



Review of Central Coast Council's water prices

Public Hearing Transcript – Session B and Session C

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Water >>

Tribunal Members

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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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Central Coast Council's water prices review

Session B – Service quality, performance and proposed costs

6. Introduction – MC (Ms Livingstone CEO)

Ms Livingstone: We will get started. In this session we are going to have another short presentation from IPART, followed by more questions and answers. So, in the first instance we're looking at performance and costs, and then in the later session looking at prices and the impacts of those prices.

So as for the first session, we are still recording this session live to YouTube, although it's not being live streamed publicly, the recording of the session will be made available in a couple of days' time, along with a transcript of the session.

As you'd be conscious of, if you've been with us through the first session, the Tribunal will scrutinise the council's proposed costs and make sure that they're the lowest necessary, so that any increases that might be needed are backed up by good evidence and good planning.

We will be looking at the performance of the council, it's reporting and transparency, so that the community does have better information about what it's paying for and the services it's receiving and that's what we want your feedback on.

So if you do have questions as for session A, indicate that you'd like to make a comment or ask a question in the chat box, and we will come to you, but we will hand over to Carol Lin, now to give us a short presentation. Thanks Carol.

7. IPART presentation

Ms Lin: Thanks Liz. Central Coast Council has proposed large increases in its prices. This is mainly due to increases in its proposed costs of providing water, wastewater and stormwater services. Under the council's proposal, it will need to collect \$218 million each year from its customers. This is 30% higher than the amount we used to set prices in our last review in 2019.

We aim to set prices on the basis that the council spends no more than it needs to by setting prices based on least cost and best value for money. To set prices we decide how much money the council needs to earn to cover the cost of providing water, wastewater, and stormwater services. To form our view on this, we assess what the council proposes to spend over the next few years. In the following slides we will look at the main drivers behind the council's proposed cost increases.

This slide covers operating costs which are the council's day-to-day costs. Operating costs are the biggest expense the council incurs in running its Water Supply Authority. The graph shows the council's operating costs from 2013-14 onwards. We note that in our last review in 2019, we reduced the amount the council could collect from customers via prices, because it was unable to justify its proposed costs.

Over the first 2 years of the current review period, the council spent 20% more than IPART's allowance. For the upcoming review period, the council has proposed a 39% increase compared with IPART's allowance from 2019. The council considers that current levels of operating costs are unsustainable, and it needs to spend more on critical activities to improve water quality and service delivery.

Our preliminary analysis has shown that the council's operating costs per household are low compared with other water utilities in NSW, though there may be valid reasons for this. We will review the council's proposed operating costs to determine if they are efficient. We will also engage expert consultants to provide advice on this.

This slide covers capital costs. These are what the council spends to buy or build new infrastructure and equipment. Similar to the previous slide, we have presented the council's capital costs from 2013-14 onwards.

We note that the council spent less than its allowance in previous determination periods. Over the first 2 years of the current review period, the council's spending is in line with the IPART's allowance.

For the upcoming review period the council has proposed a 14% increase compared with IPART's allowance from 2019. The council argues that its proposed increases are necessary, because it is close to and exceeding in many instances its regulatory limits and breaching mandatory standards in a range of areas.

The council has also proposed a new way of measuring how the value of its assets change over time. If we decide this new way is fairer, this may affect how much we allow the council to earn and the prices the council can charge.

We will also review the council's proposed capital costs for efficiency, assisted by our expenditure consultant. We would like to hear from you on: what you think about the quality of services you receive from the council, if how much you pay for your current level and quality of service is reasonable, and any general comments you have on the council's proposed costs.

An important part of the council's job is deciding on the levels of service it will provide to its customers. Generally, the higher the service levels, the more the services will cost. Some service levels are easy to determine and are set by regulators such as making sure that water is safe to drink.

Others might be driven by customer preferences, such as how much customers are willing to pay for a reduced chance of a short service interruption. Some utilities such as Sydney Water and Hunter Water have operating licenses issued by the Minister for Water. These licenses set out what a utility must do to set its service standards.

Most water utilities in NSW, however, are council owned and run including the Central Coast. There are less defined requirements on these council run utilities when setting their service levels in consultation with their customers.

We would like to hear from you on: what providing good quality water services means to you, what you expect the council to provide, and how the council can improve its performance and be held to account.

Currently some of the costs of the council's stormwater drainage activities are paid for through the prices we set for the council's Water Supply Authority, and some are paid for through revenue raised from local government rates.

The council has proposed that all stormwater costs be included in the prices we set for the Water Supply Authority. It has proposed that some new activities be included in the cost base such as extra staff and higher infrastructure costs.

It has also proposed that some existing costs be transferred from being paid for through local government rates to the Water Supply Authority. These include some existing staff and a greater share of the council's corporate overheads.

We will review the council's proposal and make decisions on what the cost should be to deliver the services the Central Coast community needs and wants. We will also undertake due diligence to ensure that there is no double counting between rates revenue and Water Supply Authority revenue. That brings us to the end of our presentation I will now hand over to Liz for the Q and A session.

8. Q & A session – facilitated by MC (Ms Liz Livingstone CEO)

Ms Livingstone: Thank you very much Carol, and please keep those questions coming in. We're going to pick up on a couple that were posted just in the last session and prior to Carol's presentation. But Joy Cooper, the first one is yours around the upgrade to Vaughn Avenue, would you like to speak to that?

Ms Cooper: It was more a point there was a mention I think with Jamie Loader that he mentioned that the cost would be borne by the developer, but in the current budget council have upgrades in that area, that are coming from the council budget.

