

- Please mute your microphone
- Please turn on your camera (webcam)
- We will start at 10:02am



IPART Independent
Pricing and Regulatory
Tribunal | NSW

Review of Central Coast Council water prices

Public Hearing

26 October 2021

Agenda

- 01 10:00 am – 11:20 pm
Session A – General discussion

- 02 11:40 am – 12:20 pm
Session B – Performance and costs

- 03 12:20 pm – 12:55 pm
Session C – Prices and impacts

- 04 12:55 pm – 1:00 pm
Closing remarks



Welcome and Acknowledgement of Country

Carmel Donnelly
IPART Chair

Public hearing



Session A – General discussion

Review of Central Coast Council water prices

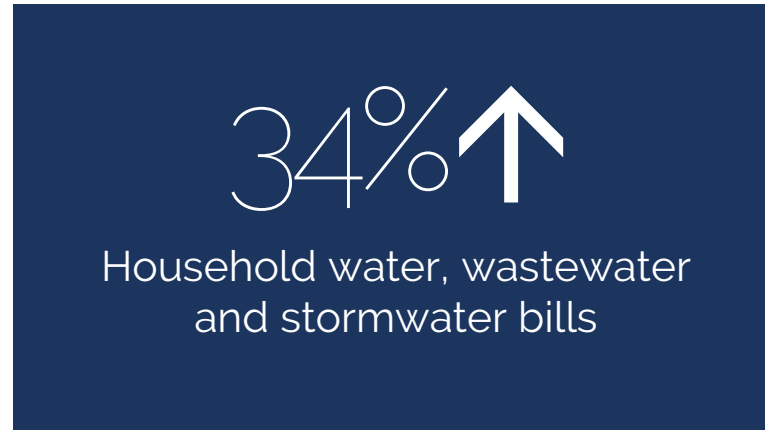
Where we are up to



Overview

Council's proposal

Increased revenue proposed to ensure sustainable, good quality water services



Our review

- We will assess council's costs and identify ways to improve council's performance
- Stakeholders can have their say on the council's proposal through:
 - Submissions
 - Survey

IPART's role

Our goal is to ensure **you pay a fair price for safe, good-quality and reliable services**

Our **role** is to do this **by setting maximum prices for the council's services based on what its costs should be**

We aim to ensure we **set prices** that consider...



What the costs should be



Customer affordability



Service standards



Climate change and environment



Council's business systems

Public hearing



Central Coast Council presentation

Review of Central Coast Council water prices



Central
Coast
Council

Council's 2022 water, sewerage and stormwater drainage IPART pricing proposal –

David Farmer, Chief Executive Officer
Natalia Cowley, Director Corporate Affairs and Chief Financial Officer
Jamie Loader, Director Water and Sewer
Boris Bolgoff, Director Infrastructure Services

Context

- Council currently has the lowest water and sewer bills in NSW
- Our unique geography impacts cost of service delivery
- We are currently collecting less revenue per property than water businesses such as Sydney Water and Hunter Water Corporation
- We are seeking a return to IPART funding levels more in line with the 2018 prices
- In developing our pricing proposal, we considered and included input provided through our community engagement program by over 1,600 Central Coast residents, through surveys, focus groups and forums.
- Council requires a justifiable increase in prudent and efficient expenditure to reverse severe, ongoing degradation of our sewage treatment plants, network and water treatment plants.



Proposed Price - Comparison

Assumptions 3 bed house 1x20mm meter Annual metered water usage of 150kL*	2013- 2019 Previous Determination Former Wyong LGA (\$22-23)	2013- 2019 Previous Determination Former Gosford LGA (\$22-23)	2019 Current Determination Former Wyong LGA (\$22-23)	2019 Current Determination Former Gosford LGA (\$22-23)	2022 Future Determination Central Coast Council LGA (\$22-23)
Water Service	176.30	211.15	89.47	89.47	238.33
Water usage (per kL)	364.50	364.50	322.87	322.87	337.50
Sewer service (includes usage @125kL x usage charge)	517.62	720.57	502.12	539.42	614.96
Stormwater drainage	137.35	133.25	110.70	110.70	181.70
TOTAL bill	\$1,195.77	\$1,429.47	\$1,025.16	\$1,062.46	\$1,372.49

Why are we proposing this?

Water and Sewer

- Reactive maintenance is increasing
- Reducing the risk of non compliance and meeting our mandatory, regulatory & legislative responsibilities
- Falling service standards –
 - Increasing number of sewer overflows
 - Increasing sewer customer complaints
 - Deteriorating compliance with Environmental Protection Licence conditions for sewer treatment plants
 - Increase in water quality complaints

Stormwater drainage

- Simplify how we charge for stormwater drainage services
- Reduce the risk of non-compliance and meet our mandatory regulatory and legislative responsibilities
- Maintain existing services and enhance critical asset inspection / maintenance service levels
- Improve flood planning to inform emergency planning, prioritise future works and guide sustainable growth
- Improve stormwater quality through the maintenance / expansion of stormwater quality treatment device network
- Mitigate flood risk / community impacts through proactive maintenance of urban drainage channels

How the revenue will be spent - Water and Sewer

Key Capital Investments

(\$116M for water and \$160M for sewer)

- Major upgrade Mardi Water Treatment Plant
- Water quality – Region wide chlorination
- Water main renewals
- Sewer main renewals
- Sewer pump station upgrades
- Sewage treatment plant upgrades – Charmhaven, Bateau Bay and Gwandalan)

Key Operational Investments

(\$234M for water and \$220.9M for sewer)

- Increased mains cleaning
- Increased asset inspections
- Improved Bushfire & catchment management
- Dam safety improvements
- Sewage Treatment Plant improvement program
- Improved leak detection

How the revenue will be spent – Stormwater drainage

Key capital investments (\$36M for stormwater drainage)

- Major trunk drainage upgrades in Berkeley Vale and Avoca Beach
- Drainage upgrades in Gosford CBD and the Greater Warnervale area to support growth and development
- Critical asset drainage renewals
- Pipe relining / rehabilitation projects
- New stormwater treatment devices
- New flood gates and valves

Key operational investments (\$68.6M for stormwater drainage)

- Strategic asset management planning
- Maintenance of the stormwater drainage network
- Investigation of customer requests
- Flood related emergency responses
- Improved critical asset management including condition assessments, cleaning and repairs
- Improved stormwater quality management
- Improved flood planning and flood risk mitigation
- Implementing urban channel Plans of Management

How we will be accountable to IPART and our community

Provide compliance and performance reporting:

- Service standards and performance
- Environmental standards
- Drinking water quality management activities and programmes
- Water demand
- Operational programmes and expenditure on key improvement areas
- Capital investment progress and activities
- Changes to legislative and regulatory requirements
- Regulatory performance and reporting
- Community engagement survey results
- Introduce a Customer Charter for water and sewer



