# 5 Operational Expenditure

Central Coast Council

- Central Coast Council's water, sewer and stormwater drainage forecast operational expenditure of $524M over the period 2022-26 (four years).
- The operational variance over the 2019-22 (three year) regulatory period is expected to be $37M ($2021-22). The IPART allowance was $284M ($2021-22) and Council's expenditure is estimated to be $320M ($2021-22).
- Council is using the 2019-20 actuals as the baseline for forecasting the expenditure for 2022-26. The actual expenditure in 2019-20 was $118M ($2021-22) which has been rebased at $106M ($2021-22).
- When forecasting the operational expenditure for the 2022 determination, an iterative process was adopted, where each unit was required to:
    - Review current expenditure in relation service delivery
    - Identify risks and asset failures in relation to licence conditions and service levels
    - Understand expected pollution reduction programs

*Note: Some figures contained within this paper may have slight variances due to rounding. All actual expenditure is stated as $nominal and forecast expenditure stated as $real 2021-22 unless otherwise specified*

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# 1 Overview

Central Coast Council (Council) has always been a low-cost service provider of water, sewer and stormwater drainage services. According to the National Performance Reporting (NPR), since 2016, Council has always been in the lowest percentile for operational expenses per property in both NSW and Australia. In 2019-20, Council had the 2nd lowest cost per property in Australia for water (behind Hunter Water) and the 4th lowest for sewer in NSW.

Over the 2019 determination period, Council has seen an increase in customer calls related to civil infrastructure, SCADA alarms, breaches of EPA licence conditions as well as an increase in Long-Term Injuries (LTI's- which are higher than both Hunter and Sydney Water).

In addition to the escalation of reactive maintenance and environmental issues, there has been pressure from climate issues such as fire and flood as well as operational pressures in response to both the required COVID-19 restrictions and Council's financial crisis.

Over the last 12 months, Council has increased its focus on understanding the risks in its operating environment. Council has a better understanding of the asset condition in both transport and treatment and is developing a Transition Strategy which will correct the current reactive approach to a proactive one.

This will be achieved by engaging resources and enhanced asset lifecycle management strategies that better reflects integrated processes, reporting and data.

During the 2022 determination period, Council expects to incur higher costs which have been forecast relating to both prudency and efficiency, than forecast in 2019 in the following areas:

- Bushfire management ($2.1M)
- Catchment management ($2.3M)
- Dam safety ($1.4M)
- Sewerage Treatment Plant improvement programs ($14M)
- Long-cycle preventative maintenance strategies ($3.4M)
- Strategic Planning including Water Security Plan ($2.6M)
- Stormwater quality management ($5.1M)
- Floodplain management planning ($4.5M)

Council will also invest significantly in the safety of its employees as well as asset maintenance such as smoke testing, mains cleaning, leak detection and asset inspections[1].

Council's focus over the 2022 determination period will be developing its business strategy in relation to both inspections and maintenance of its assets which will result in better water quality for the community, better floodplain management, dam safety and a reduction in unplanned outages and environmental incidents. In the long term, this will benefit the community by protecting the assets and reducing costs in future determination periods.

This determination will also include additional expenditure on stormwater quality, floodplain risk management and urban channel maintenance. During the 2019 determination, these services were funded in part by a different Stormwater Levy. This Levy has now ceased, and Council is looking to simplify stormwater management for its customers by including all stormwater management under the single charge.

The requested operational expenditure is based on the 2019-20 actuals (with some adjustments) rather than the 2020-21 actuals (penultimate year). This was requested in response to Council's financial crisis where additional reductions were required to reduce operational costs across Council.

## 1.1 Performance 2019-2022

Table 1 demonstrates Council's performance over the 2019 determination period against IPART's expenditure allowance.

*Table 1: IPART allowance versus actuals/forecasts $M in nominal $ for $2021-22 SIP multipliers are used[2]*

| IPART allowed $M | 2019-20 $nominal | 2020-21 $nominal | 2021-22 $nominal | Total | Total $2021-22 |
|---|---|---|---|---|---|
| **IPART Determination** | 91.1 | 91.7 | 93.9 | 276 | 284 |
| **Actual/Forecast** | 112.6 | 105.9 | 93.5 | 312 | 320 |
| **Variance $** | 21.5 | 14.2 | -0.4 | 36 | 36 |
| **Variance %** | 19% | 14% | 0% | 13.% | 13% |

*Note - 2021-22 $nominal is forecast expenditure*

[1] All forecast costs are supported by operational business cases that define drivers and related to both prudency and efficiency

[2] $2017-18 to $2018-19 = 1.8%, $2018-19 to $2019-20 -0.3%, $2019-20 to $2020-21 2.4%, $2020-21 to $2021-22 2.5%

Because Council is using the 2019-20 actual expenditure as the base year for its pricing proposal, there is more detail regarding the explanation of the variance for this period. In summary, the variance in 2019-20 is attributed to:

- The increase in corporate overheads which exceeded the IPART allowed expenditure for that cost category by $8.3M ($2019-20). The IPART allowance was $20.6M and the actual expenditure was $28.9M.
- The anticipated increase in plant and fleet costs which exceeded the IPART allowed expenditure for that cost category by $3.9M ($2019-20). The IPART allowance was $3.8M and the actual expenditure was $7.7M.
- The uncontrolled events due to flooding, fires and COVID expenditure that occurred in 2019-20 which increased the cost categories of Hire and Contracts, Labour and Materials by approximately $1M.
- The other increases to expenditure were due to uncapitalised labour, an increase in labour expenditure charged to Water and Sewer by other areas of Council, an increase in tipping fees resulting from higher tonnages of sludge collected from the treatment plants and the unrealised efficiencies defined in the IPART 2019 determination.
- The "Other" category appears to have a large variance, however there was a change to the internal budgeting process where tipping fees were charged to "Other" instead of Hire and Contracts.
- Electricity costs were also lower than anticipated resulting from new energy contracts.

For the 2021-22 financial years there is a significant reduction in the forecast expenditure, resulting from the reduction to expenditure from the recent Council financial crisis. Figure 1 and Table 2 shows the actuals/forecast expenditure compared to the IPART allowance in $nominal over the current regulatory period.

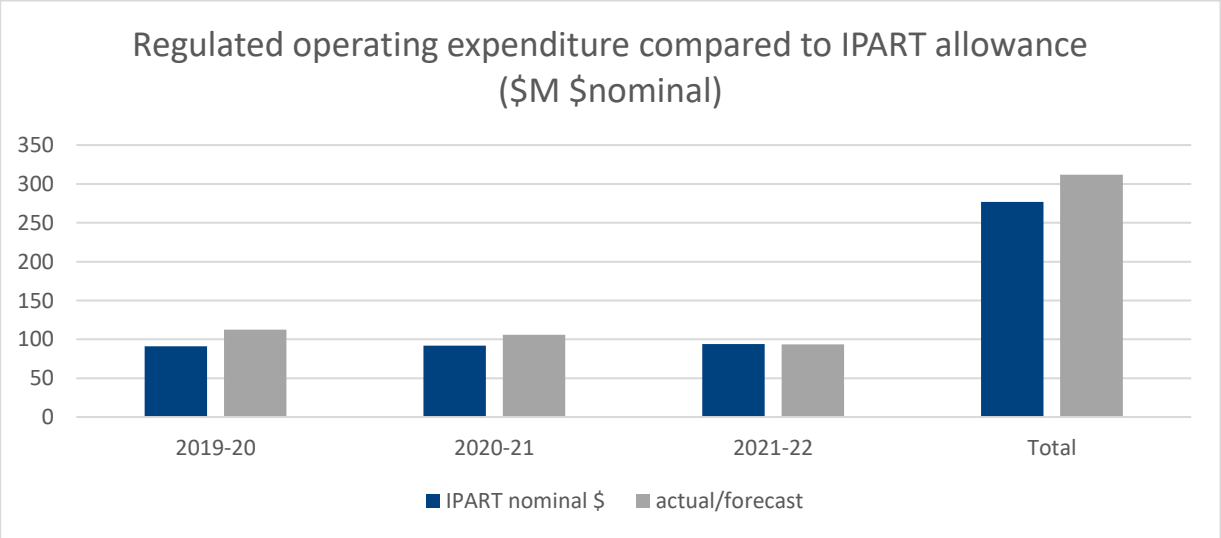


*Figure 1: IPART allowance compared to actuals/forecasts 2019-2022*

*Table 2: Regulated operating expenditure by product category ($Ms nominal)*

| $M | 2019-20 | 2020-21 | 2021-22 | Total | $2021-22 Total |
|---|---|---|---|---|---|
| **Water** | **$Nominal** | **$Nominal** | **$Nominal** | | |
| **IPART determination** | 39.9 | 40.1 | 41.0 | 121 | 124 |
| **Actuals/forecast** | 51.6 | 48.9 | 42.5 | 143 | 146 |
| **$ Variance** | 11.7 | 8.8 | 1.4 | 22 | 22 |
| **% Variance** | 23% | 18% | 2% | 15% | 15% |
| **Sewer** | **$Nominal** | **$Nominal** | **$Nominal** | | |
| **IPART determination** | 40.8 | 40.9 | 41.9 | 123 | 127 |
| **Actuals/forecast** | 48.2 | 48.4 | 41.5 | 138 | 142 |
| **$ Variance** | 7.4 | 7.5 | -.4 | 15 | 15 |
| **% Variance** | 15% | 15% | 0% | 10% | 10% |
| **Stormwater drainage** | **$Nominal** | **$Nominal** | **$Nominal** | | |
| **IPART determination** | 10.4 | 10.7 | 10.9 | 32 | 33 |
| **Actuals/forecast** | 12.8 | 8.5 | 9.4 | 31 | 32 |
| **$ Variance** | 2.4 | -2.2 | -1.5 | -1 | -1 |
| **% Variance** | 19% | -0.25% | -.15% | -0.03% | -0.03% |

# 2 Introduction

This technical paper:

- Establishes Council's position in relation to other water utilities and how it manages risk
- Explains categories that describe Council's expenditure
- Compares current regulatory operating expenditure to the IPART allowance
- Outlines Council's proposed operating expenditure
- Describes Council's planning, budgeting and forecasting processes.

# 3 Council's operational expenditure for comparison

Council's water, sewer and stormwater drainage is classified as a "major" utility where the number of connections is greater than 100,000.

In comparison with other major utilities in Australia, in 2019-20 Council had the second lowest operational costs per property (behind Hunter Water). Council's sewer operational costs are higher than other utilities due to the Central Coast's unique geography and customer base. The water, sewer and stormwater drainage network servicing the residents of the Central Coast is relatively long for the population served due to the geography of the region and the physical barriers created by the lakes, estuaries and lagoons. In addition, Council treats all sewerage to a secondary and in some instances a tertiary level, where it is used for recycled water.

The amount of sewerage collected compared with other major utilities is higher than utilities of a similar size.

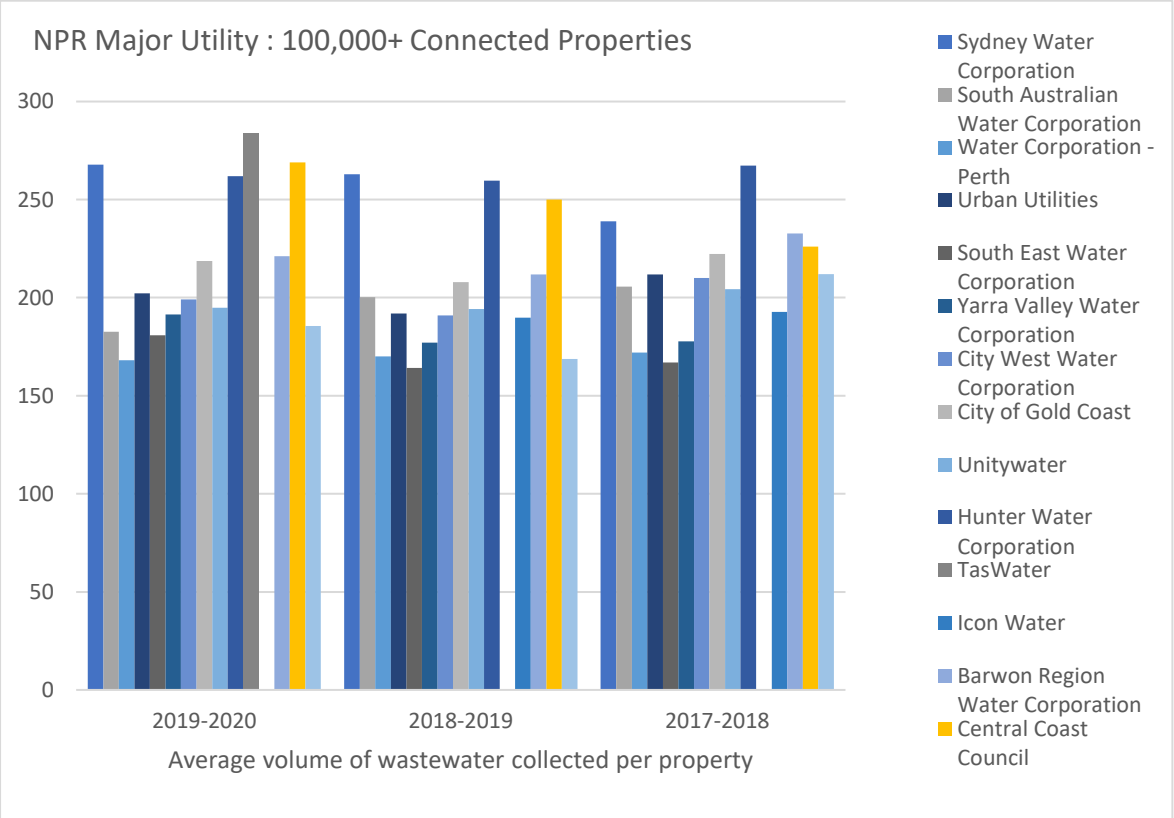


*Figure 2: Average volume of sewerage collected per property Major utilities*

Customers on the Central Coast currently have the lowest bills for water and sewer in New South Wales as reported to the National Performance Review. The typical bill for

residential customers fell 16% from 2018-19 to 2019-2020 due to the 2019 IPART price determination.