To me it appears that the ratepayers are paying for that, it's an established area it's an infill area, it's an area that's been rezoned for developments, the old Gosford school site. I'm just speaking generally here is to that area and I thought it was unusual that we had that. But I have I have seen it before in other areas as well, where there's established areas and then re-zonings. The council, the costs, what appears to me is borne by us, thank you.

Ms Livingstone: Thanks Joy. So that that goes back to that question of developer contributions and so forth that Jamie spoke to earlier. Jamie was there anything you wanted to add in that specific circumstance.

Mr Loader: Not really. I think the questions are more in relation to stormwater drainage, is that correct Ms Cooper?

Ms Cooper: Yes, I think it was and I think there is possibly an issue in that area from my uneducated observations, and I find it disappointing that we as residents would have the need to rectify that, and have that as a cost.

But it's not just in that location, that's just speaking in regard to the last, it's not called the budget, but the budget that the council had put through, and it made me wonder why we as residents should be paying for something that we don't get a benefit from, we actually get a disadvantage, because of more population blah blah blah.

Mr Loader: Look I think without knowing the specifics around Vaughn Avenue. I think where we can obviously recover costs of development through the developer charges, we certainly do that. As I said before, there are areas where sometimes that doesn't fully cover those costs, and we have to pick up the rest out of the general rate.

And again, without specifics, you know there may be broader benefits as a result of some of those works that flow on, to not just that development, but other surrounding land uses. But you know, it's not a perfect system and occasionally there is a shortfall and that has to be picked up elsewhere.

Ms Cooper: But can I just add to that, in that area as well, the council actually have less income from the Section 94 contributions, because that's going to the State Government, but we've still got costs there. And a benefit can depend on who's looking at it.

Mr Loader: Of course. I don't know, Mr Bolgoff, have you got anything further to add?

Mr Bolgoff: Thank you Mr loader, through the Chair. I think you have covered, there are something of the order of 52 contribution plans across the local government area and that's one thing that is being consolidated, which gives some opportunities to refine some of those developer charges in areas that may not have been allocated the right amount of infrastructure or cost in those particular plans.

Ms Cope: Liz, this is Deborah Cope. I'd just like to, we are looking at in some other work that we're doing at the moment around the system for what sorts of costs should be collected through developer charges, and how that should be allocated to new development in new areas.

So I just encourage the council that, if there are issues that you see with the way that the current system operates, and the ability to collect the right amount of revenue from development then we would, now would be a really good time to tell us about the detail of that, because we're looking at those guidelines and making developing recommendations on that at the moment.

Ms Livingstone: Thanks Deborah. If you head to our website, you'll find details of that review there. Joy, I'm conscious that there were some other points you made in the earlier session we might not have covered off all your questions, was there anything else that you wanted to ask now while you've got the floor?

Ms Cooper: No, I'm happy to just share those questions with others that are in the group to make them aware of that. I know that there's not very many residents that are on here, most people are from the Central Coast Council or IPART, and there's very few normal run-of-the-mill residents that are on here. But yeah, it was more to share those points and thank you for asking.

Ms Livingstone: Okay thanks very much Joy. Mike and we'll go to you next, and then Mary will Mary Doherty, will go to you after Mike, thank you.

Mr Campbell: Is that who you're talking about?

Ms Livingstone: Yes, sorry.

Mr Campbell: Hello, how are you? Good thanks very much. I just put this one into IPART. I've gone roughly looked at the 60 odd pages of the application for Central Coast for this price rise. I see one reference only to a desalination plant, the permanent desalination plant, which is in the, you'll see in the IPART, it's in the table, and it's to be switched on in 2043.

Now I've been going through the Central Coast Water Security Plan, which has just recently closed off for public submission, but I've been rattling on this for a couple of weeks. I had questioned them about the time frame for a permanent desalination plant, which is part of it's an alternative supply required by DPIE through the plans. Hunter Water doing the same thing at the moment and have gone through the process of planning a permanent desal.

The problem that I ran into was that I when I read through the IPART application, there was no specific implementation of construction of an inlet pipe to a desalination plant. Now because when I looked at that, I would have been looking at the forward plan in their water security document from Central Coast Council which was on public display. I've raised this with Mr Loader and others previously.

And in the forward plan they have in the action plan, 4.4 implementing the plan on page 32, in the next 2 years they're going to of course look at the paperwork, designing for the possibility of a permanent desalination plant, which would not be switched on until water supplies fall to 45% of capacity.

In their long-term plan, that implementation or shovelling works, would not be required to be started prior to say 2036. In their forward plan for the water security plan, the actions for the mid-term in the next mid-term for 2 to 5 years, I'll read from it.

It says, "develop the detailed power supply concept for the plant; develop a procurement plan for the intake structure and protective works on the Norah Head Ocean Outfall Tunnel". But then "subject to delivery of risk assessment, deliver the intake for the desalination plant at Toukley, and protective works for the Norah Head Ocean Outfall Tunnel".

Now that's in the next 5 years. I haven't been able to find out costs. I do know that in the forward plan, the cost that they suggested for a 30 megalitre a day plant is a total cost of \$250 million and an annual running cost of about \$16 million per annum.

But then to deliver an intake pipe in preparation for that. You have to throw a figure in the air. I threw a figure in there in front of the public inquiry this last week thinking well I have to think of something. A \$250 million desalination plant, then you would say \$30 million to put an inlet pipe, one kilometre out from sea to Norah Head.

What I'm trying to get to is that I want Mr Loader, and the council to assure me that what's embodied in their forward plan, in the Water Security Plan, in the next 5 years is in fact to deliver the intake for the desalination plant. It's not reflected in the 2022 to 2026 period within this IPART capital works programs, it's not listed in the text.

So, can I get an assurance from council that what's embodied in their forward plan is not correct, that is not required to be implemented until such times as water supplies drop to 45% for instance or the long-term plan not to be looked at till 2036. So, they've in my opinion, they're 14 years ahead of schedule can I have a response from council on that, please.