Public hearing



Stakeholder presentations

Review of Central Coast Council water prices

Public hearing



Protest Against Extreme Rates – Mr Kevin Brooks

Review of Central Coast Council water prices

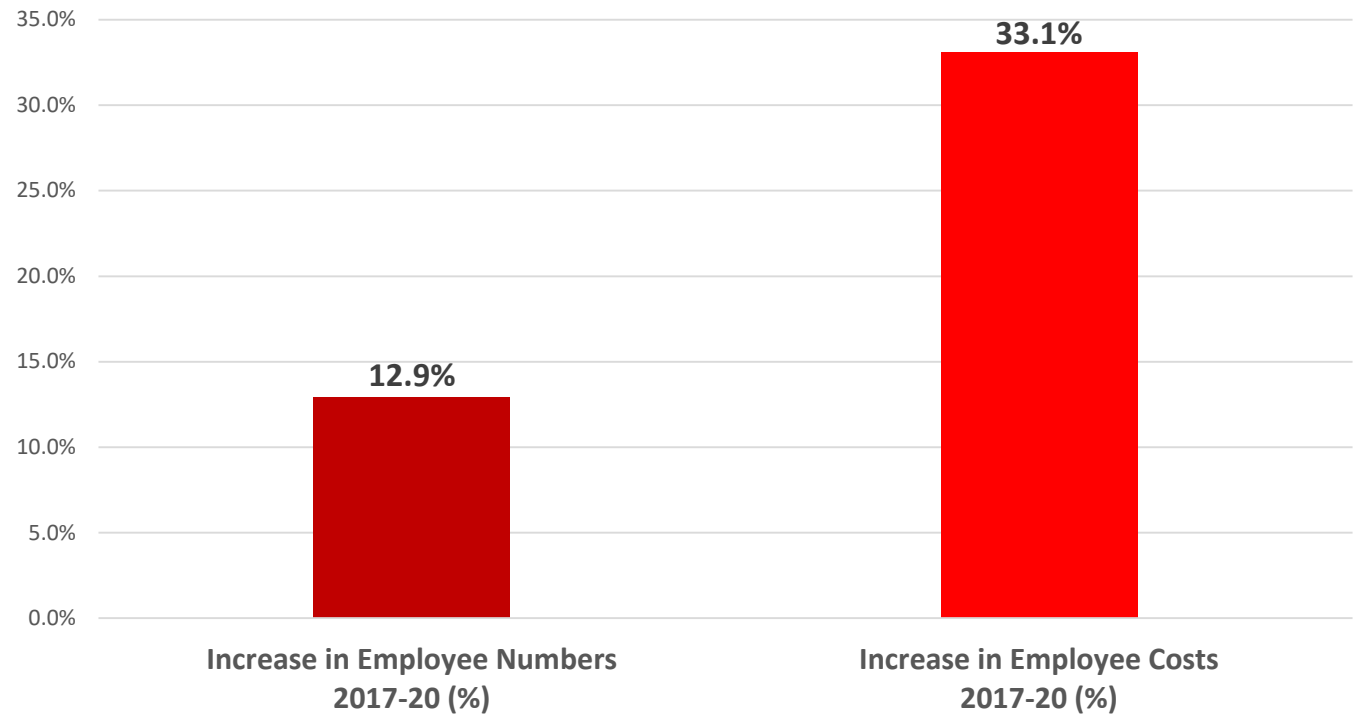
Where did all the money go?

“In 2019/20 the Council made a large financial loss on the water business....

....the first two years after we set prices it spent 20% more on operating costs and 1% more in capital costs than what we had forecast.”

IPART Issues Paper.

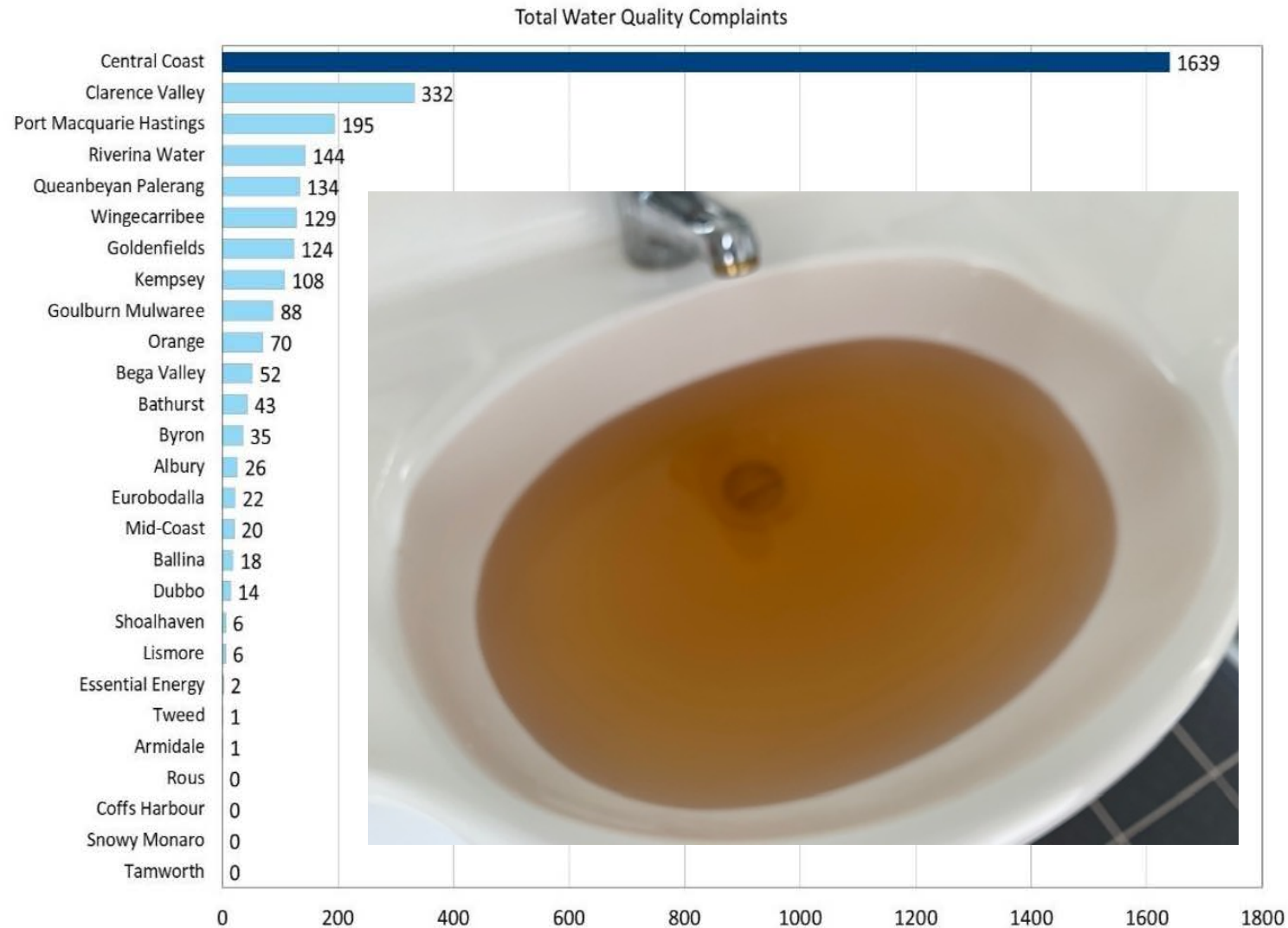
Increase in Employee Numbers and Employee Costs (salaries and benefits etc) 2017-20 (%)



Employee Costs (salaries, benefits, etc) rose two and a half times faster than employee numbers.