A breakdown of the typical bill is shown in Figure 3.

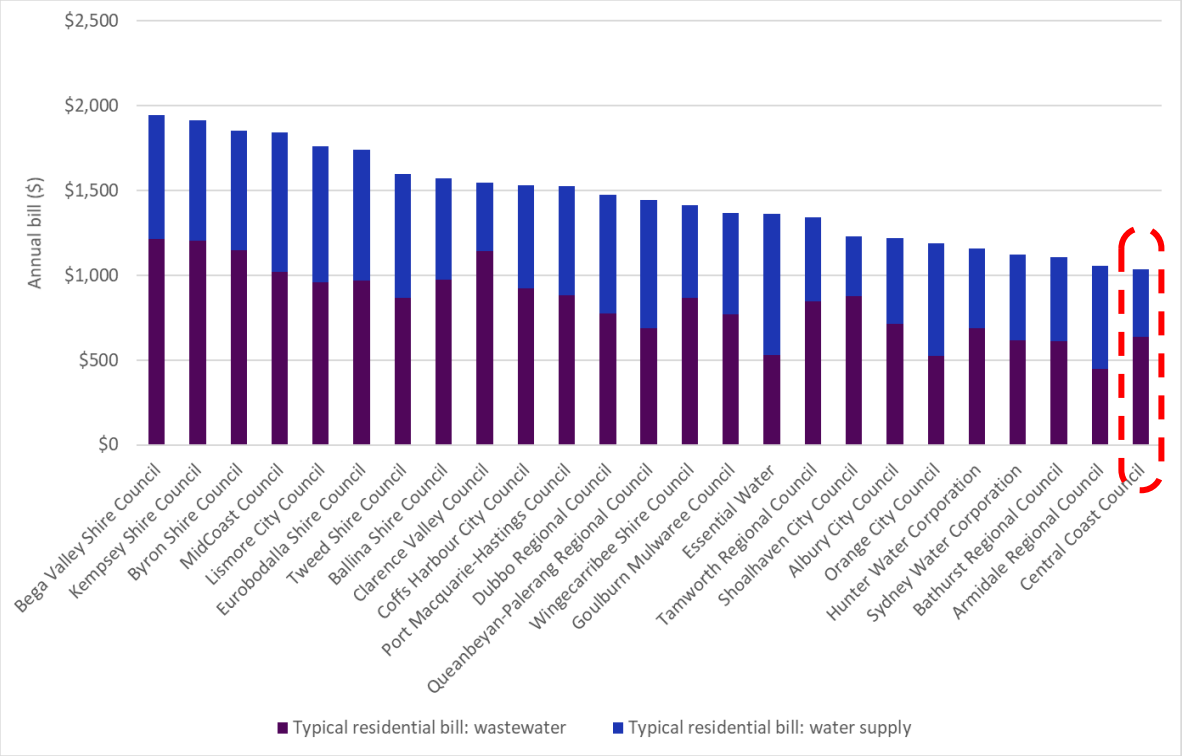


*Figure 3: Water and Sewer components of a typical bill Note: Based on average water and wastewater use within water business Source: Bureau of Meteorology 2021, National performance report 2019–20: urban water utilities, part A, Bureau of Meteorology, Melbourne.*

Central Coast customers pay substantially less than the average bill amount for water and sewer services. However, the evidence is that the Central Coast does not have the economies of scale to justify this amount of revenue per property.

## Economics of scale

The cost-of-service provision is highly correlated to the size and relative simplicity of the network. Larger customer bases should result in lower bills per property. Council has a customer base that is far smaller than Hunter Water Corporation (HWC) and Sydney Water as shown in Figure 4.

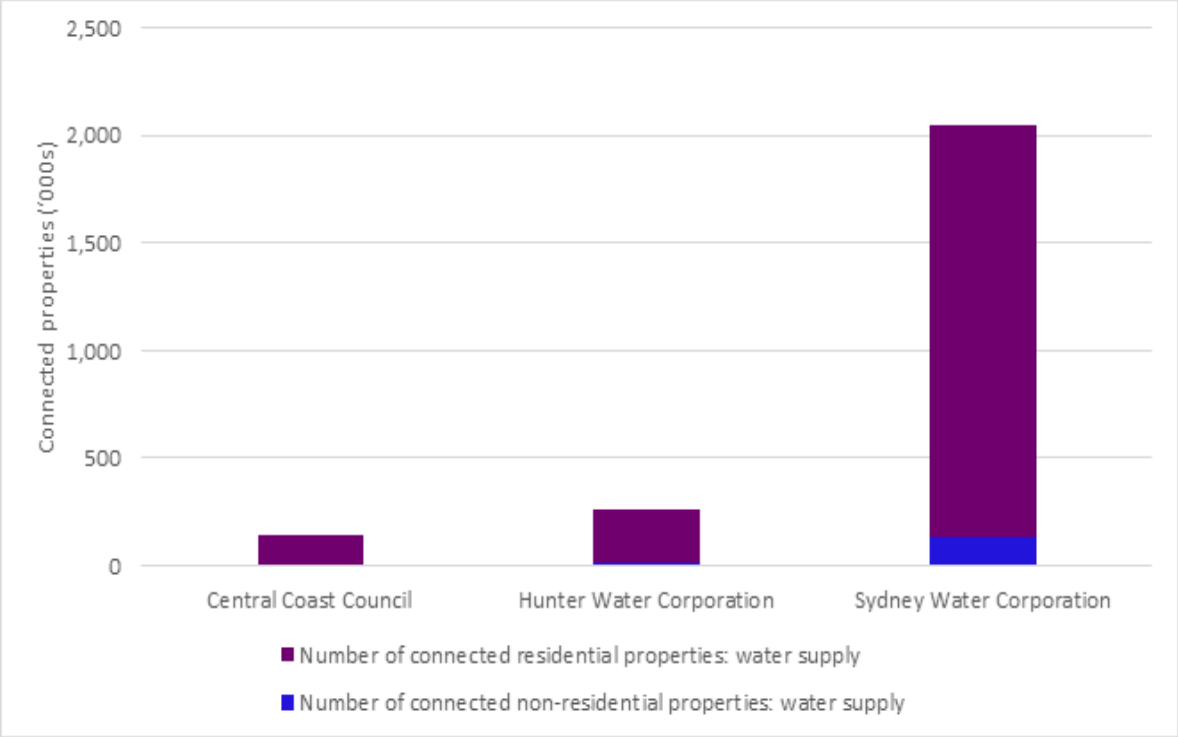


*Figure 4: Customer by Water business Source: Bureau of Meteorology 2021, National performance report 2019–20: urban water utilities, part A, Bureau of Meteorology, Melbourne.*

Council has 60% of HWC's population so its water bills should be higher than HWC. Sydney Water has the highest economies of scale so should have the lowest bills. In addition, Council's network, as shown in Figure 5, serves a similar number of customers to HWC per 1km of main which would suggest that the Central Coast has a similar network and similar bills.

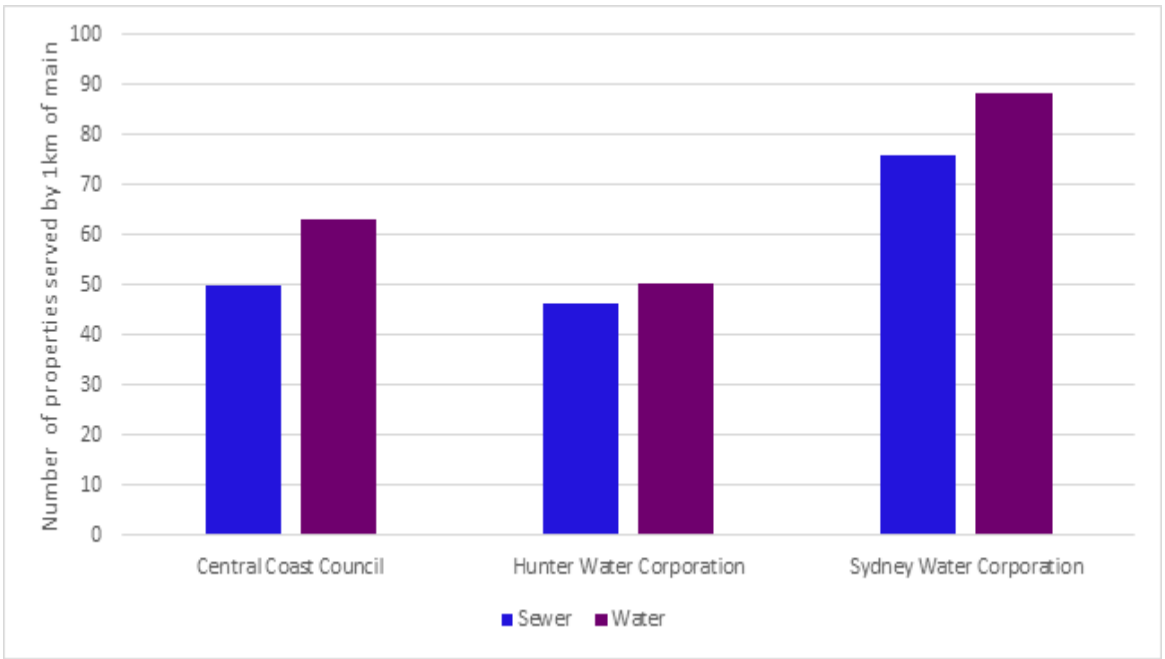


*Figure 5: Number of properties served by 1km of main 2019-20 Source: Bureau of Meteorology 2021, National performance report 2019–20: urban water utilities, part A, Bureau of Meteorology, Melbourne.*

However, Council's low number of customers per 1km of main is within an area that is 25% of the size of HWC's service area. The geography of the Central Coast means that Council operates a network that is highly dispersed and difficult to directly link, meaning that the cost of service provision is higher.

Most of Council's population is located around two major estuarine environments, Tuggerah Lakes and Brisbane Water. Council's water, sewer and stormwater drainage network must travel around these water bodies, meaning that the network is longer and exposed to degrading environments with high salinity. This results in a relatively high number of mains and associated infrastructure. In addition, the geography means that there will be rising community expectations of the quality of environmental discharge given their proximity to waterways.

## 3.1 Full Time Employees (FTE's)

The number of Full-Time Equivalent Employees (FTE) for the Water, Sewer and Stormwater Drainage business has decreased from 2018 (321 FTE's) 2019 (329 FTE's) to 2020 (266 FTE's). Council currently has one of the lowest labour forces (measured in Full Time Employees - FTE) per 1,000 properties in New South Wales as shown in Figure 6.

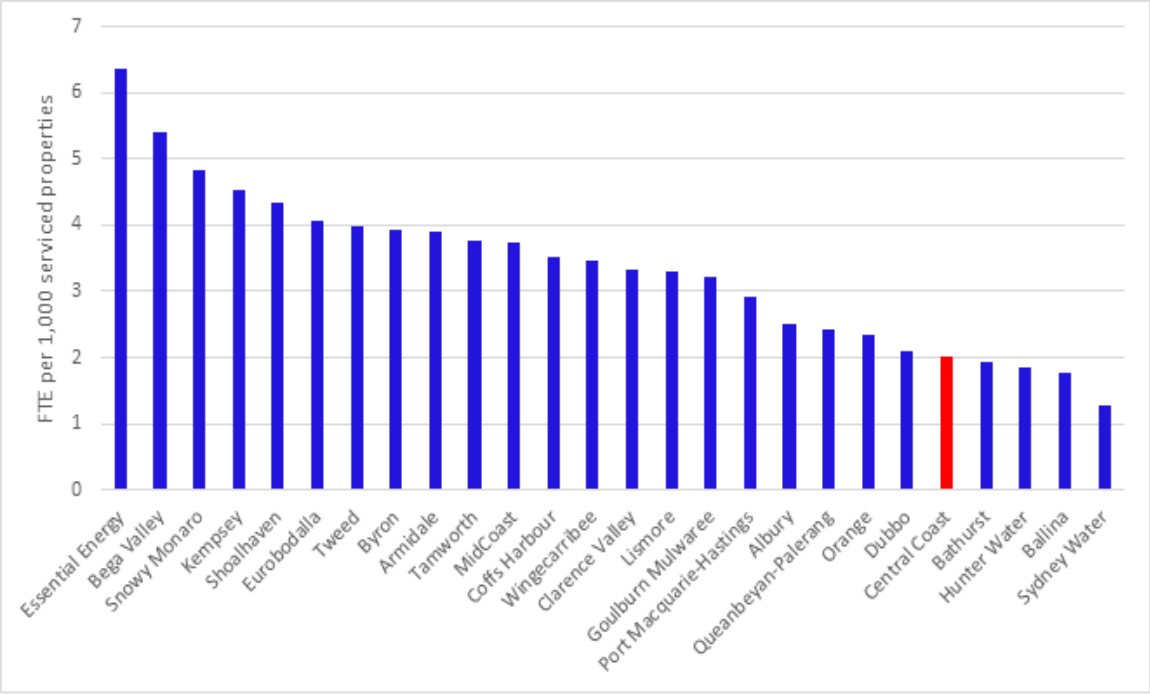


*Figure 6: Labour workforce in NSW per 1000 connected properties Source: LWU performance monitoring data and reports, Sydney Water and Hunter Water annual reports, Council data*

This workforce, while having made significant productivity improvements, needs support to maintain customer service standards into the 2022 determination period for the complex network operated by Council.

## 3.2 Operational expenditure on billing

Council has one of the lowest expenditure rates in Australia which is a large driver behind having the lowest bills. The operational expenditure makes up a large part of the required revenue in IPART's building block model.

Figures 7 to 11 compare the expenditure in both NSW and Australia.