Ms Livingstone: Thanks Jamie.

Mr Loader: Thanks, through the Chair, Mr Campbell. I'm aware my staff had a number of conversations with you around this as have I.

Again, you're correct in, I guess what's in the Draft Water Security Plan and that's currently on exhibition in relation to a proposed desal plant, at that period of time 2040-2044. I believe that's due to be delivered under that plan.

There's also another aspect of that which is a drought response desal plant. It's the same plant, but it changes the time frame, so I guess in terms of delivery, and you correctly mentioned around that 45% trigger.

The work that has been indicated, and that you referred to around the delivery risk assessment, will determine how soon we need to construct that intake tunnel, and you know to be to be frank, we haven't even decided on a preferred location for that structure as yet and that's part of the work that we're doing at the moment.

Council's intention in relation to the desal plant, and certainly it's probably a little bit off topic in terms of the current pricing review, but just for clarity, it is certainly our intention to do as much as we can in that space in terms of planning, and preparedness to understand exactly what that delivery will look like. So that if we do end up in a situation where we need to pull the trigger, and move down the path of constructing that, that we've left ourselves as enough time as possible.

We don't want to commit a huge amount of investment for something that we won't need for many years. So it's about finding that balance between doing the planning and the studies and all of that sort of work up-front, so that when we do need to go, we can delay that decision as long as we can because we saw, you know back in 2007 when we had development consent ready for a desal plant ready to go, our dam levels were an all-time low and we had the that massive east coast low the Pasha Bulker Storm, and our storage is recovered, we didn't have to go down that path. Now the longer we can delay that significant investment the better. But certainly, our intent at the moment is to be as plan ready as we can be, and that delivery risk assessment hasn't been completed yet therefore we don't know when we're going to need to build that intake structure and therefore it's not in this current submission.

Ms Livingstone: Thanks Jamie.

Mr Campbell: Yeah, can I answer that then? So, okay, in other words the forward plan after 5 years is incorrect.

Mr Loader: It's an indicative plan that's in the document. As I said it's out on public exhibition at the moment, and certainly there may be some adjustments made to that document, but at the time that that was written that was an indicative time frame for that delivery risk assessment to be completed, and have a better understanding of when we'll need to build that tunnel.

Mr Campbell: So, an EIS will be put out for that, but then who will pay for, who's going to pay for the desalination plant. I mean is it going to be private investment. And for instance, if you're forwarding the intake I put this figure \$30 million or something, so is it going to be in the next IPART application in say 2026 for the period 2028 to 2032, or is it going to be private investment, something from outside this budget, that's required for the ratepayers to start and shelve money out for. I've got no indication of where money would be for that forward plan.

Mr Loader: Generally, we haven't really looked at that in any great detail. In terms of how that will be funded, but there could be those sorts of options around that, there could also be through a combination of developer charges, through debt that's that he's paid off over you know a significant period, that that intergenerational equity of people getting benefit from a system such as that, would pay through their charges over a period of time, and recover the costs that way through this process.

So, there's a number of options. There's also grant funding that may be available, but until we get further down the path of understanding exactly what those costs be, and you know the location of the intake structure is a key component of that, and as I said we don't even have that finalised, so therefore we don't really understand exactly what those total costs are going to be, but certainly there's an extensive community engagement process that sits around this project and the community will have the opportunity to have their site as part of that.

Mr Campbell: Yes, as I say that's anyone keep a keen eye that. I will put in a formal submission to IPART directly about it, for them to keep an eye on this because and we need to keep an eye and that this is the problem, Mr Loader of course and for IPART's knowledge, that we're working outside the box the community, because we don't have a democratic, we don't have councillors in there debating the pros and cons of bringing forward costs.

We talk about large infrastructure costs in this regard. I'd prefer that you know such large infrastructure costs, unless it's a dramatic drought that brings us down, and we need to move forward of course, council has said that a temporary desalination plant for the southern section of Central Coast is also a requirement. But I can't see much paperwork on that.

I know that Hunter Water always said that temporary desalination was a far cheaper way to go than the permanent plant, and of course we work from a very low base of number of households and businesses on the Coast to pay for such the infrastructure. A lot less than say Hunter Water.

But as I say, in your plan, in your structure plan, it would be a \$250 million plant and a running costs per annum that you've got there of \$16 million. I know the massive plant in Sydney cost \$170 million a year to run, whether it provides water or not. These are the scenarios about permanent desalination.

So, this is massive costs for the community. I'm just trying to bring these forward to IPART's knowledge, that we're looking down the barrel of this, and the time frames and where capital costs would be coming from to pay for such infrastructure, thank you.

Ms Livingstone: Thanks very much Mike, and yeah, the Tribunal is very interested in the long-term plans for water supply and augmentation for the Central Coast and other areas of NSW as well, and we'll take that into consideration.

Mr Loader: Sorry, Chair could I just make a comment. Just a couple of aspects of that and I suppose this, the Water Security Plan is based around meeting our supply demand balance. So the reason why that's planned for so far down the track, is the anticipation that population growth would be there to require the construction of that plant, and therefore you would anticipate that there'd be a larger customer base as well, that would support that.

The other point I just want to make is that Hunter Water have moved away from temporary desal, they're actually proposing or planning to construct a permanent desal at Belmont, and with a future one at Walsh Point as well in their longer-term plan. So, they have moved away from that. And certainly, those operating costs, and the modes of operation, you know particularly in times when we don't have water supply issues, they're all being considered as part of the project.

Ms Livingstone: Thanks very much Jamie, and it sounds like there's still an opportunity to be engaged on that long-term planning process being run by DPIE. Mary, you've got your hand up, would you like to speak now thanks.