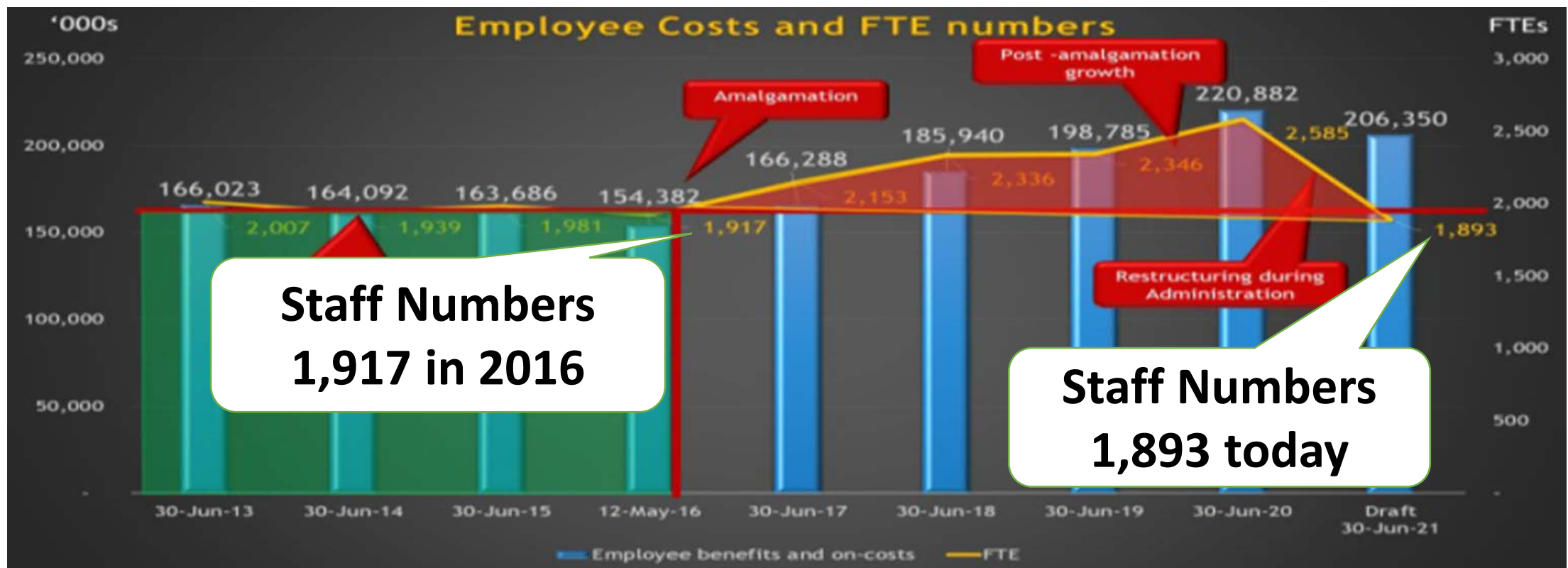
Source: Administrator's 30 day report.

And what did we get in return?



- Highest number of complaints for water utilities in NPR report 2019-20.
- Performed poorly in IPART 2020/21 benchmarking survey.
- Performed poorly in WASS national customer survey 2019. Marked just 5.7 out of 10 on value for money
- Admits not meeting some mandatory or industry standards.

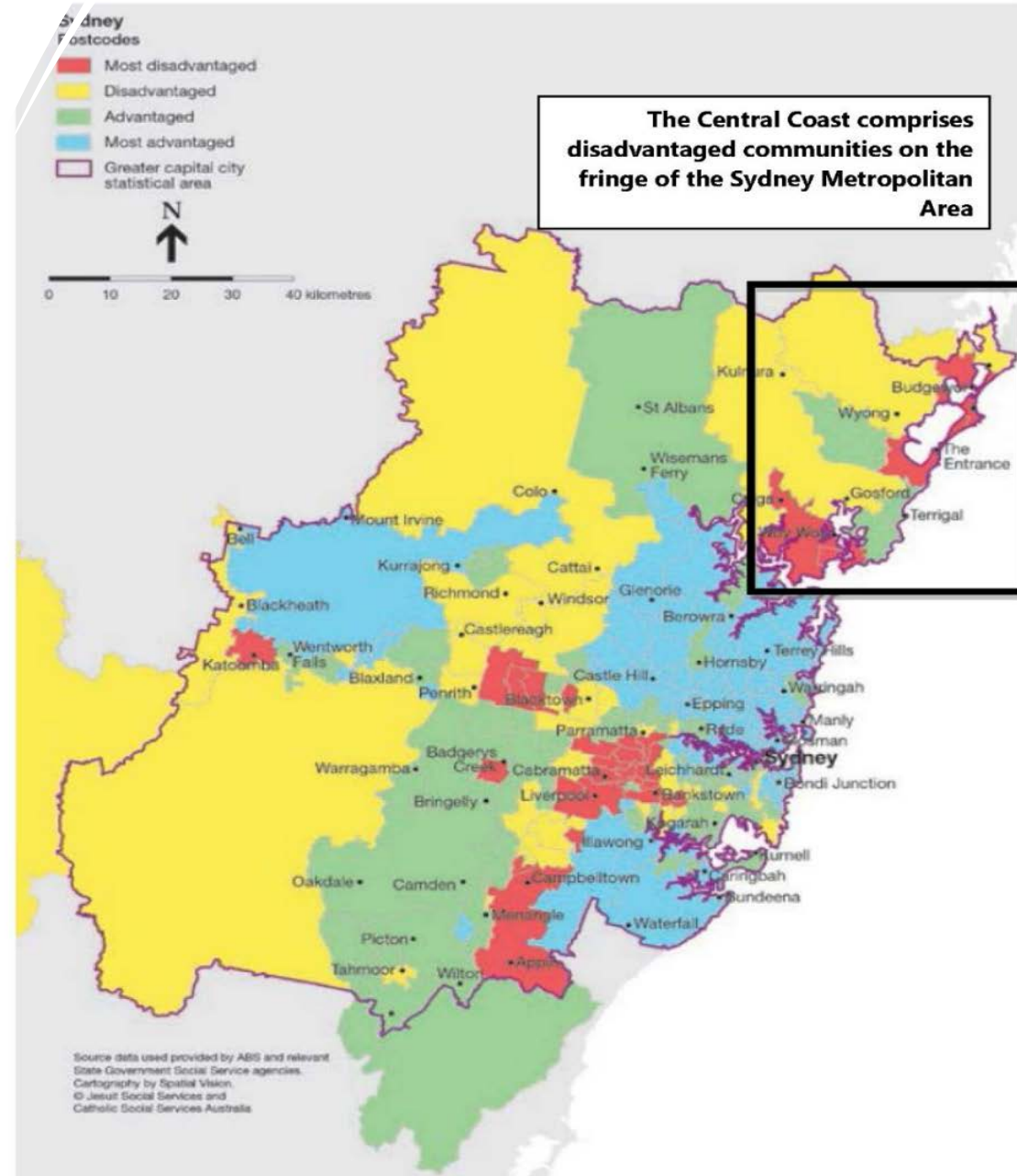
Productivity lower than five years ago



- Despite Council changing the definition to include 337 vacant posts in their recent reduction, staff numbers are still roughly the same as 5 years ago (1,917 versus 1,893).
- But services have been cut, so productivity (output per employee) is lower.

Can we afford it in some of the most disadvantaged areas in NSW?

Areas of wealth on the Central Coast move the SEIFA disadvantage ranking to average, but this masks areas of severe disadvantage (shown in red).



A coming homelessness crisis?