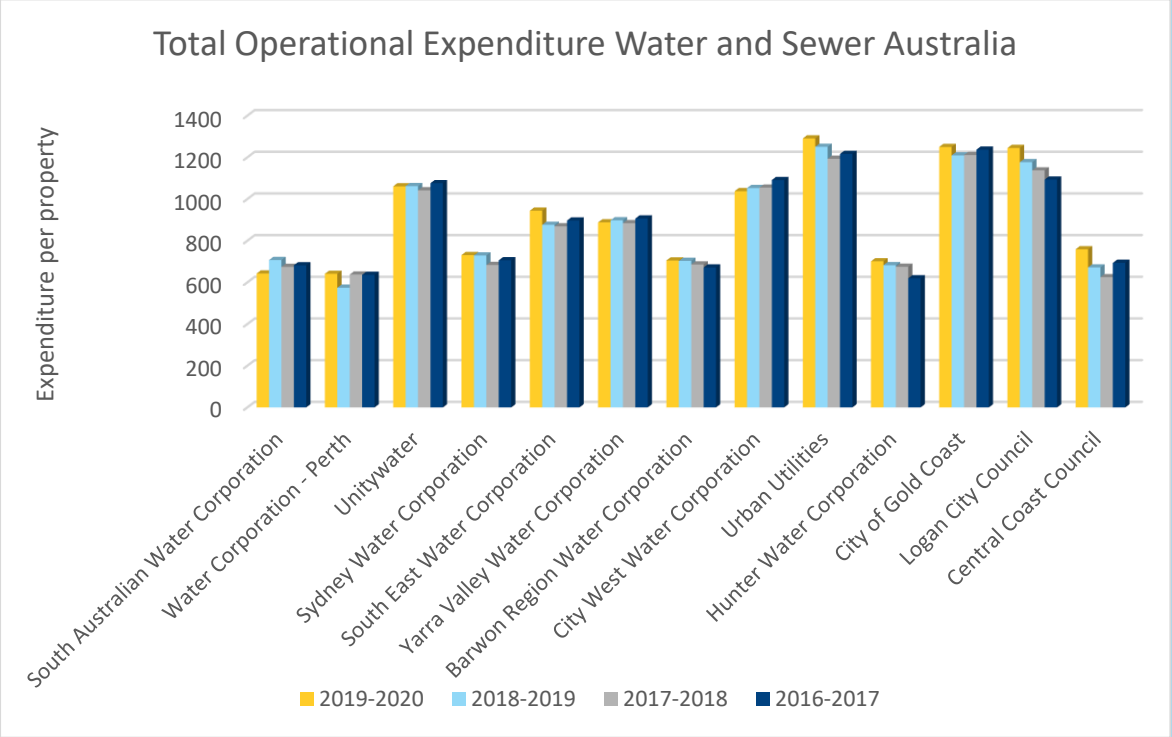


*Figure 7: Total expenditure per property compared to other major utilities. Source BOM NPR reporting 2019-20*

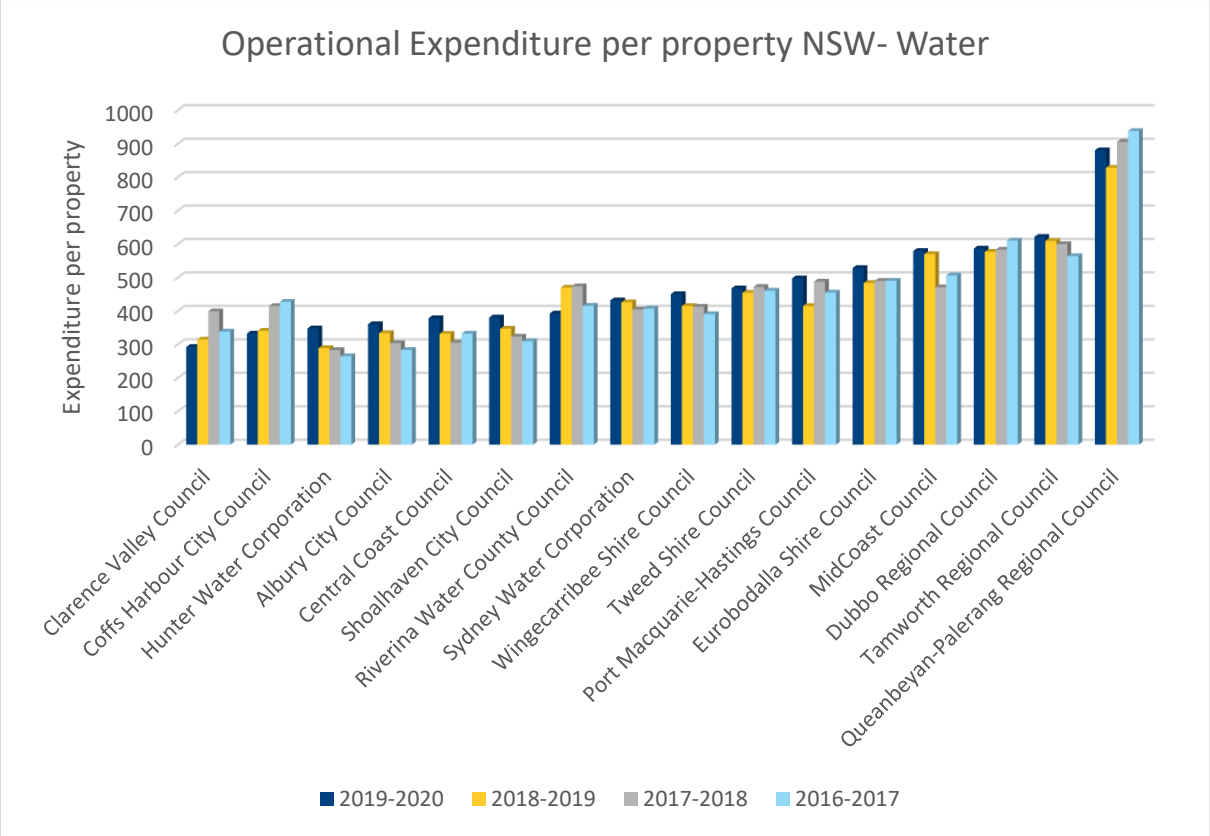


*Figure 8: Total Operational Expenditure per property NSW water. Source BOM NPR reporting 2019-20*

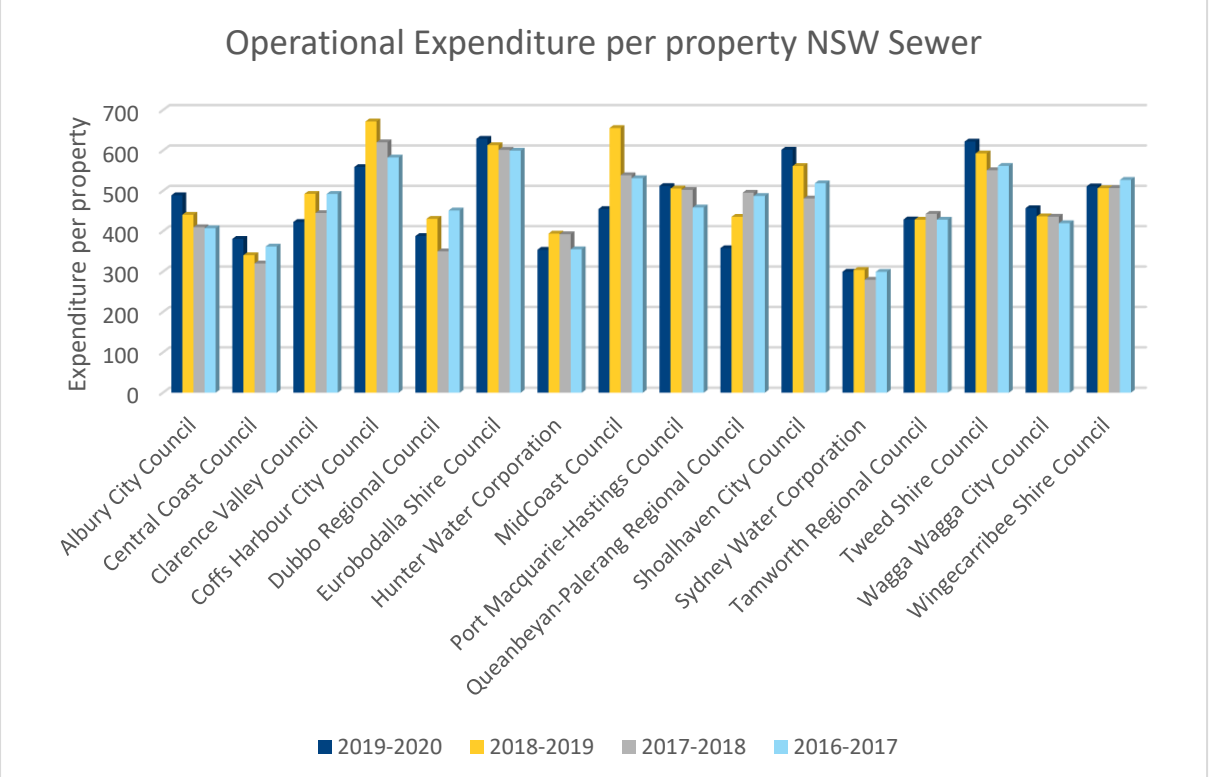


*Figure 9: Total Operational Expenditure per property NSW Sewer. Source BOM NPR reporting 2019-20*

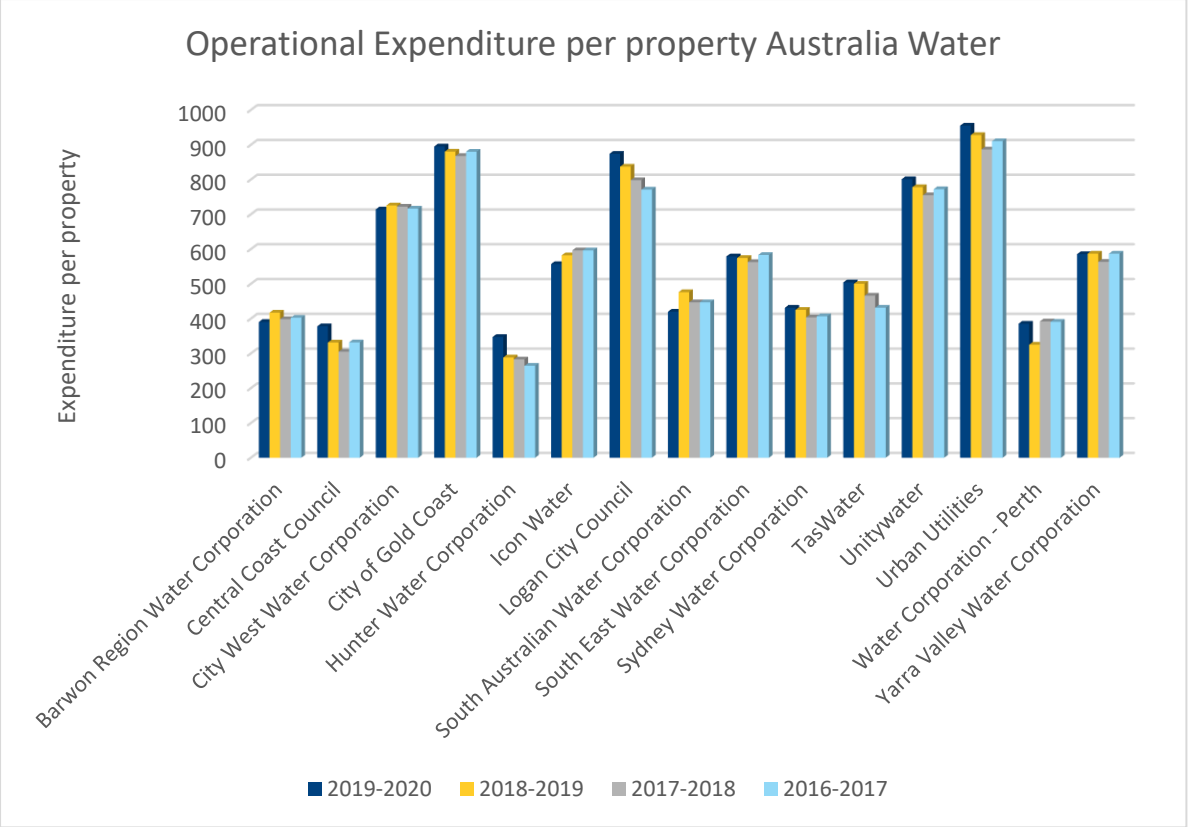


*Figure 10: Total operational expenditure per property Major utilities Australia Water. Source BOM NPR reporting 2019-20*

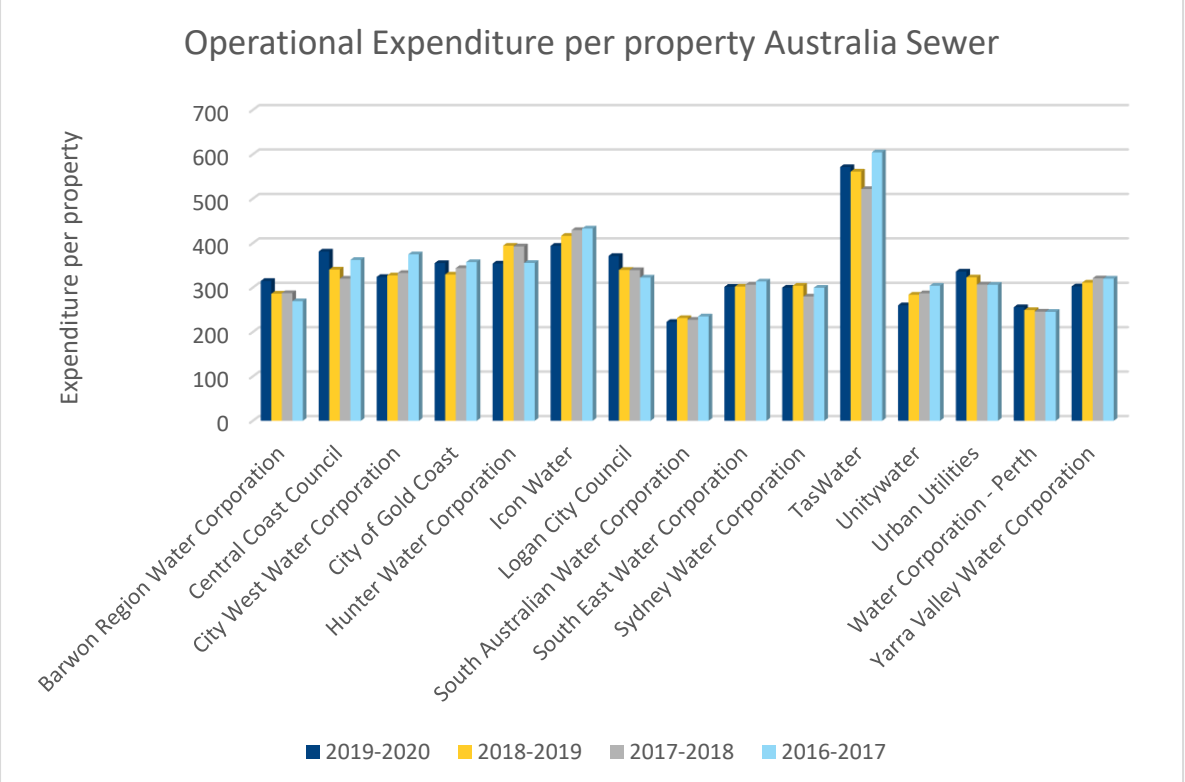


*Figure 11: Total operational expenditure per property major utilities Australia Sewer. Source BOM NPR reporting 2019-20*

# 4 Responding to risks

Council has taken a 'top-down' risk-based approach to proposed expenditure, prioritising expenditure on ameliorating critical issues and generating a robust and defensible case for a higher operational expenditure.