Ms Doherty: Yes, thank you, thank you Chair. I'm one of the just normal rate payers that are listening in on this. I'm also somebody that has listened through the whole inquiry from start to finish on what's been happening with the Central Coast Council.

The thing that's interested me about this IPART, this request for an increase in water rates is that, in listening to your presentation just before this, IPART said that they would make sure that the council was accountable.

So, my first question on that is, where have you been for the past few years. Why has the council been spending money, that should have been used for the sewerage and the water up until now, that wasn't, and we're in this situation where I understand that money, nobody has misappropriated money from the council, but through bad management, and bad oversight of everything from the NSW Government to local government bodies etc, the Central Coast Council is in the state it's in.

I'm in an area where our rates have gone up by 42%. We understood that we were going to get an increase through IPART of only 15%, but it's turned out that ours is 42%. And now we're looking at another increase for water. We're not seeing anything for it, we have no, we're really, we're tired.

The ratepayers here on the Central Coast are tired. We've had that many administrators, things have gone from bad to worse. What are we going to see that's different? I live on the Peninsula and have been living here for 30 years, our whole infrastructure around the pipes are so old, that we have poor water quality. I remember when I washed some, I did a washing of whites, they turned brown. I rang the council and they sent me 2 packets of washing powder.

So, what is, if you do grant this increase, I know the council needs money because it hasn't been used properly, but what's to say that if you grant this extra money to council things are going to get better.

We no longer believe that that is the case because we're tired, yes Mr farmer, sounds like he's got his head screwed on, Natalia Cowley is certainly demonstrated that she is a CFO to be reckoned with and we're glad to see her on board. But what's to say that if you give this increase, that we are here, on the Peninsula especially, is going to see anything different. We saw in the presentation that the northern part of the of the Coast will be first seen to, so after 30 years what's going to be different?

Ms Donnelly: Thanks Mary for your question. Let me first say, I do and I know that the other Tribunal members do recognise the difficult and challenging times for residents on Central Coast and all that you've said, and we are as I said in my opening remarks, also interested in what we can do more to ensure that the community is able to hold Central Coast Council to account for delivering.

[32:08 – Photographs shared from member of the audience and not shared as part of IPART's response]

I will say a couple of things that add to the discussion. We respect the role of the public inquiry. We are monitoring that, and that has a role to play, we respect the role of the Administrator, and the new CEO and they clearly have responsibilities, and in due course when there's a new council for Central Coast, they will all have accountabilities.

One of the things that I've observed looking at the last time that IPART looked at the water prices, is that we sent a very clear signal to Central Coast Council as a Water Supply Authority, that if there wasn't a sufficient justification for their prices, then we would not set such high prices and we gave a number of recommendations and suggestions about how they would improve their data, improve being able to substantiate what was needed.

And look I think there have been people who have indicated to me perhaps, the signal from IPART that you couldn't have been allowed to collect money, that you weren't actually spending on water, was an important one in perhaps bringing to light the fact that the money was not being spent on what it was proposed to have been spent on. So, I think that has been part of that process.

In our current work, we are working with all of those Water Supply Authorities that we regulate to strengthen the way that water prices are reviewed, and the performance of water utilities, and we're interested in the cost clearly, that it is efficient, that it's affordable that the people who are paying for those costs have value.

We have signalled strongly and we're doing more work in this space that we want to see water supply authorities have very good engagement with their customers, and be responsive to their customers, and so that's part of IPART's framework, that we've been engaging with water authorities about and will continue to and will be strengthening.

And then the other area that we have put on notice water supply authorities, is that we are looking at credibility at making sure that we have a strong framework in regulating water authorities each time they come from up to us for price reviews or indeed license reviews that they are demonstrating credibility. That what they say they plan to do is what they deliver.

And so I very much welcome your comments and your question and I can reassure you that we're very alive to that and so we will be considering what we can do to play our part and assist the community also in holding Central Coast Council as a Water Supply Authority accountable in the future for what's delivered.

Ms Doherty: Thank you for that.

Ms Livingstone: Thanks Carmel and thank you Mary.

Ms Doherty: And sorry, excuse me Liz. Can I have a response from council about the area that we live in as far as the infrastructure is concerned, because it's something that we have expected and we've been told many times that everything was going to be fixed, that the old pipes were going to be replaced, it hasn't been done over 30 years, it just hasn't been done, so what will change, that's my question.

Mr Loader: Sorry I've lost the Chair, oh there you are. So, I guess I'll have a go answering that question Ms Doherty and thank you. In terms of the Peninsula specifically, we've got a forward capital works, a program that includes a significant investment in water and sewer main replacement.

That program is informed by condition assessments and our performance of those mains, so where we're having frequent breaks, where we're aware of water quality issues and where we're aware of conditions certain assets. Obviously, they're the ones that are programmed in for replacement through that capital works program.

Now to I guess in terms of accountability and keeping us on track. I guess we've introduced a number of improvements in that space, certainly throughout the last period. And one of those is our capital works committee, which is a committee that has oversight over the entire capital works program and ensures that we're delivering that capital work spend for the community, both not only in water, sewerage and drainage but across the full gamut of the organisation.

And certainly, one of David's focuses is keeping us the directors accountable for delivery of that capital works and keeping the promises that we're making to the committee, to the community I should say.

We've also got an online mapping tool, where the community can access that tool and see where we're projecting to spend their money, and what those projects are, and again hold us to account through that process.

We also report to the council monthly on our financial performance and also that capital works delivery and as was mentioned in David's presentation earlier this morning. One of those we're quite conscious of the need to keep the community informed of how we're progressing, not only in capital works but our operational spend as well.