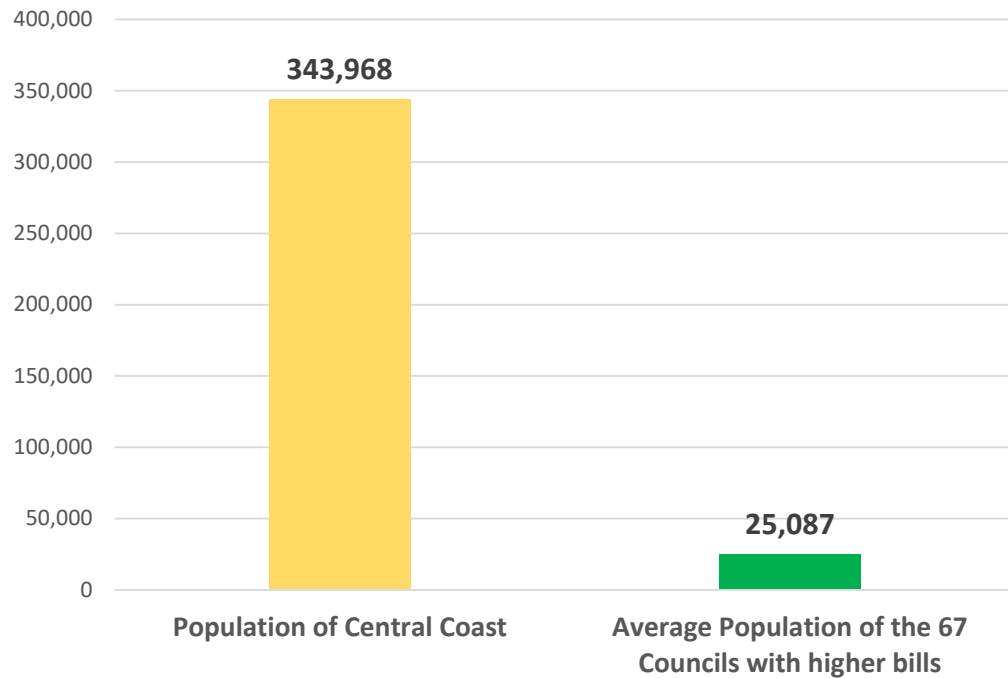


- Rents up 23% in the past year.
- Rental vacancy rates 1% or lower – putting upward pressure on rents (market in equilibrium at 3%).
- 34% water rate hike, on top of a 42% general rate hike in Gosford, passed on to tenants by landlords.
- Council hardship policy on rates does not apply to rents.

Fact Check: Lowest Bills in NSW?



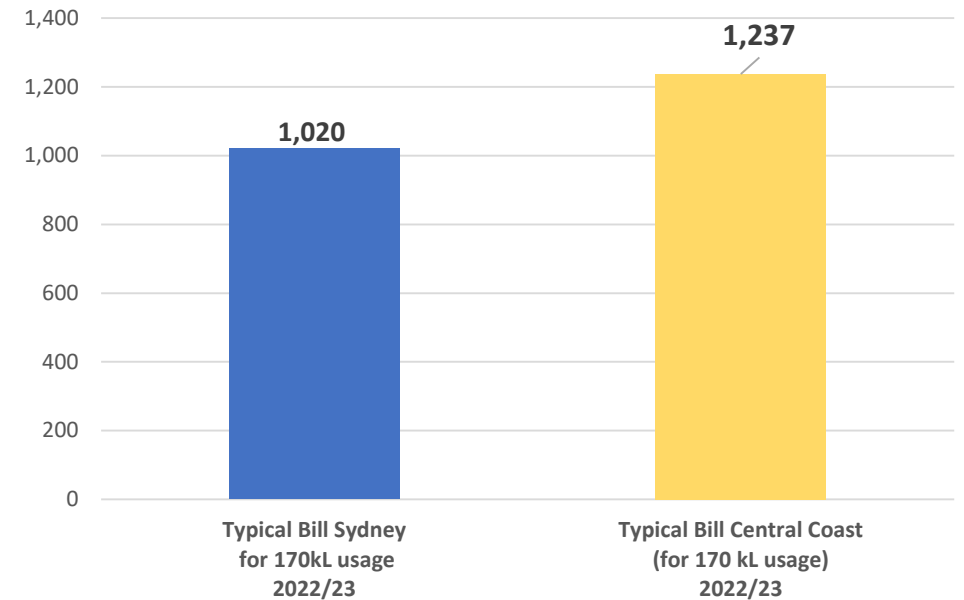
Population of Central Coast versus that of 67 Councils we were compared with to show we have lowest bills



“Larger customer bases should result in lower bills per property.”

Central Coast Council Pricing Submission

Projected Sydney & Central Coast Water Bills 2022/23



Why pay more for a Honda than a BMW?

Throwing good money after bad - key take outs

- **20% overspend on operational expenditure – even more than IPART were asked for – but services still declined. No correlation between money and performance.**
- **Most of the money went on the bureaucracy, including salaries, not the community.**
- **Productivity lower than five years ago despite opportunities for economies of scale from merger.**
- **4 of the 6 ELT from the financial collapse still in post including the Director of Water and Sewerage.**
- **A 34% rate hike will create genuine hardship and potentially a homelessness crisis.**
- **Council needs to demonstrate improvements in performance, productivity, and efficiency to liberate savings for front line services and earn community trust.**