Council's Water and Sewer Directorate has experienced an increase in reactive maintenance and a decrease in proactive maintenance over the last decade. Maintenance practices have been driven by a desire to reduce short-term cost by taking a risk position where plant redundancy and spare capacity have been used up. This coupled with lower operational expenditure over the 2019 determination, uncontrollable events such as climate effects, an incomplete Council merge and poorly delivered corporate systems have left the operations at a point where system failure is likely to occur. As a result, a decision has been made by the Directorate to implement strategies to address this inefficient model and to reduce the risks associated with this critical infrastructure.

The principal drivers of the current model have been identified as follows:

- A lower operational allowance (operational expenditure) from the 2019 IPART determination
- A further reduction of operational expenditure due to Council's financial crisis, including a reduction of 63 FTE's
- Ageing infrastructure
- A lack of fully integrated workflows
- Alignment to the Asset Management Plans for Asset maintenance and inspections
- Climate change
- Topography and
- Environmental impacts from failing infrastructure

The impacts over the last six years are resulting in a reduction in operational service delivery. Meeting Council's regulatory requirements such as its Environmental Protection Licenses (EPL) and Drinking Water standards are also being impacted resulting in:

- Environmental Protection Licence (EPL) breaches related to suspended solids, oil and grease and total nitrogen
- An increase in sewer overflows, odour complaints and water quality complaints that are above service level targets
- The highest sewerage service complaints in Australia
- The lowest workforce in NSW per 1000 properties (compared to other Local Water Utilities)
- 30% increase in customer service calls (based on 2018 trends)

- 50% increase in SCADA alarms (based on 2018 trends)

These constraints make it difficult to change the business model and operational processes to move from a reactive model (75:25%) to a proactive one (25:75%). The objective is to reduce Council's risk position.

If Council's water, sewer and stormwater drainage businesses continue to operate within their existing constraints (low operational expenditure and FTE's), the assets' performance will continue to decline and drive upward pressure on both costs and ability to service infrastructure in the future. This will ultimately drive increase pricing for Council's community.

To address the current situation, Council's water, sewer and stormwater drainage businesses are proposing a change to their business model, where all maintenance and inspections schedules will be further aligned to the Asset Management Plans and specific asset class and maintenance plans. The success of good asset management is within the implementation of the asset strategies and the Asset Management Plans (AMP).

The key objectives of the transition strategy are to:

- Reduce unplanned outages and customer complaints
- Improve customer satisfaction
- Extend the life of assets and improve asset performance
- Avoid risks associated with safety
- Reduce operational expenses thus reducing pricing for customers
- Defer capital investment

These objectives will be met by:

1. Understanding and implementing asset strategies
2. Changing Council's business model with new workflows, processes and reporting
3. Improving capability with experienced resourcing (an addition of 66.3 resources)
4. Transitioning existing behaviours
5. Implementing a series of step changes that will lay the foundations for the transition with an anticipated cost of $81M over four years (2022-2026)
6. Enhancing asset systems, monitoring and reporting
7. Developing a mature water utility business

Council has likely challenges, opportunities and risks over the 2022 determination period which include responding to a changing planning environment, climate change and price pressures, as well as meeting the expectations of Council's community.

## 4.1 Organisational structure

There has been a change in the organisational structure since the 2019 determination. In response to Council's financial crisis, each Directorate was asked to identify savings in relation to resourcing and structure.

The organisational change for Council's Water and Sewer Directorate is detailed in the following table:

*Table 3: Water and Sewer Restructure in 2021*

| Current role | Change proposed | Affected Staff | Expected effects of the change/s on the function/ duties currently being performed |
|---|---|---|---|
| **W&S Administration Officer** | Removal of position from structure | 1 employee | Role to be removed with Section Manager (SM) and Team Leader to do own administration support moving forward. Current additional duties being undertaken will be absorbed back across the team |
| **Section Manager - Minor Construction** | Reduction from 2 FTE to 1 FTE | 2 employees | 3 Section Managers reduced to 1 Section Manager moving forward. Roles and responsibility of the SM remain the same |
| **Section Manager Mechanical Services** | Reduction from 2 FTE to 1 FTE | 2 employees | There is an increase in the functions previously reporting to this role as a result of combining two Section Manager roles. |
| **Section Manager Network Operations and Quality** | Reduction from 2 FTE to 1 FTE | 2 employees | 3 Section Managers reduced to 1 Section Manager moving forward. Roles and responsibility of the SM remain the same. |
| **Team Leader Field Services** | Reduction from 7 FTE to 4 FTE | 7 employees | 7 Team Leaders (TL) reduced to 4 with a greater span of control underneath each. |
| **Section Manager Asset Management** | Reduction from 2 FTE to 1 FTE | 2 employees | 2 Section Managers with role to be combined into 1 SM role. |
| **Section Management Water Services and Design** | Reduction from 2 FTE to 1 FTE | 2 employees | Currently there are 2 Section Managers with role to be combined into one role. |

| Current role | Change proposed | Affected Staff | Expected effects of the change/s on the function/ duties currently being performed |
|---|---|---|---|
| **Senior Project Engineer** | Removal of position from structure | 1 employee | Reduction of workload due to capital reduction no longer sees the requirement for a Snr Project Engineer |
| **Project Engineer** | Reduction from 2 FTE to 1 FTE. | 2 employees | Reduction in workload due to capital budget changes only see sufficient work for 1 role at this point in time. Services levels and deliverables will be managed within available resources. |
| **Team Leader Telemetry and Instrumentation** | Reduction from 2 FTE to 1 FTE | 1 employee | Combining of two roles into one allowing synergies across the team. Roles and responsibilities of the TL remain the same. The number of reports may change. |
| **Team Leader Electrical** | Reduction from 2 FTE to 1 FTE | 2 employees | Combining of two roles into one allowing synergies across the team. Roles and responsibilities of the TL remain the same. The number of reports may change. |
| **Asset Engineer** | Removal of position from structure | 1 employee | Role requirements is for Snr Asset Engineers moving forward with the workload managed by them. Vacant roles exist to cover this. |

Differing from Water and Sewer, Council's stormwater drainage management is carried out by two Directorates within Council – Roads and Drainage Infrastructure and Environmental Management. Relatively few positions are fully costed against the Drainage Fund with most positions being charged back to the Drainage Fund via capital project or maintenance activity accounts.

*Table 4: Stormwater drainage restructure in 2021*

| Current role | Change | Affected Staff | Effects of the change on the function / duties currently being performed |
|---|---|---|---|
| **Unit Manager Road and Drainage Construction** | Position removed from the structure | 2 employees | Combining two roles into one allowing synergies across the Unit. Some functions / duties delegated via line management. |
| **Section Manager Design** | Reduction from 2 FTE to 1 FTE | 2 employees | Combining two roles into one in both design and construction to gain efficiencies across the Sections. Redistribution of some |

| Current role | Change | Affected Staff | Effects of the change on the function / duties currently being performed |
|---|---|---|---|
| **Section Manager Construction** | Reduction from 2 FTE to 1 FTE | 2 employees | functions and reduction in workload due to capital program reduction. |
| **Construction day labour staff** | 38.6 positions removed from the structure | 34 employees (the remainder were vacancies) | Reduction in workload due to capital program reduction. Staff charged back to Stormwater Drainage via project accounts |
| **Maintenance day labour staff** | 21 positions removed from the structure | 4 employees (the remainder were vacancies) | The overarching objective was to minimise the impact on frontline staff and services. Restructure of teams and redistribution of work in some areas. Staff charged back to Stormwater Drainage via maintenance activity accounts |

Council's consolidated[3] operating loss before capital income for the 2020-21 financial year was forecasted to be $115.1M. The draft unaudited 2020-21 consolidated financial statements report a consolidated operating loss before capital income of $60.7M. This is an improvement on the 2020-21 forecast and the consolidated operating loss before capital income for the 2019-20 financial year of $88.7M. The actions that have been put in place to manage the financial recovery and one of these measures as a reduction in Council's staff numbers, with the aim to return to the level at the time of amalgamation. To reach this reduction in employee costs, Council used a combination of voluntary and targeted redundancies as part of structural redesign.

Following the review of Council's workforce and organisational structure, a decision was made to refine the structure to one which is sustainable as well as meeting the immediate needs of the community. However, it is understood that with less resources and expenditure, some service delivery will be impacted in the 2019 determination period.

[3] Information for Council's consolidated performance covers all of Council's operations which includes the Water Supply Authority functions.

# 5 Operating expenditure by category

## 5.1 Overview

Council categorises water, sewer and stormwater drainage regulatory operating expenses into 8 cost categories. These categories are:

- Employee costs
- Consultants
- Hire and Contacts
- Materials
- Energy
- Other
- Corporate Overheads
- Plant and Fleet

Regulatory operating expenditure does not include:

- Depreciation
- Interest on loans or
- Unregulated operational expenditure (e.g. rental accommodation)

The proportion of operating expenditure by cost category for the 2019-20 actuals is represented in Figure 12.

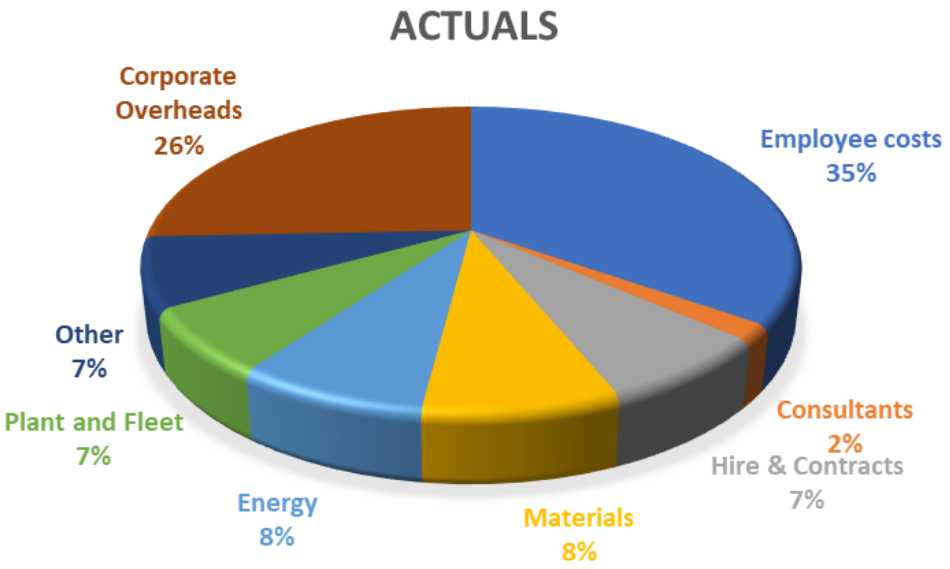


*Figure 12: Proportion of operational expenditure to cost category 2019-20 actuals*

Council forecasts the operating expenditure by cost category for 2022-26 is represented in Figure 13.

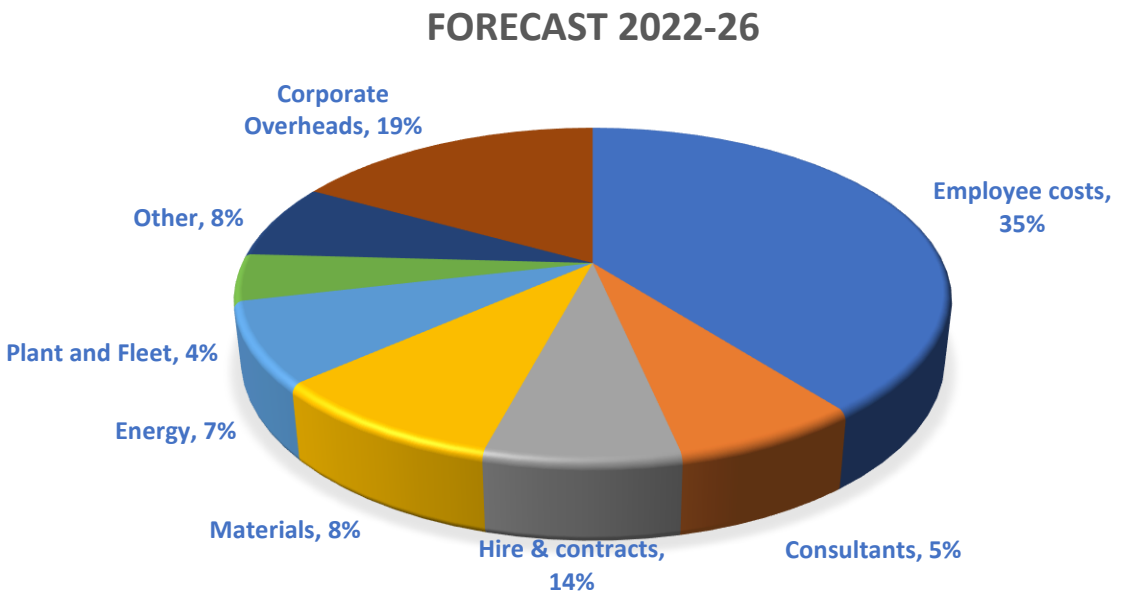


*Figure 13: Estimated expense ratios for forecasting 2022-26*

In 2018, the concept of standard costing was introduced by Council's finance department. This meant that if an employee worked in other areas (outside their home costing), then the labour component would be raised against the relevant cost centre where the service was provided. The original expenditure in the home cost centre would be offset by a credit for labour including any on costs (such as phone etc). Most of the labour is offset with a small exception for plant and fleet. This is offset against that cost category and therefore, will always be a small variance to the labour expenditure.