And certainly, when we when we undertook some deliberative forums with the community earlier this year, as part of preparing our submission. One of the things that rang really true was sure we understand this is, the community understand the need for council to invest and improve our assets.

But similar to the point that you've just made, how do we know you're going to spend that money, how are we going to know where those performances is improving, and part of what we are proposing to do in this next period is have a customer charter in place, where we provide that regular reporting back to the community, because I understand how important that is.

I don't have specific details for the Peninsula, but I'm sure based on the performance in that area, that there would certainly be a water main replacements and renewals, re-linings are being undertaken on the Peninsula in the next period.

Ms Doherty: Jamie, we've heard this so many times before, and I've seen schedules from council before on works. I think to go to Carmel's point is that, like you said, you went to the community I'm part of the community, and I'm interested in what council is doing, but I've never been asked my opinion. I haven't seen any of those surveys, so obviously it's not reaching the community.

Can I ask or can I just put this suggestion forward that, if you are, each area like this, the Peninsula area that's Davistown, there's Gosford, there's Wyong. There's a whole range of different areas. Perhaps if council told us what you're doing and when in our area, and we actually see it, then I think and in its simplistic form. We don't know, we don't need the engineering details, we just need how much you're spending, when you're spending here's photographs of us doing it, we're actually now delivering. I think the making it simple would probably help quite considerably.

Mr Loader: I absolutely agree. I'm happy to take that suggestion on board.

Ms Doherty: Thank you.

Ms Livingstone: Thank you Mary and Jamie. Deb, one of our Tribunal members, you've got your hand raised, would you like to add to that.

Ms Cope: Thank you Mary and Jamie, that discussion was really interesting and useful. One of the things that I might note is that if we actually look at the capital expenditure at the end of the period, as well as at the beginning of the period and if it's not efficient and effective, we take the money out. So that they can't recover a rate of return going forward on money that they haven't spent wisely during the period.

So just to note that part of the reason why there was such a big drop in what was provided last time was because we moved a lot of that money out and said no you can't hold that money. We need to take into account the fact that you haven't spent it. So that is part of the process.

One of the things though on a slightly different point that I would really like to hear people's views on is around the stormwater costs. Now at the moment, the council collects some of the money for stormwater costs through the water prices, and some of the money for stormwater costs through the rates. And from the discussion today, when we've been talking about roads and things that are linked to roads, and what different communities pay, it seems on face value that splitting that out into 2 different buckets is unlikely to end up with things being well planned and well delivered.

Which leaves us with a choice then. If it is true that it's better to think of this as a package, and to deliver it as a package and to fund it as a package, the question is should that package be funded through the water pricing process, or should it be funded through the rates process. Either way, you're going to have to transfer something from one to the other.

So, I'm interested in people's views on a) whether we've got it right that packing the things together as a package would be a better way of doing it, and if so what people's views are on whether it should be delivered through the water and sewerage program funded through water prices, which is the proposal the council has or delivered through the rates program, which is actually the way all of the other local governments tend to do it at the moment and linked to roads and road infrastructure for example.

Mr Farmer: If I might comment. The issue with that proposal in the current environment, with the level of complexity that we're dealing with, is extremely challenging for ourselves, and our community to have a rational and reasonable conversation.

Because realistically it should be a zero-sum game where we pull \$30 million out of the water and sewer and drainage charges and put it into the rates. But the fact is, in a period of confusion with water charges and sewer charges going down, an SRV that expires in 3 years, a continuation to keep it solvent. Another set of water and sewer charges.

It's very easy to get caught in the static and the ability to have a rational and reasonable conversation with a broader community about something like this is in my opinion in the short term almost impossible, and that's the reason why we would be concerned about making a change at the moment.

And until we've got this matter cleared up, the underlying issue is depending on how it's set up is, some people would pay more and if it went into the rate system, because if you know and if you apply to purely across rates, then potentially your rural ratepayers who've been most vociferous in this space will pay more, because if it goes on a general rate and they would actually then effectively subsidise your urban ratepayers.

Because if it just applied purely as part of the rate in the dollar, that the people who have spoken most unhappily about potentially paying that water and sewerage charge would actually find that they're paying more if it's applied to the rate in the dollar.

Ms Cope: Okay.

Mr Farmer: That's assuming you're gaining exactly the same amount of money.

Ms Cope: Yeah so that there's a couple of things in that which, so one is you said that it's not a good time to make a change, but you've actually proposed a change. You've proposed to move costs out of the rate base into the water pricing base at this time, so there is a change on the table, unless you're proposing that that's not what you want to do now.

The other thing is, I don't think it's true that the way that rates are split between different categories of ratepayers, rural versus urban, is very much at the discretion of the council, because they are different rating categories and you've got the scope to work out what's the most efficient and effective way of allocating those costs to the people who are the impactors in different areas. So, I'm not sure that I agree that it's necessarily going to result in a poorer outcome.

So, am I right, is your proposal still that you want to move what's in the rate base at the moment into water prices, or sorry into stormwater prices?

Ms Livingstone: Sorry David. We can't hear.

Mr Farmer: Mr Bolgoff might be best for it to provide a comment.

Mr Bolgoff: Thank you, Mr Farmer through the Chair. There is a number of changes in relation to the rates that are being proposed in this this pricing proposal. So essentially the first component, it includes a rebase lining. So, if you take the base at roughly \$110, there is a rebase lining to what the stormwater drainage charges were prior to this determination of about \$25, that brings it up to the to the \$135 mark.

There's also you know previously, the former Wyong Council also had a special rate levy of \$25 that dropped off in the 2016-17 period. So, part of this proposal while that is a transfer, it's consistent with what it has been in the past, adding that to the current you know pricing charge. So that brings that that number up to approximately the \$160 dollar mark.