Throwing Good Money After Bad



Central Coast Council Water Determination 2021/22

IPART Submission by Kevin Brooks

Public hearing



Central Coast Plateau Chamber of Commerce – Mrs Lorraine Wilson

Review of Central Coast Council water prices

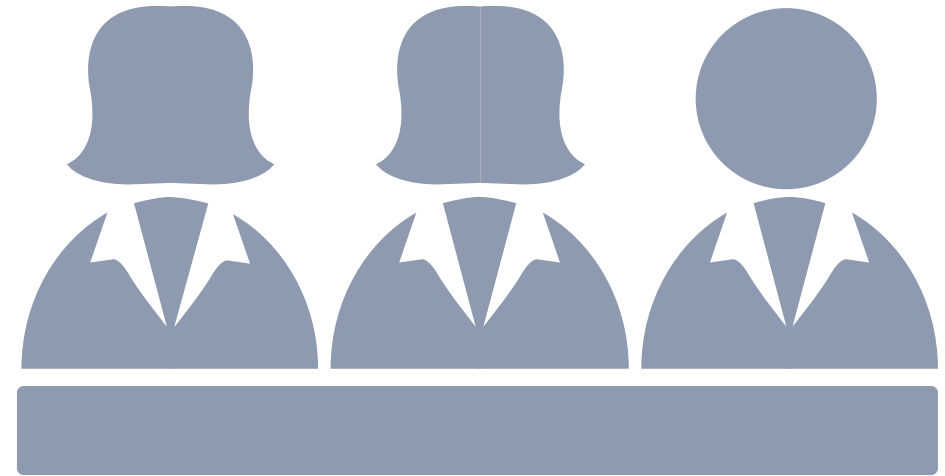
Public hearing



NSW Farmers Central Coast Horticulture Branch – Mr Timothy Kemp

Review of Central Coast Council water prices

Q & A session



Public hearing



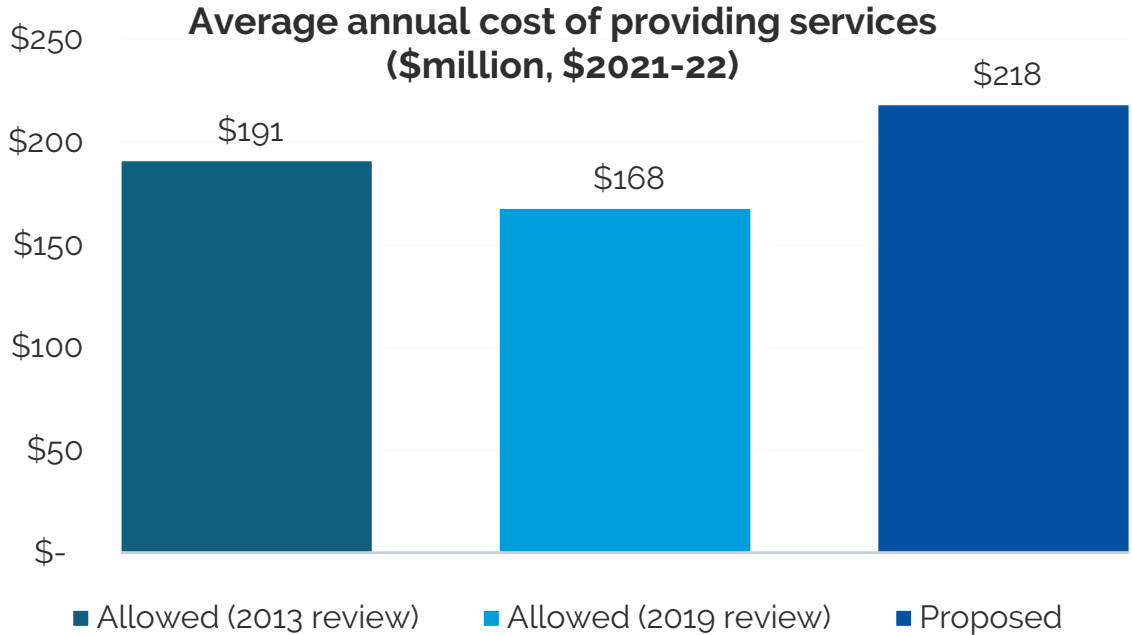
Session B – Performance and costs

Review of Central Coast Council water prices

Total costs of providing services

We will decide how much the council needs to provide services efficiently

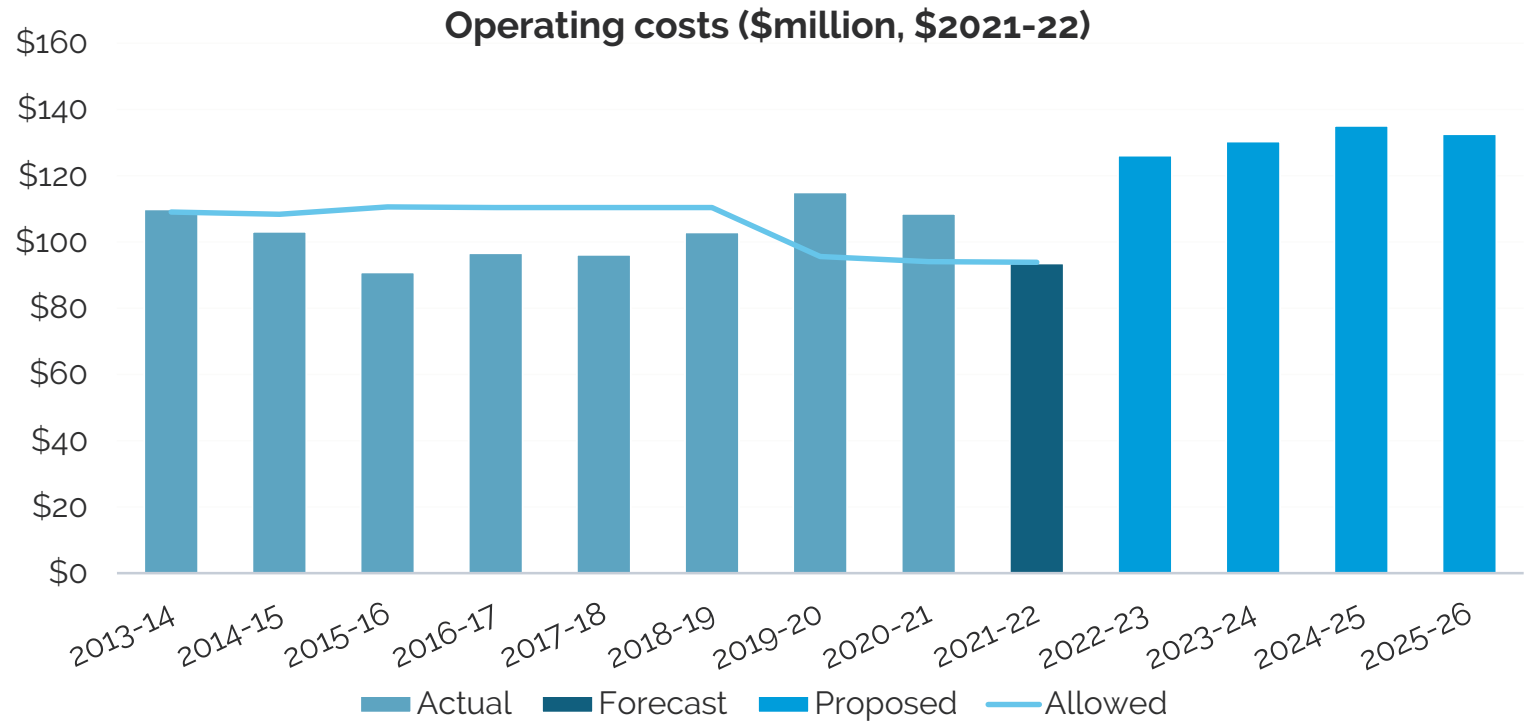
- The council has proposed large price increases, driven by higher costs.
- We aim to set prices on the basis that the council spends no more than it needs to.



Operating costs

Proposed operating costs are 39% higher than what we used to set prices in 2019

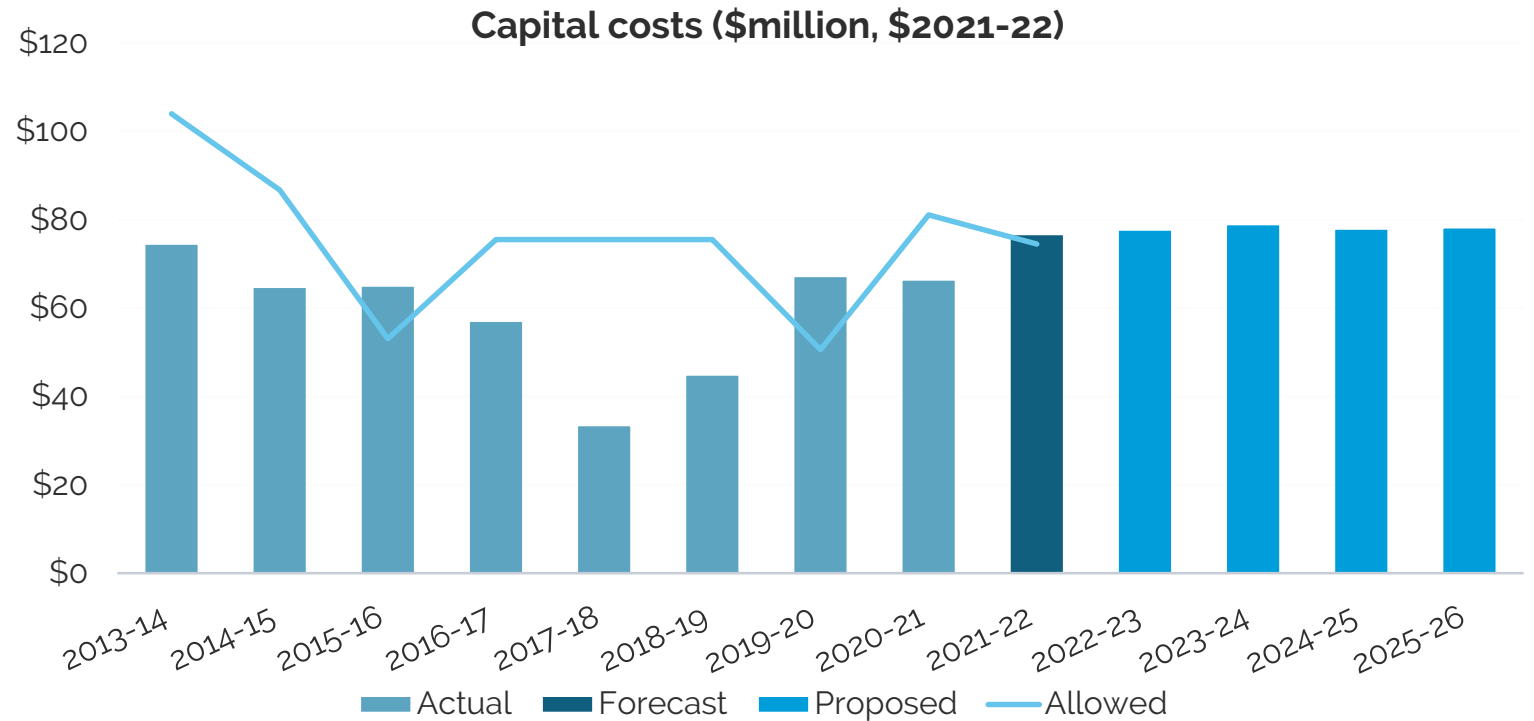
- These are day-to-day costs like staff wages, electricity and contractors.
- The council argues it needs to spend more to improve water quality and service delivery.



