red) impact of Covid 19 on those industries***
***Source: Central Coast Socio Economic Review – Attachment 12 CCC's SV Submission***

**A Worsening Homelessness Crisis for the Central Coast**

5.11 Picture 11 below shows that Central Coast Council had a significantly higher proportion of households in rental stress than Greater Sydney and Regional NSW in 2016. Since then, this is likely to have worsened because the Central Coast rental market has tightened significantly.




***Picture 11 Households in rental stress in 2016***
***Source: Central Coast Socio Economic Review – Attachment 12 CCC's SV Submission***

5.12 Rental vacancy rates have fallen to around 1% or lower. Housing market experts say supply and demand are in equilibrium at about 2-3%. So, there is already upward pressure on rents from the market. Rents rose 23% last year according to figures recently released by real estate consultant BFP Property Buyers.

5.13 The SV continuing at a time of rising cost of living pressures, including a possible 34% water rate hike, will add to rental stress. Landlords will likely pass on anything other than temporary rate increases to their tenants in the form of rent increases. This will add to current market pressures on rents – pushing up rents to unaffordable levels.

5.14 Whilst Council claims it has a hardship policy for rates, this does not apply to rents. This will mean significant increases in rental stress and homelessness.

**Central Coast Council probably now upper quartile in rates despite providing very poor services**

5.15 CCC claims it has low rates compared with other Councils, but this is based on a comparison with a limited group of Councils and cherry picking "neighbours" to compare itself with.

5.16 Anyone can handpick a couple of nearby Councils and say: "we're lower than those two," or "we're higher than the other two." Cherry picking a sample has no statistical validity. What matters is the comparison with all Councils in NSW. The time data series 2019-20 (latest available), which can be downloaded from the OLG website, shows general rates for all Councils in NSW: [https://www.olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/](https://www.olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/)

5.17 The latest data (2019-20) shows Central Coast in the top 50 compared with all 128 Councils in NSW. The 2019-20 data (which Council also uses in its submission) predates last year's 15% SRV, so CCC would be higher on that ladder today, probably top quartile.

**Arrangements to Pay (ATP) and late instalments**

5.18 CCC's submission argues that because (so far) there has been no spike in ATPs or late payment arrangements, the SV is affordable. This is a deeply flawed argument because at the time of the Council's submission ratepayers would have only received two quarterly bills since the SV was introduced. It takes more time than that for cost pressures to build and manifest themselves in ATPs and late payments.

5.19 The vast majority of residents are decent law-abiding people who will do everything possible to meet their obligations. Paying bills is a priority and would take precedence over more discretionary spending. That doesn't mean residents aren't suffering hardship. Nor does it mean residents aren't spending less on say clothes or Xmas presents for their children, or deferring other payments or expenditure, or even taking out additional loans. These cost pressures will come to a head eventually. It is cynical for CCC to use the law-abiding nature of our community as evidence that an SV that has only been in place for six months is causing no hardship.

5.20 CCC's argument also ignores other cost pressures in the year ahead. CPI inflation is surging and could increase further if the pandemic and geopolitical risks continue to impact demand and supply chains. Interest rates are likely to rise. Rents are soaring and likely to increase further as discussed in paragraphs 5.11 to 5.14. CCC has applied for a 34% water rate hike from next year. All these cost pressures will be added to the SV and render it increasingly unaffordable particularly in areas of socio-economic disadvantage as highlighted above.

**"Willingness to pay"**

5.21 CCC's submission on "reasonable impact" also repeats the fiction from other sections of their submission that their public engagement has demonstrated a "willingness to pay." This is based on blatant misrepresentation of public engagement survey results, which actually demonstrated majority opposition to the rate hike despite biased and flawed survey techniques. This has been covered in section 5 above and does not need to be repeated further.

# 6 The “sustainable financing” (IPR documents) criterion

***“However beautiful the strategy, you should occasionally look at the results.”***

Winston Churchill

6.1 IPART’s sustainable financing criterion states: “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.”

6.2 CCC’s public exhibition of its Integrated Planning and Resourcing (IPR) documents took place between 22 December and 21 January – during the holiday period in which most residents would have had neither the time nor inclination to look at them. There is no excuse for this given that Council resolved to reapply for the SV as early as June 2021. It says a lot about the culture of this Council with respect to its customers.

6.3 CCC’s argues in its submission that exhibiting the documents over the new year holidays doesn’t matter because the community had plenty of time to object to the previous SV in 2021 and this application is merely a repeat of that one:

***“While the exhibition process occurred during December and January (22 December to 21 January), this SV is a repeat of last year’s application……..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.”***

6.4 This is a ridiculous argument and demonstrates the lengths CCC will go to in using spin to justify its failings. There is a clear requirement in IPART’s rules to update these documents and publicly exhibit them as part of the SV process. CCC has failed to do so in a manner that could be described as reasonable. The community was not given a reasonable opportunity to view and comment on these documents. **CCC is not in reasonable compliance with IPART’s requirement.**

6.5 The IPR documents are a dog’s breakfast. There is no prioritization and no strategic resource allocation to align scarce resources with priorities. Last year’s voluntary redundancy program was based on a fixed percentage across the board reduction for each department rather than any attempt to realign resources with community priorities. If everything is a priority, then nothing is a priority.