The following is a brief on what costs are allocated to each IPART category.

## 5.2 Employee costs

The employee cost category is costs associated with employees who are paid by Council and on the payroll. This category includes costs associated with:

- Salaries and wages
- Overtime
- Backpay
- Parental leave
- Public holidays
- Redundancies
- Sick leave
- Worker compensation

- Allowances
- Annual leave
- Long service leave
- Payroll tax
- Superannuation

At times, internal labour is also used for capital works programs, however these costs are capitalised against the project and transferred to the appropriate project costs.

## 5.3 Consultants

Consultants are required from time to time in response to the provision of services where specific technical knowledge and experience is required. This service can include investigation into strategies that support capital works, asset development plans or future strategies for augmentation. These specialists provide support and advice as required.

## 5.4 Hire and Contracts

Council's Hire and Contracts category contains a myriad of contractor costs including:

- Effluent collection
- Cleaning services
- External plant hire (as required)
- External contracts
- Security and monitoring
- Garbage collection
- Air conditioning maintenance
- Fire safety

## 5.5 Materials

The materials category refers to costs associated with maintaining water, sewer and stormwater drainage assets and treating water. The largest costs associated with this category are chemicals:

- Required materials (pipes and other required infrastructure requirements)
- Chemicals (to treat water)
- Equipment
- Cleaning materials
- Fuel
- Oils and lubricants

## 5.6 Energy

Energy costs are a significant component of operating costs for water, sewer and stormwater drainage functions. This is due to the cost of running the treatment plants and pump stations associated with the network. It has been necessary to predict the costs associated with this category. The current energy contract expires at the end of 2021.

## 5.7 Other

The Other category contains mostly internal expenses, with the largest being tipping fees and includes:

- Tipping fees (includes sludge and general waste)
- Facilities maintenance
- Software expenses
- Printing
- Audit fees
- Training
- Dam Safety NSW Levy
- Advertising, insurance and phone
- Bulk water purchases (Council sources treated water from Hunter Water under water security sharing arrangements and from Sydney Water to supply to customers in the Mooney Mooney and Cheero Point where this is the most efficient supply option)
- Licence fees (water extraction licences, software, fixed data)

## 5.8 Corporate Overheads

Corporate overheads for Support Services refers to the costs associated with running the Council but not directly producing or treating water. Total corporate overheads for support service expenses are allocated to the water, sewer and stormwater drainage businesses, based on the operating expenditure, as a percentage of Council's total operational expenditure (Council wide). It includes items such as:

- Organisational development
- Information technology
- Customer contact services
- Human resource management
- Finance management
- Risk management

- Internal auditing
- Legal services
- Councillor governance
- Facilities management
- Workcover self-insurers licence
- Procurement and contract management

## 5.9 Plant and Fleet

This category includes:

- Plant and Fleet permanent hire and Plant and Fleet hire costs.

# 6 Operating expenditure 2019-2020

This section describes Council's operating performance in detail over the 2019 determination period 2019-22 compared to the IPART allowance. In the final year of this determination, only forecasts can be provided.

In summary this section:

- Reviews and compares actual/forecast expenditure to the IPART allowance
- Provides explanation of the variances for the four years
- Defines efficiency programs
- Establishes base year (2019-20) actuals that will be used to forecast expenditure from 2022-26

## 6.1 Expenditure performance against IPART allowance

In the 2019 determination, IPART provided an operating expenditure of $271M as detailed in the following table.

*Table 5: Efficient operating expenditure allowances water, sewer and stormwater drainage ($million $2018-19)*

| Service ($M) | 2019-20 | 2020-21 | 2021-22 | Total |
|---|---|---|---|---|
| **Corporate**[4] | 20.3 | 20.2 | 20.2 | 60.7 |
| **Water** | 32.7 | 32.0 | 32.1 | 96.8 |
| **Sewerage** | 31.9 | 31.3 | 31.1 | 94.3 |
| **Stormwater drainage** | 6.5 | 6.4 | 6.4 | 19.2 |
| **TOTAL** | **91.4** | **89.9** | **89.8** | **271.1** |

This was a significant reduction compared to what was requested by Council as referenced in the following table.

*Table 6: Proposed operating expenditure ($million $2018-19)*

| Service ($M) | 2019-20 | 2020-21 | 2021-22 | Total |
|---|---|---|---|---|
| **Corporate** | 20.3 | 20.3 | 20.3 | 60.9 |
| **Water** | 36.8 | 36.4 | 35.9 | 109.1 |
| **Sewerage** | 38.1 | 37.9 | 37.8 | 113.8 |
| **Stormwater drainage** | 8 | 8 | 8 | 24 |
| **TOTAL** | **103** | **102.6** | **102** | **307.8** |

[4] Corporate refers to corporate overheads

This was an overall reduction in allowed expenditure of $36M ($2018-19).

IPART in agreement with Atkins Cardno's Central Coast Council Review, recommended pre-efficiency adjustments be made, these are summarised below:

- Corporate overheads: accept Council's proposed reduction
- Stormwater operational expenditure: retain at 2018 levels (in addition to Efficiency Reduction Program (ERP) adjustment))
- Labour (including provisions): accept Council's proposed reduction
- Hire services: recommend no real terms increase relative to average actuals in 2019 determination period. This removes any operational expenditure items (such as desludging) which have been deferred from the 2019 determination period
- Materials: retain 2018 expenditure except for $0.2M p.a. from 2020 for Mardi Water Treatment Plant (WTP)
- Energy prices: accept Council's proposed increase
- Plant and Fleet: retain 2018 actuals
- Productivity gains from IT transformation e.g. ERP: $0.8M saving in 2020 and $1.5M saving from 2021 onwards
- Reduced overtime due to operations centre: $0.2M in 2020 and $0.4M from 2021 onwards

These adjustments meant that most of the Water and Sewer forecast expenditure was based on the 2017-18 actuals except for materials, labour, energy and plant and fleet (as indicated), which retained the 2018 actuals. Stormwater drainage was able to retain all the 2018 expenditure levels.

The adjusted expenditure resulted in the following adjustments for the expenditure categories (as referenced in Table 7).

*Table 7: Expenditure rebased as per IPART allowance Nominal ($million $2018-19)*

| Total ($M) | Requested 2019-20 | New IPART baseline 2019-20 |
|---|---|---|
| **Labour** | 28.2 | 28.4 |
| **Oncosts** | 3.9 | 4.7 |
| **Consultants** | 5.1 | 0.7 |
| **Hire and Contracts** | 15.2 | 10.7 |
| **Materials** | 9.6 | 8.7 |
| **Energy** | 11.1 | 11.0 |
| **Other** | 3.9 | 3.1 |
| **Support Services Overheads** | 20.3 | 20.3 |

| | | |
|---|---|---|
| **Plant and Fleet** | 6.4 | 3.8 |
| **Total** | **103.5** | **91.4** |

*Figures may not add due to rounding*

Water, Sewer and stormwater drainage exceeded the IPART operational allowance in 2019-20 by $21.5M ($nominal).

As shown in the table below most of the operational expenditure variance came from corporate overheads and plant and fleet, totalling $12.7M and an increase in labour costs of $4.6M.

*Table 8: Actuals to IPART allowance water, sewer, stormwater drainage $nominal ($2019-20) The increase in allowance brings it to $2019-20 using CPI of 1.30%*

| Total by category ($M) | 2019-20 actuals ($2019-20) | IPART Allowance ($nominal) | Variance ($2019-20) |
|---|---|---|---|
| **Labour** | 32.9 | 28.3 | 4.6 |
| **Oncosts** | 6.3 | 4.7 | 1.6 |
| **Consultants** | 1.9 | 0.7 | 1.2 |
| **Hire & Contracts** | 8.3 | 10.7 | -2.4 |
| **Materials** | 9.2 | 8.7 | 0.5 |
| **Energy** | 8.9 | 11.0 | -2.0 |
| **Other** | 8.5 | 3.1 | 5.4 |
| **Corporate overheads** | 28.9 | 20.3 | 8.7 |
| **Plant & Fleet** | 7.8 | 3.8 | 4.0 |
| **Total ($nominal)** | **112.7** | **91.2** | **21.5** |
| **Total ($2021-22)** | **118.3** | **95.7** | **22.6** |

*Figures may not add due to rounding*

The variances are summarised below:

1. Corporate overheads approximately @ $8.7M over allowance
2. Hire and contracts approximately @ $2.4M under allowance
3. Plant and Fleet approximately @ $4.6M over allowance
4. Labour approximately @ $4.6M over allowance
5. Energy approximately @ $2.0M under allowance and.
6. Other approximately @ $5.4M over allowance[5]

[5] There was a change to how tipping fees were allocated in GL previously went to Hire and Contracts but then became an internal expense. Also, Bulk water purchases, licence fees and advertising were also bundled into Other category.

## 6.2 Water and Sewer 2019-20 Uncontrolled events

In the 2019-20 financial year, Council experienced several uncontrollable events such as:

- **Bushfires** -The most devasting bushfire season in the state's history occurred, impacting areas of the Central Coast and more specifically the area around Mangrove Creek Dam from the Three Mile Fire. The damage to infrastructure was limited to the picnic area and the amenities block. However, it caused extensive damage to trees, vegetation and fire trails that needed to be remediated post the fires. Longer term, there are water quality implications caused through sediment movements and erosion that require monitoring and maintenance in order to prevent impacts on the water supply.
- **Flooding -** A flooding event occurred between the 8-10 February 2020. This caused water runoff into Mangrove Dam containing higher concentration of carbon and sediment resulting in higher turbidity levels. The high turbidity required additional dosing of both alum and chlorine at the Water Treatment Plants to meet drinking water guidelines. This increased Council's chemical costs to treat the algae bloom. The flooding also caused infiltration at the Sewer Treatment Plants where the holding ponds were at capacity.

  ***In addition***,
  - Sewer pump stations and sewer related infrastructure was subject to inundation between 20-80 meters in proximity to Tuggerah Lakes. This resulted in overflows and required vacuum trucks to clear the water.
  - Flooding of the vacuum pots at Davistown, Tacoma and St Hubert's island. This resulted in having vacuum trucks on standby 24 hours a day as well as hiring temporary toilets to those areas as the systems were offline between 12-21 February.
  - A blue green algae event at Mardi Treatment Plant resulted from increased phosphorus levels in rivers and creeks which increased the cell count of blue green algae in the dam, placing the dam offline for 8 months. A new siphon made of poly pipeline was built to keep the dam levels below the licence conditions. This event also required specialist consultants to assist in the management of the event costing approximately $10,000.
- **Workplace Health and Safety** – a compressor was required to be moved at Mardi WTP due to overheating that was located near the workshop area for the technicians.
- **COVID Impacts-** The COVID-19 restrictions meant that there could only be one employee in a work vehicle, impacting the plant and fleet costs. Additional costs included an increase in materials due to adherence to all COVID-19 safety requirements as well as an increase in Employee Leave Entitlements (ELE) in relation to long service leave and annual leave (employee costs). Employees

deferred their holidays which resulted in an increase in ELE for Water and Sewer of 17% for annual leave accruals from 2018-19 baseline. As the annual leave accrues, it results in leave balance paid out at the current rate of pay.

These events caused upward pressure on the operational budgets for chemicals, hire and contracts, plant and fleet as well as overtime and employee entitlements (employee costs or ELE's) for the 2019-20 years.

*Table 9: Additional costs related to uncontrollable events and variance for specific items water, sewer, stormwater drainage (based on real $2019-20 $thousand) 000's average compared to monthly trends and project specific covid events*

| | Other | Labour (excl oncosts) | Plant and Fleet | Corporate Overheads | Energy | Total |
|---|---|---|---|---|---|---|
| **Uncontrolled events costs** | 100 | 718[6] | 40 | - | - | **868** |

[6] The ELE increased in 2019-20 by 16.4% an additional 16279 hours. Therefore, based on $30 p.h Increase of $488,000 approx.

