

Attention: IPART Tribunal,

Thank you for the opportunity to provide feedback on the Central Coast Council's submission to IPART.

The following are key points which relate to proposed operating expenditures

- 1) Why are consultants proposed to be paid an extra \$300,000 per year or \$1,200,000 per submission when before amalgamation this work was successfully carried out in house by experienced staff?
 - 2) Why is an increase of 72 staff proposed when 58 took voluntary redundancy?
 - 3) A reduction in the recovery of over-inflated, inefficient and unrelated overhead charges will reduce costs and therefore proposed prices increases without affecting the ability of the business to provide the necessary water and sewer services.
- Issues/errors regarding the allocation of expenses to the Water, Sewer and Stormwater businesses including the capitalisation of labour and expenses charged from other parts of Council. Whilst some of these have been corrected to the base line for future proposals there is no mention of ensuring that these errors do not continue and they are still held in the businesses current results, contributing to some of their losses.
 - Voluntary redundancy payments for 58 staff. It is good to see that layers of management have been reduced however with the business requesting an additional 72 staff in the next pricing period it is difficult to believe that none of these staff could have covered any of the newly requested positions. Whilst we understand that Council was in financial difficulties it appears that the Water, Sewer and Stormwater funds were caught up in this issue despite having their own separate income and having to re-employ staff within a year of these redundancies does not appear to be a proficient way of running a business.
 - IPART Consultant proposed \$300,000 per annum increase in costs. There are several issues with this, one being that the IPART submissions are only every 4 years so this essentially equates to \$1.2 million per submission. Another concern is that the business is not interested in ensuring this knowledge is built and maintained internally benefiting from staff that understand the process rather than outsourcing to consultants who may not have the relevant business knowledge to support an accurate submission.
 - SCADA Contract costs proposed increase of \$1.57 million. The submission refers to having to visit 200 sites to update codes but is this a one-off cost rather

than an annual on-going cost increase? The submission also refers to this being the cause of the increase in consultancy costs but the 2019 submission refers to SCADA costs included in Hire and Contracts so is this a real increase in cost or just a change in categories?

- Overhead allocations to the Water, Sewer and Stormwater businesses are a major concern as a cost driver of prices for these services. Overheads are meant to reflect the cost of providing corporate services such as HR and IT and Finance to the business. These costs should be provided in an efficient manner and if this is not the case the Water, Sewer and Stormwater businesses should not be forced to contribute funds to support these inefficiencies. Water and Sewer have approximately 25% applied to their operating expenses as overheads and stormwater is at 31% (looks like it is driven largely by an asset base and depreciation that is exceedingly high – Asset base nearly the same value as water in the financial statements). Is there any justification for the additional charge? Some of the specific reasons for the increase in overhead charges appear to refer to services that have nothing to do with Water, Sewer or Stormwater and all charges should be reviewed to ensure they are being provided efficiently, for example
 - Innovations and Futures – How much of this relates to Water, Sewer and Stormwater
 - Communications, Marketing and Customer engagement costs include a specific reference to after hours emergency costs but the Water and Sewer business discuss establishing their own 24 hour call centre so this appears to be double charging
 - Facilities and Asset Management should be decreasing as all staff are moving to fewer buildings – has this change in business been included in the proposals?
 - Legal costs matters – were these related to Water, Sewer and Stormwater?

Perhaps a review should be undertaken to determine if a flat share of overheads costs across all of council is relevant and prudent as an allocation methodology to Water, Sewer and Stormwater. There are many other allocation methodologies that can be used that have tighter links to the costs incurred such as HR on headcount, Facilities Management on accommodation space, IT on headcount or discrete systems. These methods of allocation also allow a business to have some understanding and control over their overhead costs with how they may manage their business according to the drivers.

Ensuring a fair allocation of overheads based on services provided prevents overspending and inefficiencies in the General Fund of Council being hidden by being transferred to Water, Sewer and Stormwater. This also has no impact at all

on the provision of water and sewer services at reasonable cost to the community.

Most of my points above relate to the proposed cost increases for Water and Sewer Services. For a quick response to your Issues Paper please see below.

- We have never had an issue with either our water or sewer service and believe they are of a good quality
- I have covered many points above but feel that a lot of the Councils proposed increase is not to improve the quality of the water services but to cover the cost of Councils overhead charges.
- As above I don't believe all the increases are valid or necessary. We have seen periods of large over-recovery which is why the last prices were decreased and under-recovery which is why Council is looking for an increase now. Perhaps somewhere in between until Council can show it is capable of providing services promised and not receiving funds for services not provided.
- Council should be more transparent about transfer of costs to Water, Sewer and Stormwater ensuring only relevant, prudent costs are transferred. The problem is General fund is entitled to receive a "dividend" from Water and Sewer funds when they make surpluses. Failing to spend money approved by IPART for maintenance in prior years meant general fund has been entitled to this dividend of many millions of dollars. The failure to spend the funds collected for maintenance purposes resulted in an adjustment to reduce future years incomes, however General Funds entitlement to the dividend was unaffected. It is difficult for the Water, Sewer and Drainage businesses to be held to account when so many costs such as overhead are automatically added.
- Good quality service for me would be a continuation of current services. Households should expect minimal disruptions in their water and sewer provision and the community would of course like to see minimal wastage of water or sewer over-flows.
- If a price increase is allowed it should be gradually introduced. This would also allow Council the time to ensure any offsets such as transfers of Stormwater costs from General fund to the Stormwater are implemented properly and the community does not pay twice for the same services.
- With past drought experience most house-holds are efficient in their water usage and understanding that this is a valuable commodity.
- I would be happier to pay a higher charge in time of drought rather than having this built as a contingency into general prices.
- It appears that most of the current proposed Capital costs are for Wyong wastewater treatment plants. As Council has seen fit to harmonise

rates across all areas we should not be treating water and sewer costs any differently.

- Stormwater services increase proposals

1) Prior Gosford customers never paid a Special Rate Variation for their services as the submission states but had these services provided as part of their standard IPART stormwater services.

2) Operating expenses for the 2019-2020 year did not drop as would be expected if these costs had been taken over by the General Fund.

3) Special rate variations are usually awarded to address infrastructure backlogs and not as an on-going source of funding as stated in the submission.

4) The submission does not provide any real detail as to what the additional services the transfer of staff will be providing or if these staff were already being charged indirectly to stormwater services via the standard costing methodology. Nor does the submission address how these costs might then be deducted from the rates revenue and could result in a duplicate recovery of costs.

My other feedback on the submission would be to incorporate a summary table. These are huge documents with tables spread out all over the place making the review process very difficult. It would be useful to have two summary tables for items like operating expenses, FTE, capital, income and water usage that showed the actual spend over the previous determination together with the proposed spend for the next determination. I suggest a separate table that compares the allowed spend to actual spend would clearly and easily show the size of variations both in the previous determination and in proposed changes to future costs.

There also appears to be a mislabelling of the years in quite a few of the references plus different totals being provided for example full time equivalent staff for 2019-2020 is quoted as 329 and then elsewhere as 278.27. So what is the real proposed increase in staff numbers?

It would have been interesting to have been able to read Council's response to some very valid and perceptive questions raised in your letter dated 29 September prior to the public submissions closing.

Regards,

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