Part of the price proposal also includes some step changes, and it's in relation to making sure that we have the appropriate you know critical asset management inspections of our network.

There's also flood planning, so as I mentioned before there's 42 catchments in the local government area. So, part of that is to make sure that we're informing the next round of what is the priorities in the stormwater drainage area, by doing the appropriate you know flood planning and risk management approach.

Another component, small component is the stormwater quality and that's been mentioned. So, we've got over 400 stormwater gross pollutant traps. So, they're water quality devices and that costs money to maintain and people have been certainly part of this is Zoom call, have been raising some sort of quality management issues as well.

Lastly the other component is the maintenance of urban channels. So that has all been put under for one area, to make sure that all this is you know simple, may not sound simple, but all the functions are being looked at in one charge, so it's not across multiple areas to make it certainly a lot simpler.

Ms Cope: Thank you.

Mr Bolgoff: Thank you, Chair.

Ms Livingstone: Thanks everybody. I am conscious of time we've got about half an hour left to go. We do have one more short presentation that goes to prices and impacts on people, and I think it's important that we cover that, and then we'll use the remaining time to answer or allow people to make comment as much as we can.

If there are outstanding questions beyond that we will look to see if we can provide some follow-up to the individuals who've asked those, but I will ask now Kristy Mamaril to take us through the last presentation. Thanks Kristy.

Session C – proposed prices and impacts

9. IPART presentation

Ms Mamaril: Thank you Liz. In 2019-20 typical water and wastewater bills for Central Coast households were the lowest compared with other water utilities in NSW and the 15 major water utilities in Australia. Currently Central Coast households pay typical water and wastewater bills that are on average less than those in neighbouring suburbs serviced by Sydney Water and Hunter Water.

The council's proposed prices would on average increase bills from July 2022 by 34% for a typical customer with a house using 170 kilolitres of water a year, with bills increasing by inflation each year after that.

Under the council's proposal from July 2022 typical bills would increase on average by about 40% for water services, 21% for wastewater services and 68% for stormwater services. This would increase the bill for a typical household by about \$360.

Business customers will see similar increases in bills however, the impacts may vary depending on the type and size of the business and property, how much water it uses, and wastewater it discharges, the size of its meter and where it's located. The council has also proposed some increases to some trade waste and miscellaneous charges.

As part of our water review process, we will assess the council's proposed costs, based on what the costs of running its Water Supply Authority should be. If we find that the council's efficient costs need to increase, the prices which it charges would need to increase too to recover these costs. If prices were to increase, we want to know if you would prefer a one-off increase to bills from July 2022, with increases only by inflation after that as the council has proposed, or would you prefer a gradual increase in bills over the period.

Households pay service charges for water, wastewater and stormwater drainage, which are fixed charges and, usage charges for water which are based on how much is used over the billing period.

The council has proposed a much larger increase of 173% to the water service charge, than the usage charge which would increase by 8%. And this means for relatively small uses of water, like households, a large proportion of the bill would be due to the fixed service charge, regardless of how much water they use. The council has proposed wastewater charges increase on average by 22% across all households and 34% for businesses.

The council has proposed to generally maintain how prices are set but is proposed aligning wastewater service charges so that customers in Gosford and Wyong, pay the same charges. On average this would result in a 17% bill increase for households in Gosford and a 26% bill increase for households in Wyong. We want to know if you would prefer to pay different or the same wastewater service charges across the Gosford and Wyong areas, and if charges were to be the same, would you prefer this to happen from July 2022 or gradually over a few years. As mentioned, the council has proposed stormwater charges increase by 68% for all customers.

As well as reviewing councils proposed stormwater services and costs, we are considering how these should be paid for. Currently some of the costs are paid for through the council's local government rates, and some through stormwater prices we set for the Water Supply Authority.

The council has proposed that all stormwater costs be paid for through the council's Water Supply Authority stormwater charges we set. Our preliminary decision is that stormwater services should be fully funded through local government rates, and not through the charges IPART sets for the Water Supply Authority. This would bring the council into alignment with most other councils, which fund their stormwater services through local government rates.

It also recognises our view that stormwater drainage is fundamentally a community service as the drainage of roads, parks and gardens and other public spaces protects the whole community from flooding.

This would likely mean that local government rates would have to increase, but this would be offset by the removal of IPART-set prices for stormwater services. We are keen to hear your views on how stormwater services should be funded, and if they were to be funded via local government rates would you prefer this to happen from July 2022 or gradually over a couple of years.

We will assess whether the price changes proposed by the council represent good value for money for customers and are reasonable, based on what the costs should be for the council to meet the community's expectations for safe and quality water services, and that brings us to the end of our presentation.

I will now hand over to Liz for the Q and A session, thank you.

10. Q & A session – facilitated by MC (Ms Liz Livingstone CEO)

Ms Livingstone: Thanks Kristy, and Kristy's presentation covered that stormwater issue that we were talking about earlier, so I hope there's more clarity about what's proposed and IPART's preliminary thinking there. Might go to Merilyn from Central Coast Council Watch, because you highlighted way back in Session A, Merilyn concerns about affordability of the increase. I wonder if you want to talk to that now.

Ms Vale: Hello, thank you. it wasn't my question, it was a question from Mark Skipper, and he asked David Farmer to explain how does he think Central Coast residents can afford this extra rate rise, water rates. I just wanted an answer on that. How do they determine that an area that already has paid 42% in a rate rise, is going to be able to afford another 34% in water rates? Because we do have a lot of retirees and a lot of low-income earners on the Coast unlike elsewhere, thank you.

Ms Livingstone: Thanks, Merilyn.