## 6.3 Water, sewer and stormwater drainage 2019-20 period variances

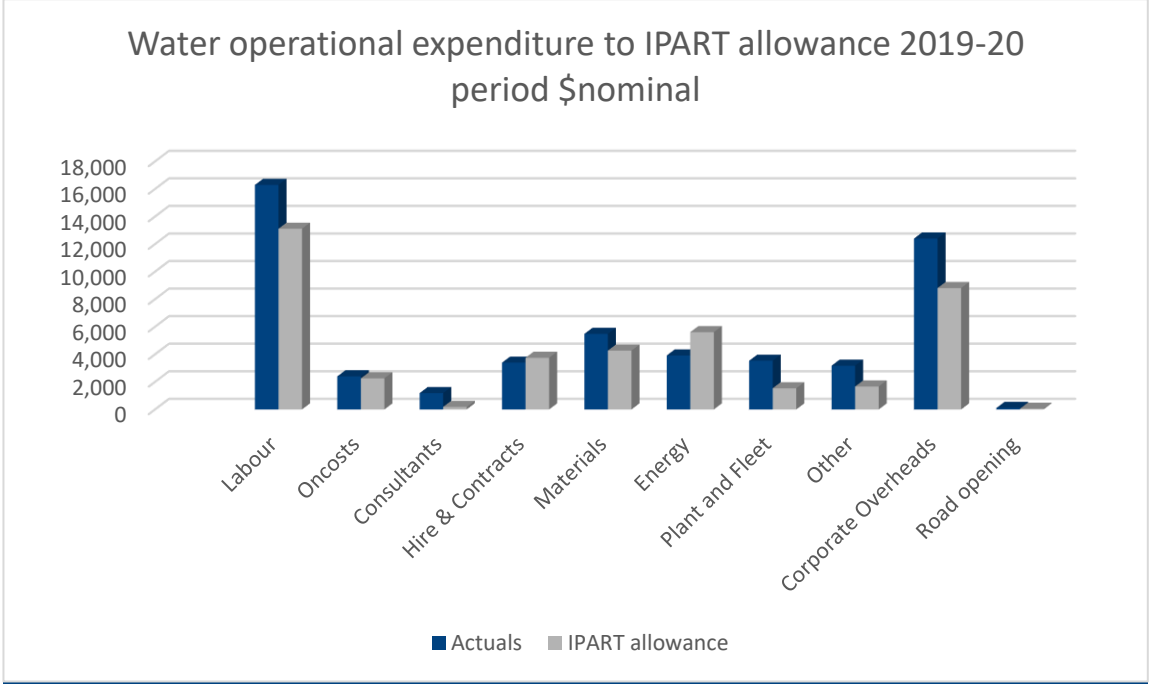


*Figure 14: Water actuals to IPART allowance 2019-20*

*Table 10: Water operational expenditure actuals to IPART allowance 000's 2019-20 period $nominal*

| $M | Water Fund | | |
|---|---|---|---|
| | Actuals | IPART allowance | Variance |
| **Labour** | 15.3 | 12.4 | 2.9 |
| **Oncosts** | 3.4 | 2.2 | 1.2 |
| **Consultants** | 1.2 | 0.2 | 1.0 |
| **Hire & Contracts** | 3.4 | 3.7 | -0.3 |
| **Materials** | 5.3 | 4.1 | 1.3 |
| **Energy** | 3.9 | 5.5 | -1.6 |
| **Plant & Fleet** | 3.5 | 1.5 | 2.0 |
| **Other** | 3.3 | 1.7 | 1.6 |
| **Corporate overheads** | 12.4 | 8.6 | 3.8 |
| **Total ($nominal)** | **51.6** | **39.9** | **11.7** |
| **Total ($2021-22)** | **54.1** | **41.8** | **12.3** |

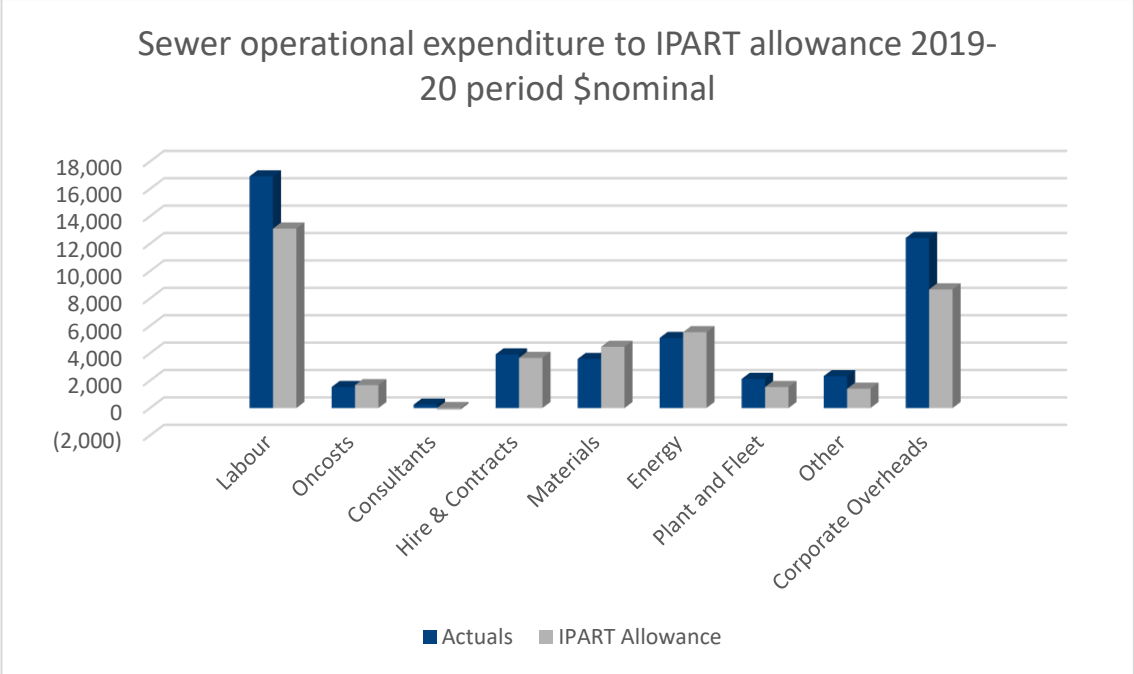


*Figure 15: Sewer actuals to IPART allowance 2019-20*

*Table 11: Sewer actuals to IPART allowance 000's ($2019-20) $nominal*

| $M | Sewer fund | | |
|---|---|---|---|
| | Actuals | IPART allowance | Variance |
| **Labour** | 15.6 | 13.6 | 2.0 |
| **Oncosts** | 2.8 | 2.2 | 0.6 |
| **Consultants** | 0.2 | 0.2 | 0 |
| **Hire and Contracts** | 3.9 | 3.7 | 0.2 |
| **Materials** | 3.7 | 4.1 | (0.4) |
| **Energy** | 5.0 | 5.5 | (0.5) |
| **Plant and Fleet** | 2.1 | 1.5 | 0.6 |
| **Other** | 2.3 | 1.2 | 1.1 |
| **Corporate Overheads** | 12.4 | 8.7 | 3.7 |
| **Total ($nominal)** | **48.2** | **40.8** | **7.4** |
| **Total ($2021-22)** | **50.6** | **42.8** | **7.8** |

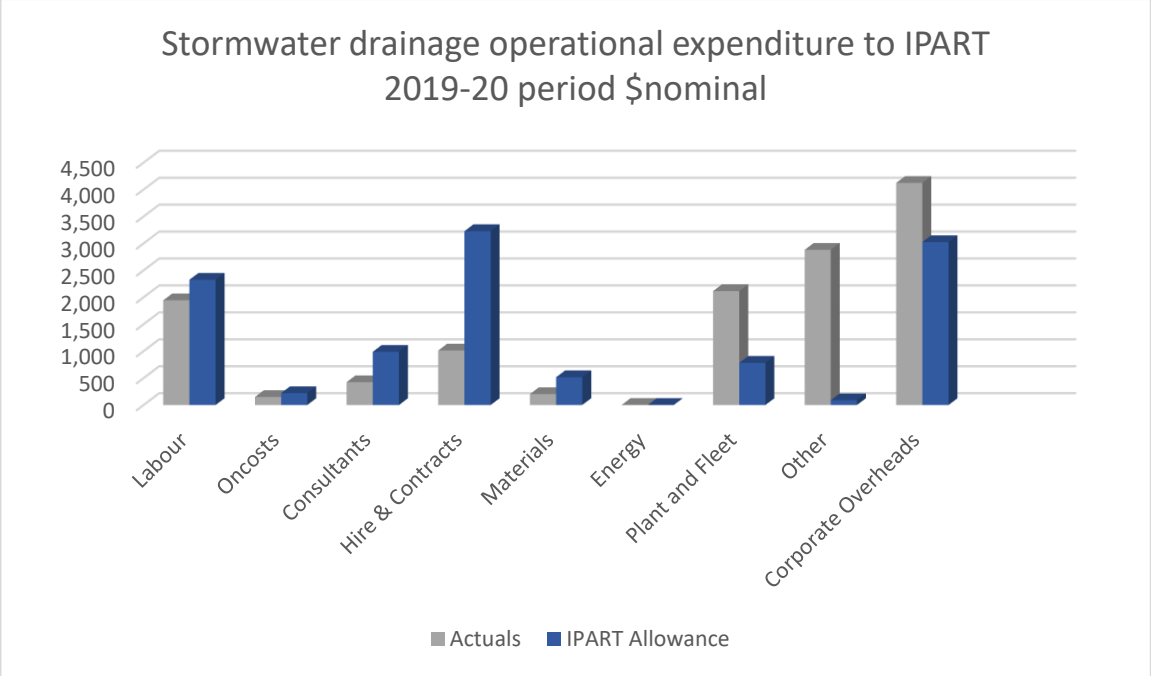


*Figure 16: Stormwater drainage actuals to IPART allowance 2019-20*

*Table 12: Stormwater drainage actuals to IPART allowance 000's ($2019-20) $nominal*

| $M | Drainage Fund | | |
|---|---|---|---|
| | Actuals | IPART Allowance | Variance |
| **Labour** | 2.0 | 2.3 | -0.3 |
| **Oncosts** | 0.1 | 0.2 | -0.1 |
| **Consultants** | 0.4 | 0.3 | 0.1 |
| **Hire and Contracts** | 1.0 | 3.2 | -2.2 |
| **Materials** | 0.2 | 0.5 | -0.3 |
| **Plant and Fleet** | 2.1 | 0.8 | 1.3 |
| **Other** | 2.9 | 0.1 | 2.8 |
| **Corporate Overheads** | 4.1 | 3.0 | 1.1 |
| **Total ($nominal)** | **12.8** | **10.5** | **2.4** |
| **Total ($2021-22)** | **13.5** | **11.0** | **2.5** |

## 6.4 Variance explanation in detail

Most of the variance resulted from an increase in corporate overheads and the increase in plant and fleet costs that are levied on the water, sewer and stormwater drainage businesses. There was also a change to the way tipping fees were allocated in the general ledger, which were previously in Hire and Contracts but categorised as an "Internal Expense – Other. "

Below is a summary for each area of variance for the 2019-20 financial year.

### 6.4.1 Employee costs

For the 2019-20 actuals to the IPART allowance, the labour expenditure was over by approximately $4.9M ($2019-20).

There are many expenses that are allocated to employee expenditure. These include:

- Ordinary wages
- Overtime
- Public holidays
- Sick leave
- Allowances
- Workers compensation
- Annual leave
- Payroll tax
- Contract – labour hire
- Employee Assistance
- Medical costs
- Training and
- Uniforms and protective clothing

Items such as superannuation, long service leave and workers compensation are included in the oncosts category.
Using the actual 2017-18 operating expenditure level as a baseline, Atkins Cardno recommended adjustments when determining its recommended operating expenditure in this cost category.
This resulted in the labour cost being set at what was requested by Council in the 2019 submission. While this projected an increase in Full Time Employees (FTE) between 2018 and 2019 of 15% (increase from 309-356) it also noted a reduction in labour operational expenditure spend of $0.3M ($2018-19). This was mainly due to the high vacancy rates and the higher use of contract labour hire (contingency workers).

*Table 13: FTE split between Contract labour and FTE and Capital expenditure v operational expenditure*

| Water/Sewer | Contract labour | FTE | Totals | Operational expenditure | Capital expenditure | Totals |
|---|---|---|---|---|---|---|
| **2019-20** | | | | | | |
| **FTE Totals/allocations** | 39 | 278.27 | **317.27** | 284.96 | 32.31 | **317.27** |
| **2020-21** | | | | | | |
| **FTE Totals/allocations** | 8 | 253.49 | **261.49** | 236.85 | 24.64 | **261.49** |

There was no significant increase in FTE in 2019-20. The increase in the labour expenses was attributed to:

- Other areas of Council performing work on the Water and Sewer assets
- Increase in ELE's (employee leave entitlements) due to COVID impacts and
- Uncapitalised labour

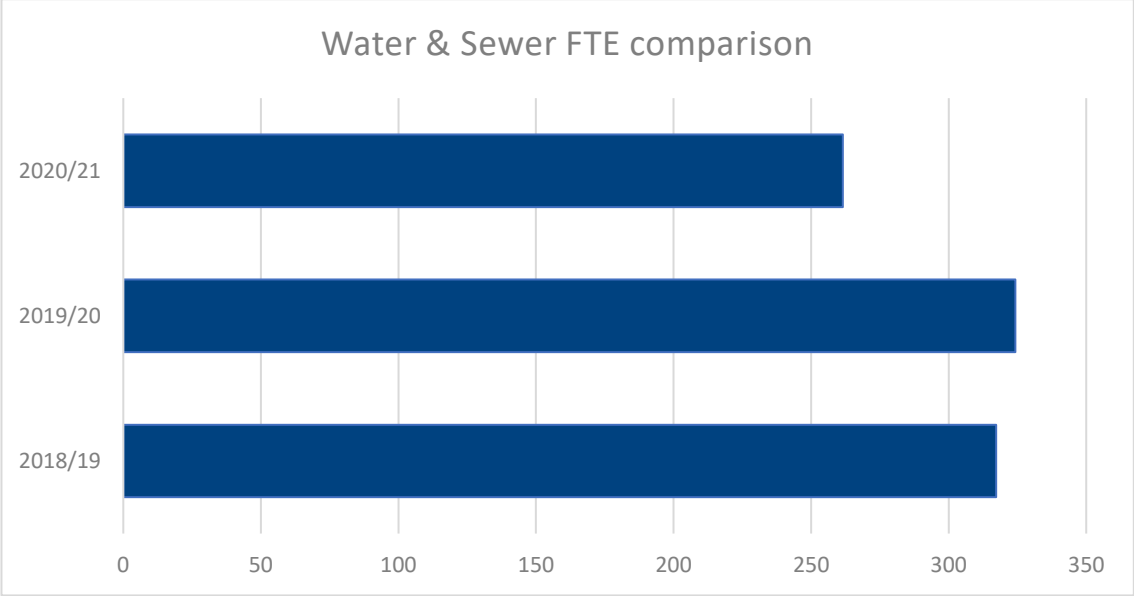


*Figure 17: FTE comparison 2018-2021*

As indicated in the Atkins Cardno Central Coast Council Review, the FTE's were predicted to increase from 2019, however this has not been the case due to Council's financial crisis and a request to decrease expenditure.
(for FTE and Head count information from 2018 to 2021 refer Appendix B)