6.6 The only discernible priority in the documents is slugging the ratepayer. The documents are rich in Council spin relating to the rate hike, including misrepresentation of the results of its own surveys (see 4.3 to 4.7 on pages 11 and 12 above). For example, the Long-

Term Financial Plan (LTFP) perversely argues the majority who opposed further rate hikes in the surveys are somehow *"in direct opposition to the vast majority of the community's sentiment."*

6.7 There are 48 strategic objectives in the Community Strategic Plan (CSP) and about 190 projects in the Delivery Program.

6.8 The objectives read more like "motherhood and apple pie" statements and fail the SMART test (Specific, Measurable, Achievable, Realistic, Timely).

6.9 Many of the deliverables are vague and unquantified. Some read more like job creation schemes, for example, "deliver (a number of) projects," or "deliver (a number of) corporate events." If the Council hasn't yet defined such projects, how does it know if they are needed or will add value?

6.10 **None of the 190 projects in the Delivery Program relate to completion of the merger. Yet we were told the main reason for extending the Council's administration was to allow time for the current administrator Rik Hart and new CEO David Farmer to liberate cost savings through completion of the merger. So, why no projects in the Delivery Program to generate efficiencies from the merger?**

6.11 Without a focused integration plan to liberate synergies and savings from the merger, any efficiencies will be ad hoc. This is in marked contrast to my own experience of bank mergers where dedicated integration projects, each with quantifiable targets for benefits realisation, are given high priority and relentlessly tracked to completion.

6.12 The Council has now been in administration for 16 months and new CEO David Farmer in post for almost a year. Yet, neither has launched a major change program to improve the Council's culture and performance. And nor will they ever have any incentive to do so if IPART continues to bail them out with ratepayers' money. IPART exists to protect customers from monopoly pricing. Monopolies will always prefer the easy option of price hikes to the hard work of delivering improved performance, productivity, and efficiency.

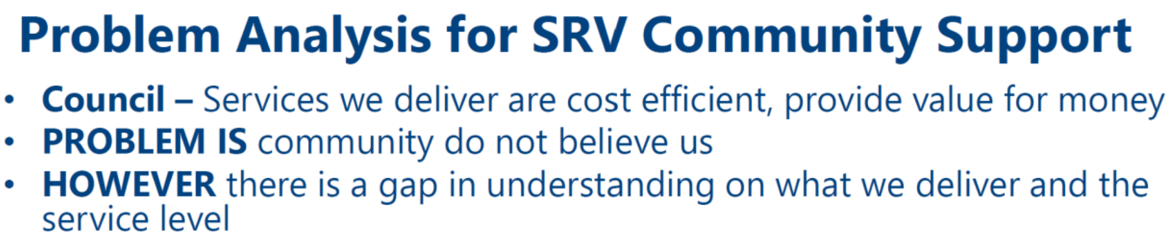
# 7 CCC will never reform if it is constantly bailed out by ratepayers

> ***"Bailouts are like potato chips: You can't stop with just one."***
>
> Thomas Sowell – economist and senior fellow at Stanford's Hoover Institution

7.1 CCC has already received a $70M IPART bail out using Central Coast ratepayers' money. Within four weeks of that decision, it had resolved to apply for another approx. $200M. Only $110M of this $270M is to repay the loans from the financial crisis – the rest is to plug a recurring structural deficit. Where will it end?

7.2 CCC Administrator Rik Hart has been at CCC for 16 months, first as CEO then as administrator. CEO David Farmer has been here almost a year. Neither has launched a significant change program to improve the culture of the organisation. As noted in 6.10 and 6.11 above, none of the projects in CCC's recently approved Delivery Program relate to the liberation of savings or efficiencies from the merger, despite "completion of the merger" being given as the reason for extending administration. Slugging ratepayers is an easier option.

7.3 Nothing more encapsulates CCC's unwillingness to change than picture 11 below. This is a screenshot from a recent status report to the Executive Leadership Team on CCC's project to secure further rate hikes, released following a GIPA request. It is utterly delusional and demonstrates that nothing has changed under Messrs Hart and Farmer.




***Picture 11***
***Extract from SRV Project Status Report brainstormed by the Executive Leadership Team in October 2021***

7.4 Anyone who has worked in the private sector would have an immediate disconnect with the idea that the main problem for any organisation is the ignorance of its customers. In the real world, the "problem" identified in this Council report would be resolved by listening to the customers and seeking to better meet their expectations. Only a monopoly that does not have to earn its revenues in a competitive market could get away with defining customers as the problem, and consider the solution to be higher prices for a poor product. Only a monopoly that does not have to earn its revenues in a competitive market could get away with framing the solution to customer discontent as spin and propaganda to convince customers they are wrong.

7.5 This is the culture of the CCC senior management team that is now asking IPART for yet another bailout. This is the culture of the organisation that is asking IPART to take yet more money from decent, hard working, and hard pressed ratepayers. If IPART acquiesces, it will be back in session before the decade is out. IPART should remember that it exists to protect customers from monopoly pricing – and indeed monopoly attitudes such as those shown above.