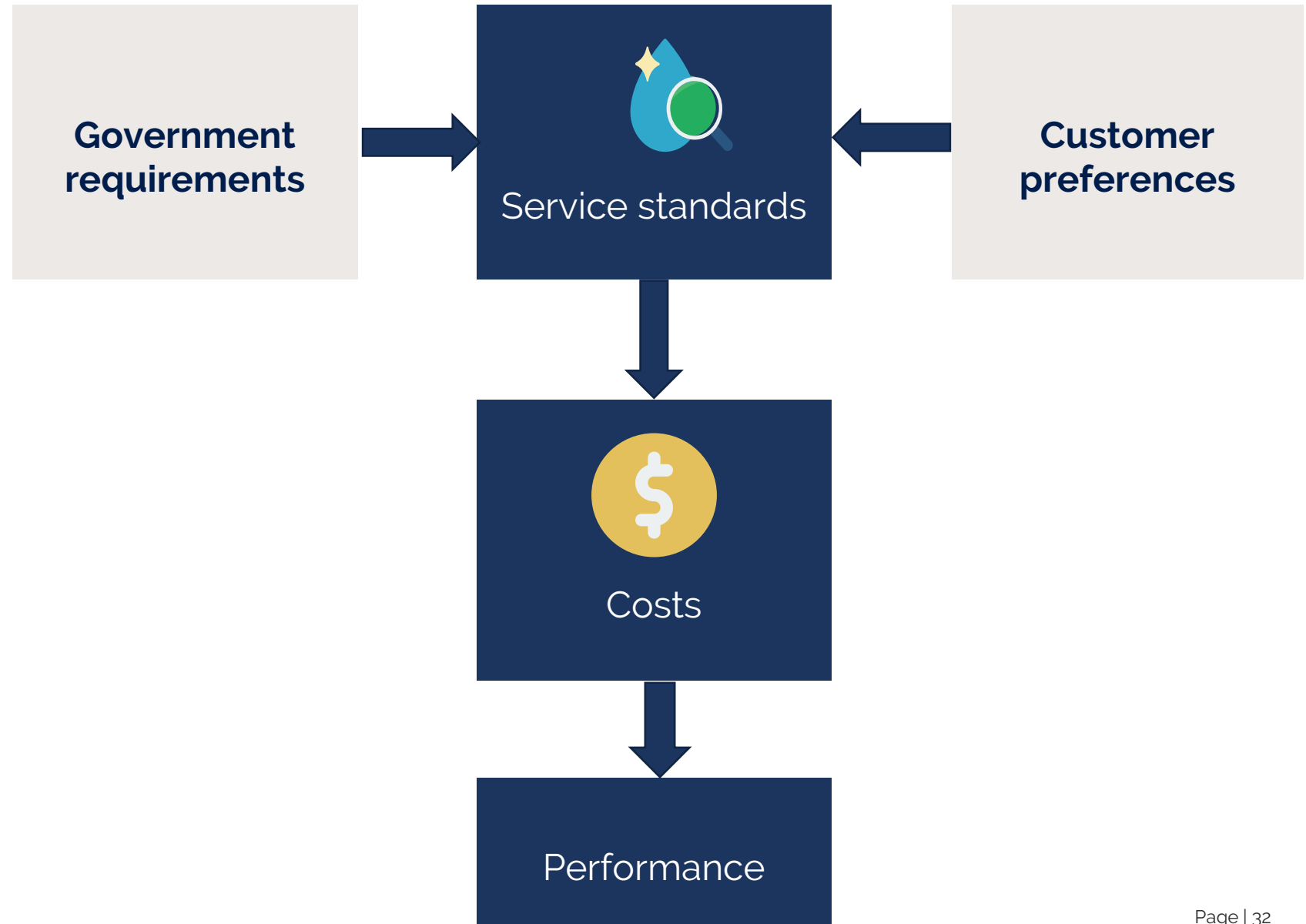
Capital costs

Proposed capital costs are 14% higher than what we used to set prices in 2019

- These are the costs of buying or building new infrastructure & equipment.
- The council considers that cost increases are necessary because it is close to/exceeding regulatory limits & breaching mandatory standards.