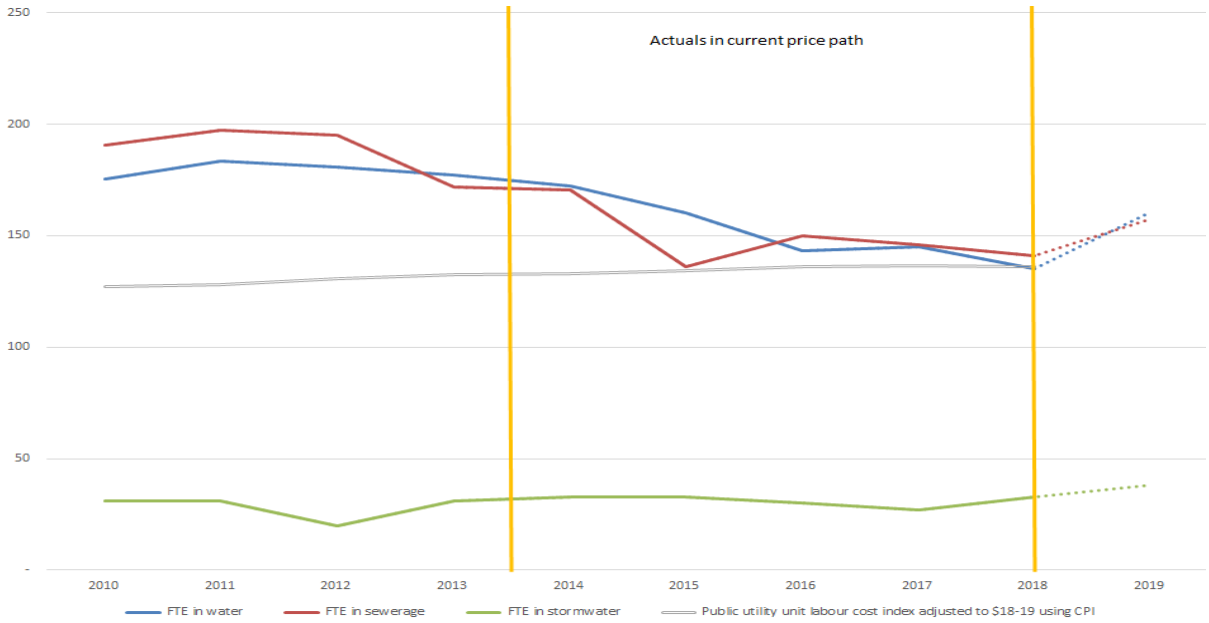


*Figure 18: Actual FTE in current determination period for water, sewer and stormwater drainage*

In line with FTE growth projections, Water and Sewer has seen a steady growth in actual labour costs since 2017, however has been a downward trend since 2020.

*Table 14: Labour costing water and sewer variances $M 2019-20 ($2019-20) costs are rounded and approximated.*

| Natural account | Variance | Comment | Total |
|---|---|---|---|
| **Salaries and Wages** | 0.5 | Uncapitalised labour (e.g. incorrect cost codes used) | 0.5 |
| **Increase in 7 FTE's based on 2018 actuals** | 0.8 | Increase in FTE's based on 2018 actuals/forecast | 0.8 |
| **Increase in ELE** | 0.7 | Employees storing annual and long service leave due to COVID | 0.7 |
| **Payroll tax** | 0.2 | Higher than expected payroll tax | 0.2 |
| **Employee provisions (increase A/L and overtime to uncontrolled events** | 0.4 | This is due to higher ELE's during COVID and additional overtime for uncontrolled events. Does not include LSL as included as an oncost | 0.4 |
| **Other Council areas charging to W&S labour including, plant and fleet building services, Roads, Waterways and often the use of casual resource pool.** | | Approximated | 1.0 |

| | | | |
|---|---|---|---|
| **WOC not rolled out for 24*7 no efficiency gains** | 0.4 | | 0.4 |
| **TOTAL** | | | **3.9** |

*Note: table may not add due to rounding*

### 6.4.2 Plant and Fleet

Council has a separate Plant and Fleet business responsible for providing and maintaining vehicles. It operates on a zero-based budgeting basis. 'Plant and Fleet' expenditure is recharged to individual business units based on vehicle use.

Any end of year profit made by the plant and fleet business is offset against corporate overheads, meaning that corporate overhead charges are reduced accordingly, reducing this cost for the water, sewer and stormwater drainage businesses.

In Council's previous IPART submission, the plant and fleet costs were projected to increase from 2018 because of the amalgamation and alignment process. IPART's consultants did not consider that the centralised management of plant and fleet across Council was prudent and commented that it was inefficient and therefore any adjustment was not considered.

Council disagrees that the plant and fleet costs were inefficient and maintain that it is prudent. The expenditure allocated to the water, sewer and stormwater drainage businesses was based on the previous forecast expenditure in the 2018 submission. $7.7M (real $2019-20). The variance of $3.9M was attributed to the difference between the 2018 forecast compared to what the actual expenditure was.

Council's plant and fleet business consists of two sections providing the following services to Council (and in part, to the Rural Fire Service):

Fleet Services:

- Casual loan car / pool car management
- Asset purchase and disposal
- Customer long-term asset leasing
- Asset management
- Customer service / support
- Management of peripherals
- Scheduled / unscheduled mobile and workshop asset maintenance
- Mobile heavy plant refuelling
- Truck and trailer body fabrication

- General metal fabrication
- GPS installation and decommissioning
- Accident Repair coordination
- Panel repairs
- Spray painting
- Vehicle inspections
- Pink slip inspections
- Warranty management
- Vehicle delivery and collection
- Staff transportation
- Dry hired casual and permanent small and miscellaneous plant

Plant Pool Services:

- Machinery transport
- Material transport
- Bulk / minor water cartage
- Labour (driver / operator) hire
- Civil works customer service / support
- Contractor engagement
- Casual wet hired heavy trucks and plant
- Casual dry hired heavy trucks and plant.

Having each of these services delivered by a single business unit under its own funding model, ensures that Council can optimise economies of scale (where it can procure strategically, with visibility into the needs of multiple other units), remove task and responsibility duplication (same job done by multiple departments) and ensure standardised practices and processes in line with industry norms.

The 'simplification' of business delivery removes complication and fosters a more streamlined approach from a customer's perspective. Water, sewer and or stormwater drainage enables a more 'pay as you go' approach to asset ownership and usage where it proactively monitors physical utilisation of assets and makes recommendations to customers on where efficiencies can be gained. From an ownership perspective, the fact that all assets are 'owned' by the General Fund enables us to have one method for determining and reviewing hire rates with like assets across different funds having the same cost components. Council acts as a central point to facilitate more cost-effective use of assets e.g. where it recently introduced the car share scheme as opposed to sole Unit use of under-utilised (pooled) assets. On many occasions Council has intervened to identify more cost-effective opportunities for its customers whether that be for the purchase or hire of assets.

### 6.4.3 Energy

There was a significant increase in electricity prices in 2017 due to a major coal fire station closure. At that time, electricity futures price of all subsequent years (2018/2019/2020) were anticipated to be impacted. The IPART allowance was set just before 2017 and it considered the steep increase trend of electricity prices. However, from 2018 to 2019, the electricity prices did not increase that significantly. At the end of 2019, Council signed the electricity contract for Calendar year (CY) 2020 and CY2021, where the actual costs came down. This contract is why Council has below-average-level electricity prices in 2020-21.

### 6.4.4 Other (Tipping Fees)

The "Other" IPART expenditure category in 2019 included advertising, insurance, phones, licence fees, bulk water purchases (Water) and tipping fees. Tipping fees increase the actual expenditure significantly.

The cost of tipping in 2019-20 in total was $5.8M which created a variance of $6.3M ($2019-20) in the "Other" expenditure category:

- Water $1.4M ($2019-20) both sludge and general waste
- Sewer $1.5M ($2019-20) both sludge and general waste
- Stormwater drainage $2.9M ($2019-20) primarily general waste

In 2019, the expenditure for the tipping fees moved from the Hire and Contracts expenditure category to the Internal Tipping Fee "Other" cost allocation. The change was due to a change in process as previously the former Gosford Council would go to market and use a contractor for its sludge removal from the treatment plants. Wyong Shire Council used Australian Native Landscapes (ANL) to collect the sludge and take to Buttondery Waste management facility where it is/was used for resource recovery.

The ANL Contract is managed by Waste and Resource Recovery (not Water and Sewer). There are two methods in which sludge is processed from treatment plants. Some treatment plants have onsite dewatering systems (belt presses) and others that do not have the capacity to house a belt press, are serviced through a dewatering contract. This is to ensure the sludge is dewatered prior to being taken to the waste facility (to reduce the weight significantly). The sludge dewatering contract is managed by the Water and Sewer Directorate with the contract commencing 7 February 2020, at a cost of $1.7M (2019-20 financial year) over three years.

Stormwater drainage tipping fees are generated via maintenance activities including clearing creeks, opening drains and roadside table drains (this comprises most of the tip

fees), jet clearing drainage pipes and cleaning stormwater quality improvement devices. In general, the waste material is dried out and taken to landfill at General Waste rates. While stormwater drainage service levels remain consistent from year to year, the volume of waste generated varies subject to the season, catchment conditions and the amount of wet weather. On average 5,255 ton is taken to the tip annually.

Water and Sewer waste is normally attributed to broken mains and maintenance (asbestos, ductile steel or concrete pipes). Most of the waste categorised is either general waste or sludge (biosolids) from the treatment plants. On average 26,000 ton of sludge is delivered to the tip annually and charged back at a rate of $85/ton. The remainder of the waste is attributed to general waste and charged at a rate of $360/ton.
It is not expected that the tonnage for either water, sewer or stormwater drainage will decrease over the 2022 determination period. For Sewer, this cost will increase due to back logs of sludge removal required at the treatment plants proposed from 2022 onwards.

### 6.4.5 Consultants, Hire and Contracts

The consultant's expenditure was higher in 2019 than the 2018 forecasts due to the re negotiated SCADA contract that increased the expenditure. This increase can be attributed to additional work required for Programming Logic Control (PLC) and the Remote Terminal Unit (RTU) programming. The expenditure allocation in 2018 also lagged due to a delay in receipting due to late invoicing. The true expenditure in 2018 was therefore not a true reflection of total costs.

Hire and Contracts increased due to the engagement of a new dewatering contract at a cost of $1.7M over three years (or $566,000 per annum).

### 6.4.6 Corporate Overheads

In the financial years prior to 2019-20, the corporate overheads allocated to the Water, Sewer and Stormwater Drainage funds has been capped to the IPART corporate overhead allowance. This resulted in more corporate overheads being allocated to the General and Domestic Waste Funds.

In 2019-20 the corporate overheads allocated to the Water, Sewer and Stormwater Drainage funds was not capped.

*Table 15: Corporate overheads allocation*

| Service $M | 2019-20 Full Year Actuals | 2019-20 IPART Allowance | Variance |
|---|---|---|---|
| Water | 12.40 | 9.60 | (2.81) |
| Sewer | 12.42 | 9.09 | (3.33) |
| Stormwater | 3.81 | 1.87 | (1.94) |
| WSA Total | 28.63 | 20.55 | (8.08) |

Expenditure for 2019-20 increased for the following reasons:

- Corporate Affairs Executive – significant grant income in 2018-19 which offset costs was not received in 2019-20. The Innovations and Futures Department which was removed during the April 2021 restructure is mapped to Corporate Affairs Executive.
- Communications, Marketing and Customer Engagement – increase in employee costs due to additional staff in the engagement, customer experience teams for customer journey mapping and full year of cloud telephone service as well as After Hours Emergency. The cloud telephone service enabled Council to continue to provide assistance to customers during the COVID-19 lock down and provided efficiencies across call centres as all customer staff are now on the one system.
- Facilities and Asset Management Unit manages the corporate contracts for security and monitoring services, essential fire protection, cleaning, air conditioning maintenance, roof safety requirements (fall arrest), lift maintenance, automatic doors and gates, sanitary services, electrical testing, pest control, roof and gutter cleaning, energy management and effluent management. Over the last three years the Unit has been working to consolidate numerous smaller contracts into one for economies of scale. There has also been an increase in resources to manage the staff accommodation project. Consultants have been engaged to develop environmental and stormwater management plans for all depot sites with energy audits conducted to identify the main drivers of costs to make informed decisions on where to invest funds to reduce future costs. During the 2019-20 financial year, additional costs have been incurred to comply with public health orders including hand sanitising stations, touch point cleaning, additional cleaning supplies and COVID-19 signage.
- Finance – There was an increase in resources as existing staff are required to support organisational IT projects to implement applications and integrations including additional reporting requirements with new accounting standards and audit requirements. Also, there were increases in the cost of postage for rates and water bills in the 2017-18 FY and the cost of postage was reflected in the IT budget within Information Management.

- Governance and Risk – Increases were seen in insurance premiums and claims from 2018-19 onwards and engagement of consultants to provide reports to Councillors on various matters as resolved by Council. Council engages external service providers for a co-sourced internal audit service.
- Information and Technology – There was an increase in resourcing costs to develop a business partnering function and in-house capabilities (resourcing strategy was to reduce reliance on contingent workforce and to retain knowledge). Depreciation increased by $3M from the capitalisation of projects and there was an increase in internet and network bandwidth which enabled Council staff to work from home during COVID-19 lock downs and increased redundancy to meet disaster recovery (DR) and business continuity plan (BCP) requirements. Phone and communications costs increased as additional devices were purchased as FTE increased within Council and increased mobility for outdoor staff. An Increase was seen in costs for software maintenance and support, consultants engaged for enterprise architecture and licence costs in line with increase in FTE across the organisation. Appendix D - Information and Technology 2018 - 2022 Deliverables.
- Legal – There was an increase in costs due to the number of matters and referral of work to external service providers due to unsuccessful recruitment of vacant positions.
- People and Culture (HR) – Employee costs have increased during the period with the expansion of the Business Partnering service to support the business. Consultants have been engaged to develop programs and systems including a Cultural Change Development Program and WHS management system. During COVID-19 to continue to be able to provide staff with learning and development opportunities, Council introduced LinkedIn Learning platform.
- Plant and Fleet – Any profit that remains in Plant and Fleet after the initial corporate overheads is applied, is off set against the total corporate overheads. Plant and Fleet continue to review their internal charges to reduce any profit as they are a not for profit centre.
- Procurement and Project Management – There was an increase in employee costs due to filling vacant position and engagement of consultants for contract management hub, project management framework design, project management dashboard and contract management framework review.
- Strategic Planning – Corporate Planning and Reporting – There was an engagement of additional resources to work on a service review project to ensure services are appropriate, effective and efficient. Benchmarking was undertaken to identify areas for business improvement and efficiencies.
- Environmental Compliance and Systems - Environmental Reporting – Increases were seen in employee costs as significant leave was taken by staff in 2018-19 FY and there was successful recruitment of vacant roles increasing costs in 2019-20 FY.