Mr Farmer: There's probably a technical response that some of the staff could provide, but when you specifically refer to the former Gosford area, as mentioned in my presentation. I believe mentioned a couple of times by the IPART representatives. In June 2019 the Gosford water and sewer users actually received a 25% decrease in their water and sewer prices. And the water and sewer prices proposed by council will be about \$50 less than people were paying in June 2019. So, I understand everything is a basket, and you know you don't have a special bucket for water and sewer, but the fact is that in the Gosford area, if IPART allows the full proposal provided by council, those people in the water in the former Gosford area, will still be paying less than we're paying in 2019.

Ms Cowley: And I guess if I can add into that. It's Natalia Cowley here. Thank you Chair. In terms of the question is how do we know that the community can afford this. The answer is I guess reliant on statistical information and financial information, and as the CEO mentioned just now, we are returning to prices that were being paid in 2019.

And the way that we know that the community can afford to pay that is when you look at the financial statements in 2019, you would see that there is a ratio at the back of the financial statements, and specifically it determines what is the ability of a rate recoverability, and for the council in terms of what is our growth in debt specifically with rates.

And you would see that in 2019 the debt, the ability of the community to pay the much higher rates which led to that \$39 million amount that we were receiving from water and sewer. We were actually being able, the percentage is about 6.9% or so, whereas in 2020 it increased, the benchmark is 5% percent.

So, it shows that at the time when the community was paying a higher amount of money, they were able to pay it to council and council was able to receive it. And I think there were some, there was a commentary around the use of the restricted funds.

What probably hasn't been very clear is the fact that there hadn't been any for water and sewer. The water and sewer, the money that has gone into the water and sewer funds, had been spent on water and sewer funds. Those 2 entities have not been affected by the use of the restrictions, and for those of you that did listen to the public inquiry, there are different interpretations of that but the correct interpretation is that water and sewer did not get impacted at all by that and I'll leave it at that.

Ms Livingstone: Thank you. Tim Kemp, we again we're going back to the to the questions asked in earlier sessions, that you did have earlier questions on stormwater related expenses. Would you like to speak to that now?

Mr Kemp: Yeah look it just it touches on what we're just talking about now actually and I was just wondering if Boris Bolgoff might be able to answer, as so he mentioned before about the culverts and the table drains and stuff like that, that are up in this rural area, and I was wondering if that was part of the roads budget, and if it's not part of the roads budget why it's not part of the roads budget?

Mr Bolgoff: Thank you, Mr Kemp, through the Chair. So, your culverts are traditionally a fairly large scale that would go under roads and infrastructure. To convey what they're there for, the primary function is to convey stormwater drainage. So, both the table drain is there, it does collect an amount, you know, small amount, from the road, but the majority is also from the large sheet drainage, that be coming from private property.

Why we have the difference and you could say that there's the table drain's the same as kerb and gutter. Now it is a reasonable argument, but the kerb and gutter is actually used as an edge restraint for the pavement, so you don't get pavement breaks and have to pay more in relation to your road infrastructure.

So, it is consistent with the international infrastructure management manual that is used across a lot of councils, so that hopefully that covers a little bit of you know your understanding in relation to the difference. Thank you, Chair.

Mr Kemp: Look that covers, I don't necessarily agree with it, but that covers it. Maybe we could touch on the fact that the charges for stormwater and taking it out of the water and stormwater charges, and putting it into the rates, and just touch on the fact that farmland is rated differently as it is.

And considering the amount of work that is being done with stormwater in this area, that maybe any rate that is charged for stormwater management, if it's included in the rates, that could be taken into consideration. And I'd just like to reiterate to what I presented earlier on that farmers would definitely like to be part of the conversation with any proposed changes to rates.

Mr Bolgoff: Great, thank you.

Ms Livingstone: Thank you both. Kevin Brooks there's a few comments that you've made in the chat. I just wanted to check whether you'd like to speak to any of those at this point. Okay I'll take that as a no....

Mr Brooks: Sorry, I was on mute okay. Well thank you for noticing my comments. I have made a few, but I can't actually remember what all of them are, but I think one of the points I did make was we heard a lot of promises about better performance earlier, and look in my experience you judge people by their track record. And really there should be some demonstrated improvement in performance before there's extra money. Otherwise you're just relying on empty promises.

I don't mean to be disrespectful for anyone, but I haven't, and I know there's I think 2 out of the 6 executive leadership team are new now, but I haven't seen any improvements so far. I have to say that that's not disrespectful, but it's just it's not there. So, you're just asking people really to trust.

The other thing I just made a point I made, we heard earlier from Mr Farmer that water rates fell by 25% after the last determination. Now I keep very detailed spreadsheets of our family expenditure, and certainly mine didn't fall by anything like that. They did fall, but they certainly didn't fall by anything like that. So, I think we just need to be very careful with some of the numbers that are banded around here.

Ms Livingstone: Thank you Kevin. We only have a few minutes left for questions, I think Diane Dales, and look I've seen Maureen put up her hand again as well. But Diane, will go to you first and come to Maureen, and we might need to close shortly after that.

Ms Dales: Thank you Liz. My question is to Mr Farmer as the buck stops with him as CEO. The council's maintenance program that's detailed in the report to be undertaken, will it be undertaken, the program will it be undertaken by council staff, and be part of their KPI's or will it be contracted out. Will the report on how the maintenance program is proceeding come to council? The reason for that is we don't, in the past, I'm asking these questions when we've had contractors in the past, in other areas of council, they've never fulfilled the role as what council staff does, so that's the reasoning for my question.

Ms Livingstone: David would you like to respond to that? You're on mute.