Performance standards



Proposed stormwater costs



Some proposed costs are new, some are transferred from other areas of council

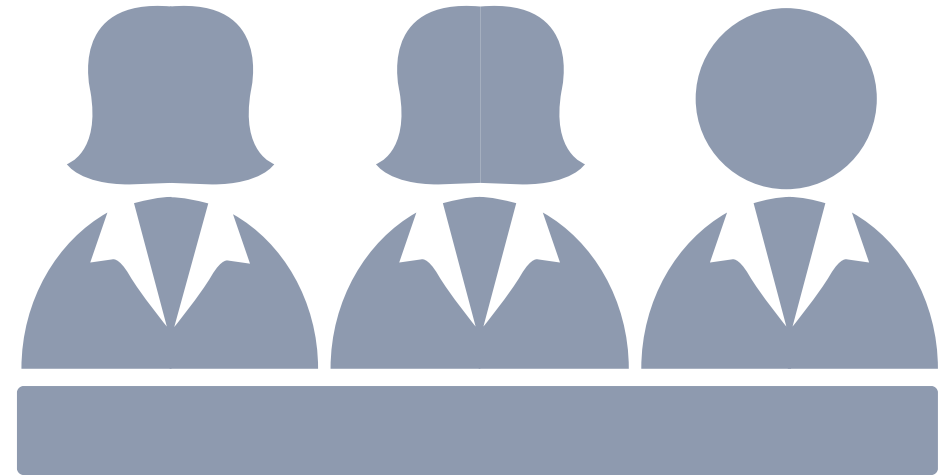
Proposed new costs

- Extra staff to do more
- Higher infrastructure costs

Proposed transferred costs

- Existing staff
- More corporate overheads

Q & A session



Public hearing

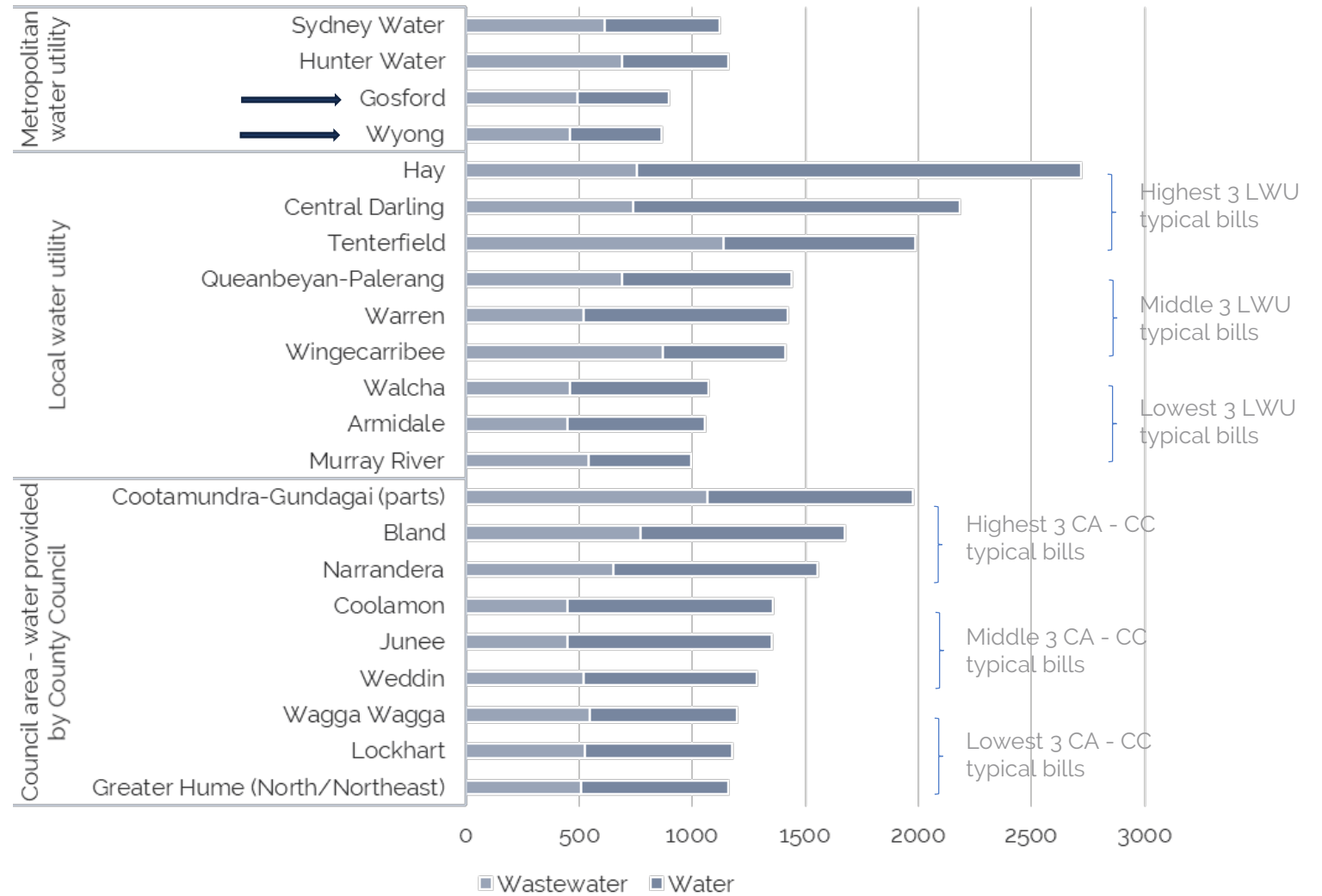


Session C – Prices and impacts

Review of Central Coast Council water prices

Bills & impacts

Typical customers bills for water and wastewater in NSW based on actual average usage, by supplier in 2019-20



Note: We have not included every local water utility and council area where water is provided by a county council on this slide, and have instead presented the highest, middle and lowest 3 typical bills by utility/council area based on actual average usage.

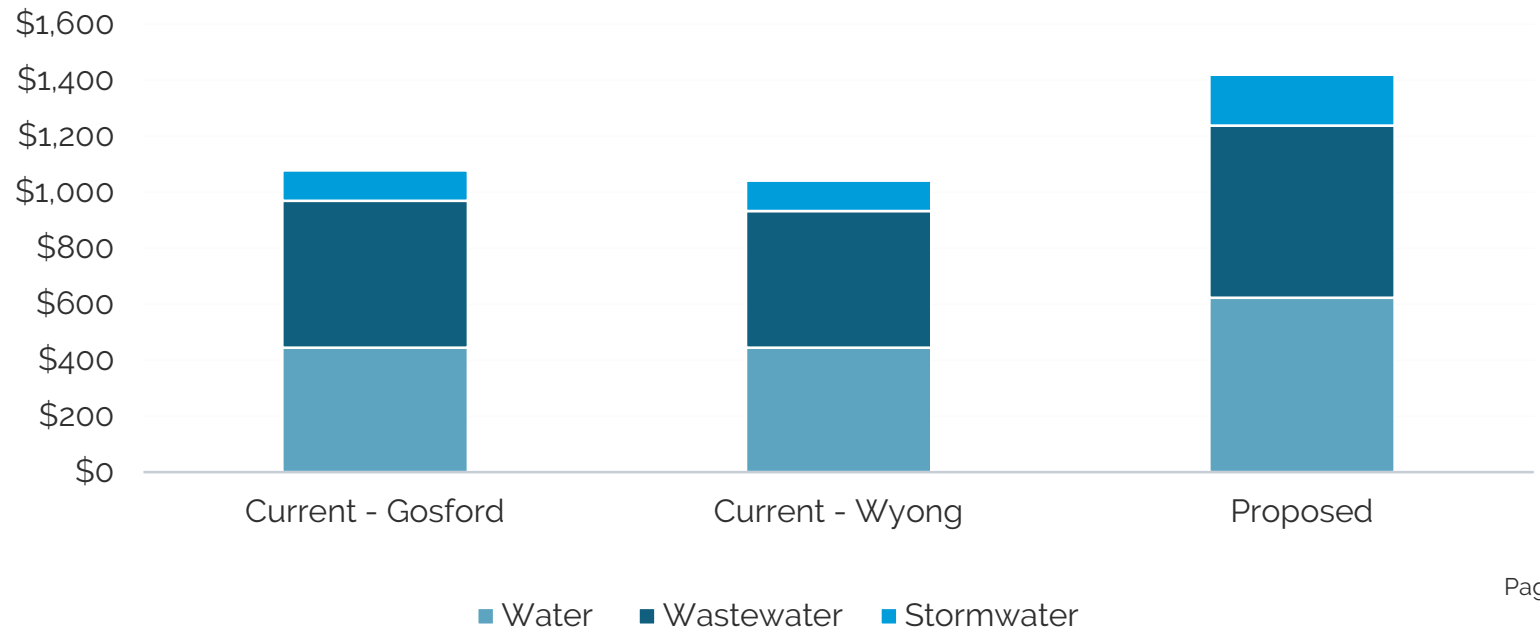
Source: NSW Department of Planning, Industry and Environment (DPIE) Local Water Utilities (LWUs) performance monitoring data and reports, accessed 2021, Bureau of Meteorology (BOM), National performance report 2019-20: urban water utilities, Complete dataset 2019-20 and IPART analysis.