Mr Farmer: I'll start off, but Mr Loader can finish. But ultimately, we'll determine the appropriate way to deliver increases in services. Certain things will be done by contract, and certain things will be done by increased staff numbers, but ultimately what we need to do is, invest more on the care and improvement of our assets, if we're going to deliver a higher level and safer level of water for human consumption, and for the environment of a water service water and sewer service. So, I'll just hand over Mr Loader, might provide some more detail about the specific plans for delivery of any increased funding we were able to receive.

Mr Loader: Yeah thanks Mr Farmer and thank you Ms Dales for your question. Certainly, to provide a little bit more detail around that. It's a combination really of day labour staff and contractors, and I guess where we use contractors is for specialised tasks that need to be undertaken, such as inspections of our ocean outfall tunnels, and those sorts of tasks, that may require either specialist expertise, that we don't have on staff or specialised equipment that we don't have in our possession.

So the more routine day-to-day maintenance obviously be undertaken by our day labour workforce, and certainly you know improvements that we're making to our performance plans, and performance review system within council, going to go a long way to keeping our staff accountable for that delivery, and certainly that flows right to the top and in terms of all of us with that increased accountability, and certainly something that Mr Farmer has been very strong on since he's arrived, is holding everyone to account on that. So that's how that will be delivered, and I hope that answers your question.

Ms Dales: Liz, if I may just add something not to what Mr Loader has just said, or Mr Farmer just in regards to the pricing of it. If there was to be an increase, I would prefer it over a few years because we have a large amount of people in the community who are having trouble meeting the cost of the increased rates now.

Also, I prefer the stormwater to stop within the water section, mainly because I know IPART would be looking at it for the time being, and we'll see how council progresses with the things in the future. That that's my comments, thank you.

Ms Livingstone: Thanks Diane, that's helpful to hear. Maureen, I know you've put your hand up before just check you have an opportunity to speak, you're on mute at the moment, still on mute.

Ms Boys: There it is. Great, thank you Liz. I fully support Kevin Brooks who spoke very early. It's the whole council is a management problem, it's a management problem, and not revenue.

And the other one was Mary Doherty, she's from the Peninsula and I'm just up at Kincumber, and I don't need to repeat what she said. I had the exact same things with water, and I agree totally with what she said.

And well just lastly, there was a couple of things Diane mentioned, and it goes back you know a long while with the council, and it's just not getting the follow-up done, or the lose-ends. Anyway, that's all I have to say, thanks Liz, but the management is a big, big problem, thank you.

Ms Livingstone: Thank you very much Maureen. Karl, we do have time to squeeze in one more comment or question would you like to speak? Karl?

Unknown person: Hello?

Ms Livingstone: Okay we can't hear you Karl, I'm not sure if you're trying to take your mute off.

Mr Schaerf: My apologies, sorry Madam Chair, I was looking for the unmute button, my apologies. Look I'm deeply concerned about the whole tenure of today's discussions as much as I appreciate the opportunity to participate in it, and I've heard some very interesting comments.

It still doesn't alter greatly my opinion the fact that this council does not represent us the people, we've been disenfranchised, and now it appears we're being taken for complete lot of mugs. I'm a retiree obviously, that's why I'm able to participate here today. But I did a quick count now, I may have been wrong in the comments I made about the number of council representatives here today, but there's quite a high preponderance of those who are watching, but haven't actually participated, involved and I just wonder whether they are part of the overheads shall we say, on the whole cost structure that's being proposed.

It's just beyond my comprehension as a former government employee that this sort of discussion is now taking place, and that we literally are being taken for the mugs that we seem to be regarded as in this whole issue.

We've got deep-seated issues in this area in relationship to the performance of the former council and I firmly believe we were set up from the outset, and we are not the only council or LGA in NSW to be in a similar situation. I'm deeply disturbed by all this and I just hope that IPART, with due respect, will take note of the not inconsiderable financial burden which has been placed upon us as a result of alleged mistakes made in councils' operations in the past, and that we will now be further, well there'll be a further impost, a good considerable amount on top of that already imposed upon us.

Ms Livingstone: I've tricked myself. I was on mute. Thank you, Karl, for that contribution, and thank you for everybody who's engaged with us today and thank you for the way that you've done that, you've made my job relatively easy, to allow people to participate.

I think there are probably a small handful of questions we didn't really get to, we will keep a record of those and get back to those individuals, and or if depending on the nature of the questions we might just publish an additional document on our website that covers those off so that others can see any responses to those questions. However, I would like now to hand back to our Chair Carmel Donnelly to make some closing remarks and close the meeting, thank you Carmel.

Ms Donnelly: Thank you Liz and look, thank you to everybody on behalf of IPART for participating today, particularly thank you to all the presenters, but everyone who's participated and asking questions and answering them.

The Tribunal, myself and the other Tribunal Members have been listening very carefully. It has been a very valuable input for us, very useful and of great benefit, and we do want to continue to hear from you, and certainly there are a number of opportunities for that.

If you wanted to review what's being said today or point it out and share it with any other stakeholders, we will in the next few days publish both a transcript and a link on our website to today's public hearing.

We are continuing to be very keen to hear from you in terms of submissions that you may wish to put in or participating in our survey and that's by the first of November. We will consider everything that's been said today as we prepare a Draft Report and we continue to assess all of the information in the proposal and other relevant information, everything that's relevant in preparing our draft decisions.

That report will be public in March and we will again consult. We'll have further public hearing and further submissions at that point. In the meantime, if you would like to get in touch with IPART you are welcome to do that. The easiest way is to look at our website and certainly the Issues Paper that we've published has contact details in it as well. So certainly, getting in touch with officers in the Secretariat for IPART is open to you.

So, I will just with that, I know we're about to be out of time, thank everyone once again. I hope you have a good rest of the day, and we really do appreciate you making the time to join us today.

Ms Livingstone: Thank you everybody, bye.