Bills & impacts

Proposed bill increases



Current bills and proposed bills






Water

8% ↑ Usage charge 173% ↑ Service charge



Wastewater

22% ↑ Households 34% ↑ Businesses



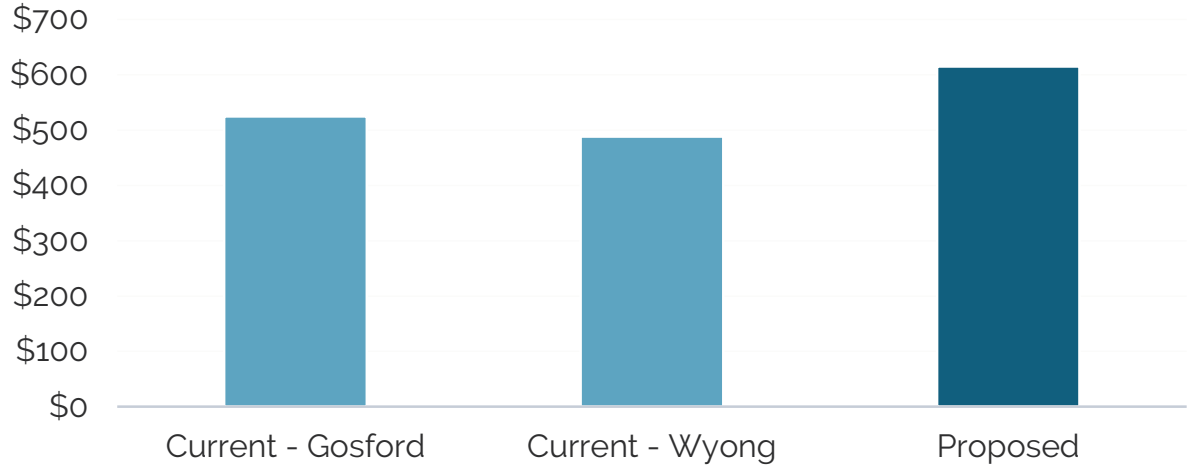
Stormwater

68% ↑

Households, farmland, vacant land and businesses

Proposed prices

Wastewater bills after wastewater service charge alignment



Gosford bills

17% ↑

Wyong bills


26% ↑

Based on household with a house and annual water usage of 170kL

Proposed water and wastewater prices

	Current 2021-22	2022-23 to 2025-26	Change current to 2022-23
Water prices			
Usage charge (\$/kL)	2.10	2.26	8%
Service charge (\$/year)	87.29	238.34	173%
Wastewater prices (\$/year)			
Houses - Gosford	525.02	614.96	17%
Houses - Wyong	488.63	614.96	26%
Apartments - Gosford	485.87	573.11	18%
Apartments - Wyong	449.48	573.11	28%

Proposed prices




Water

8% ↑ Usage charge 173% ↑ Service charge



Wastewater

22% ↑ Households 34% ↑ Businesses



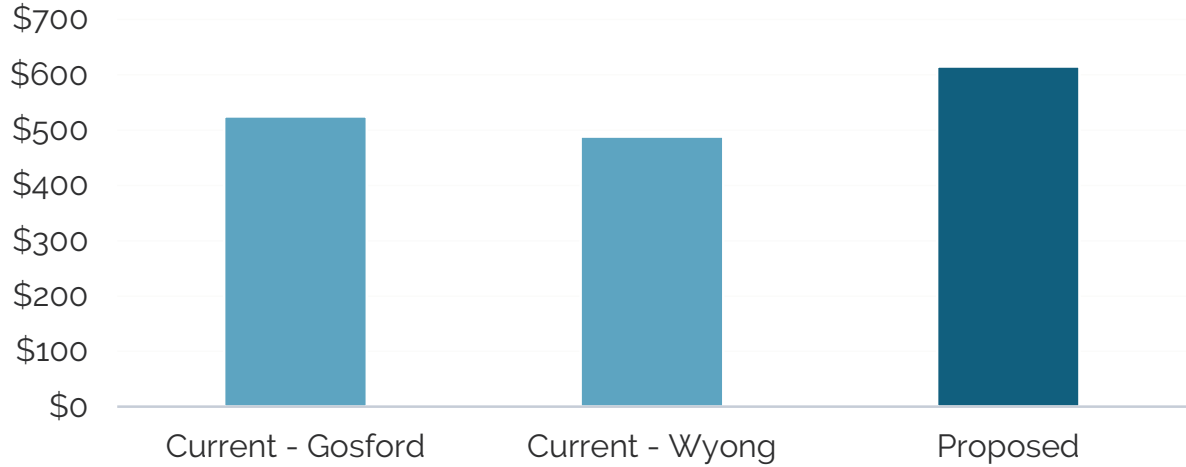
Stormwater

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Gosford bills

17% ↑

Wyong bills

26% ↑

Based on household with a house and annual water usage of 170kL

Proposed prices

Proposed stormwater prices

Stormwater prices (\$/year)	Current 2021-22	2022-23 to 2025-26	Change current to 2022-23
Houses	108.00	181.70	68%
Apartments	81.00	136.27	68%
Farmland	108.00	181.70	68%
Vacant land	81.00	136.27	68%
Businesses			
Low-impact	108.00	181.70	68%
Area-based:			
- Small (<1,000m ²)	108.00	181.70	68%
- Medium (1,001 – 10,000m ²)	189.01	317.98	68%
- Large (10,001 – 45,000m ²)	891.02	1,499.03	68%
- Very large (>45,000m ²)	2,700.09	4,542.54	68%

Proposed stormwater prices



How should stormwater be paid for?

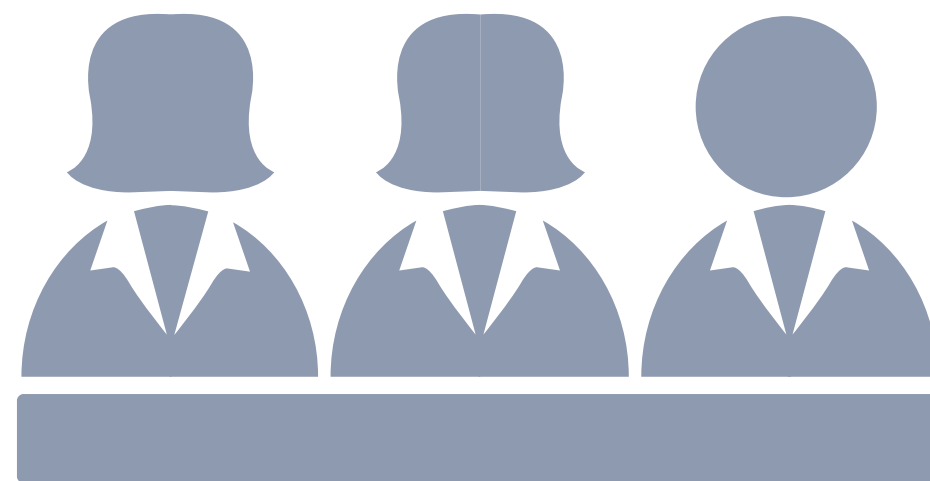
Charges IPART sets for the council as a Water Supply Authority?

- Proposed by council
- Would be paid for by the council's water business customers

Local government rates?

- Rates would have to rise
- Recognises stormwater as community service

Q & A session



Public hearing



Closing remarks

Review of Central Coast Council water prices

Next steps



Contact us

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Visit our website

<https://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Metro-Pricing/Prices-for-Central-Coast-Council-from-1-July-2022>