# 7 Operating expenditure 2020-21 and 2021-22

## 7.1 Overview

Normally in the IPART framework, the 2020-21 actual expenditure would be used as the base year to set future expenditure. However, Council has asked for an exemption from IPART to instead use the 2019-20 as a base year.
To describe Council's operating performance over the 2020-22 regulatory period it:

- Compares actuals to forecast expenditure
- Explains any variances

The below table shows the 2020-21 actuals and 2021-22 forecasts compared to the IPART allowance ($nominal).

The 2020-21 actuals show an operational variance of $14.1(M) while the 2021-22 forecasts are closely aligned to the IPART allowance

*Table 16: Water, sewer and stormwater drainage actuals v IPART allowance ($millions nominal $) 2020-2022*

| $M | 2020-21 Actuals | 2020-21 Allowance $nominal | 2021-22 Forecasts | 2021-22 Allowance |
|---|---|---|---|---|
| **Labour** | 30.1 | 29.0 | 23.1 | 29.7 |
| **Oncosts** | 7.1 | 4.8 | 6.1 | 4.9 |
| **Consultants** | 2.7 | .68 | 1.1 | .7 |
| **Hire and Contracts** | 7.1 | 10.7 | 7.7 | 10.8 |
| **Materials** | 8.3 | 8.9 | 7.3 | 9.1 |
| **Energy** | 9.2 | 10.2 | 9.0 | 10.5 |
| **Plant and Fleet** | 5.0 | 3.9 | 8.1 | 4.0 |
| **Other** | 8.1 | 3.1 | 7.4 | 3.2 |
| **Corporate Overheads** | 28.3 | 20.6 | 23.6 | 21.1 |
| **Total($nominal)** | **105.9** | **91.8** | **93.5** | **94.0** |
| **Total ($2021-22)** | **108.6** | **94.0** | **93.5** | **94.0** |

**Overall, the variances for 20-21 are attributed to:**

- Corporate overheads expenses which are $8M above IPART allowance
- Other category expenses increasing by $5M due to the change of cost allocation. Tipping fees no longer go to Hire and Contracts. However, sludge is expected to increase over this regulatory period. The net impact between these two categories is 1.4M.

- Plant and fleet costs having gone down slightly due to lower rates. However, they are still higher than the IPART allowance by $1.1M. Plant and fleet expenses are an uncontrollable cost borne by the Water, Sewer and Stormwater Drainage businesses.
- Consultant's expenses are higher than the IPART allowance by $2M which is primarily due to the SCADA contract.

**Overall variances for 2021-22 are attributed to:**

- Labour costs which have gone down due to the redundancies that have occurred in this financial year. There has been a reduction of 58 FTE's through voluntary redundancies.
- Oncosts which have gone up and are over the IPART allowance due to an increase in Employee Leave entitlements (ELE's) due to COVID-19. It also needs to account for redundancy payments.

The overall expenditure has been reduced in response to the Council Financial crisis.

## 7.2 Water, sewer and stormwater drainage 2020-21 period variances

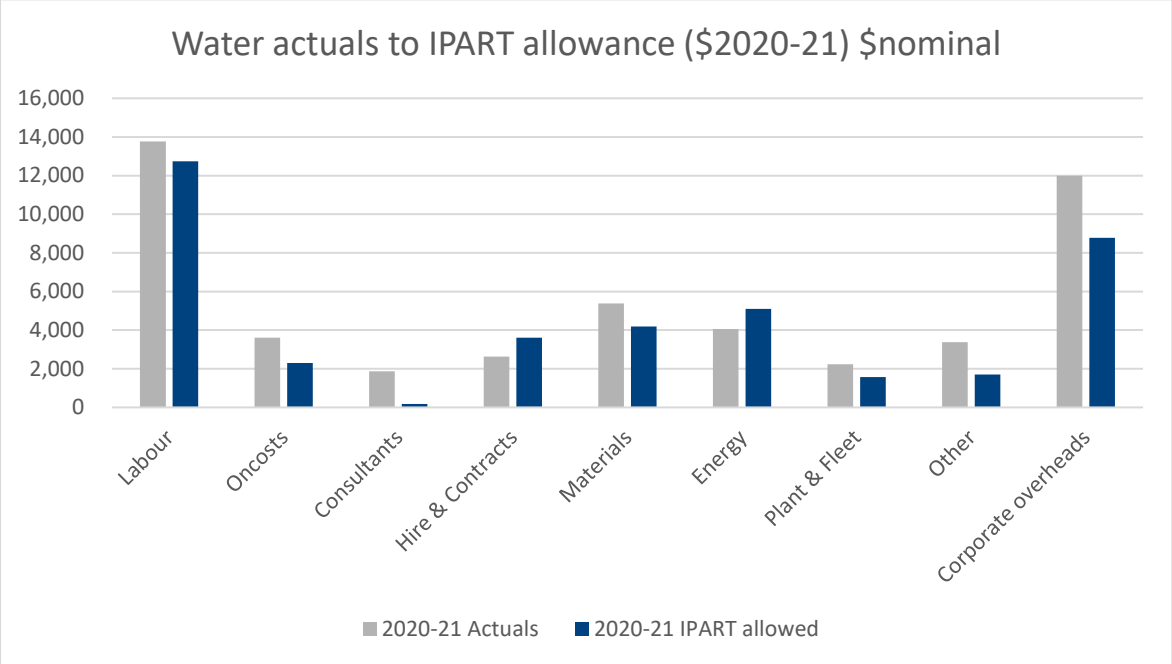


*Figure 19: Water actuals to IPART allowance 2020-21*

*Table 17: Water actuals v IPART allowance $millions ($2020-21)*

| $M | Water Fund 2020-21 | | |
|---|---|---|---|
| | Actuals | IPART Allowance | Variance |
| **Labour** | 13.8 | 12.7 | 1.0 |
| **Oncosts** | 3.6 | 2.3 | 1.3 |
| **Consultants** | 1.9 | 0.2 | 1.7 |
| **Hire and Contracts** | 2.6 | 3.6 | -1.0 |
| **Materials** | 5.4 | 4.2 | 1.3 |
| **Energy** | 4.1 | 5.1 | -1.1 |
| **Plant and Fleet** | 2.2 | 1.6 | 0.6 |
| **Other** | 3.4 | 1.7 | 1.7 |
| **Corporate Overheads** | 12.0 | 8.8 | 3.2 |
| **TOTAL ($nominal)** | **48.9** | **40.1** | **8.8** |
| **Total ($2021-22)** | **50.1** | **41.1** | **9.0** |

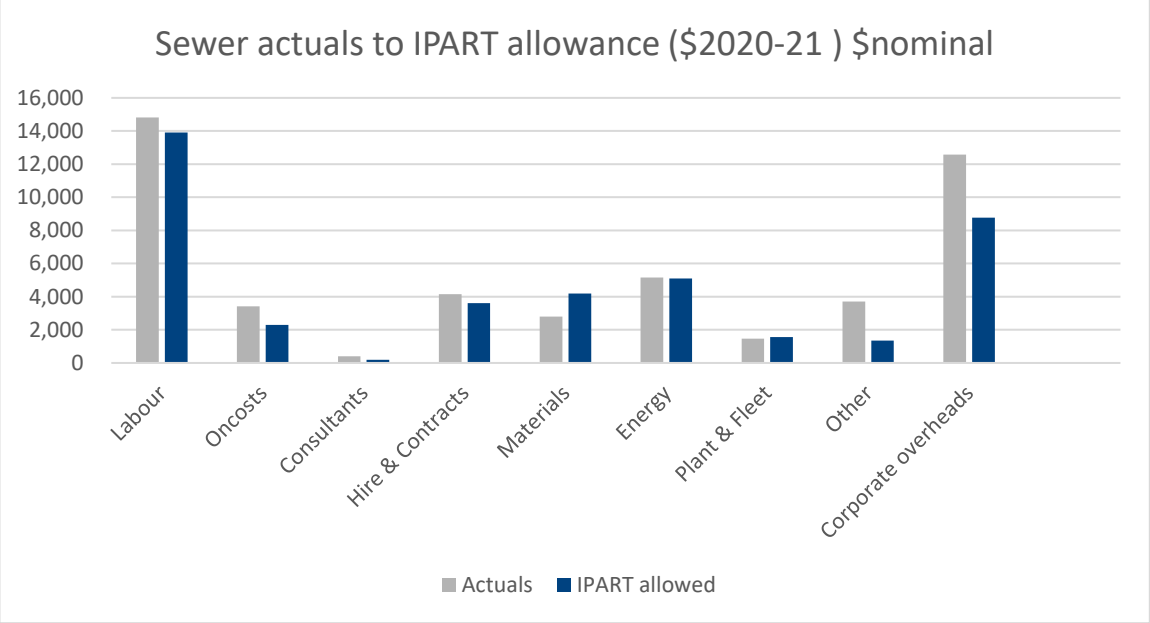


*Figure 20: Sewer actuals to IPART allowance 2020-21*

*Table 18: Sewer actuals v IPART allowance $millions ($2020-21)*

| $M | Sewer Fund 2020-21 | | |
|---|---|---|---|
| | Actuals | IPART Allowance | Variance |
| **Labour** | 14.8 | 13.9 | 0.9 |
| **Oncosts** | 3.4 | 2.3 | 1.1 |
| **Consultants** | 0.4 | 0.2 | 0.2 |
| **Hire and Contracts** | 4.1 | 3.6 | 0.5 |
| **Materials** | 2.8 | 4.2 | -1.3 |
| **Energy** | 5.2 | 5.1 | 0.0 |
| **Plant and Fleet** | 1.5 | 1.6 | -0.1 |

| $M | Sewer Fund 2020-21 | | |
|---|---|---|---|
| | Actuals | IPART Allowance | Variance |
| **Other** | 3.7 | 1.4 | 2.4 |
| **Corporate Overheads** | 12.6 | 8.8 | 3.8 |
| **Total ($nominal)** | **48.5** | **40.9** | **7.5** |
| **Total ($2021-22)** | **49.7** | **42.0** | **7.7** |

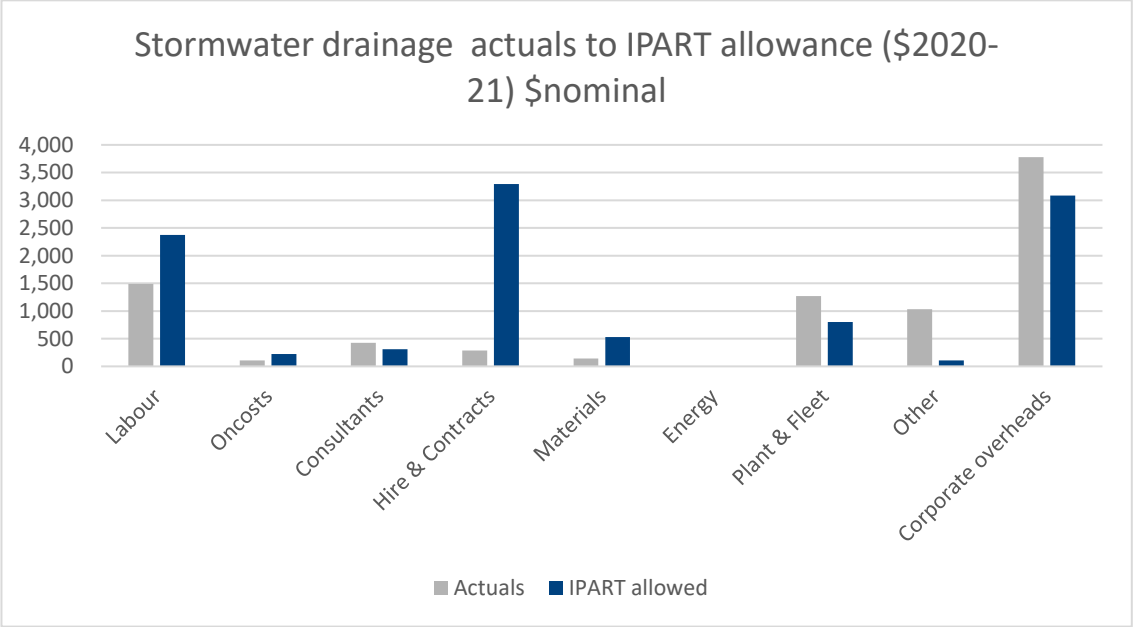


*Figure 21: Stormwater drainage actuals to IPART allowance 2020-21*

*Table 19: Stormwater drainage actuals v IPART allowance $millions ($2020-21)*

| $M | Drainage 2020-21 | | |
|---|---|---|---|
| | Actuals | IPART Allowance | Variance |
| **Labour** | 1.5 | 2.4 | -0.9 |
| **Oncosts** | 0.1 | 0.2 | -0.1 |
| **Consultants** | 0.4 | 0.3 | 0.1 |
| **Hire and Contracts** | 0.3 | 3.3 | -3.0 |
| **Materials** | 0.1 | 0.5 | -0.4 |
| **Energy** | 0.0 | 0.0 | 0.0 |
| **Plant and Fleet** | 1.3 | 0.8 | 0.5 |
| **Other** | 1.0 | 0.1 | 0.9 |
| **Corporate Overheads** | 3.8 | 3.1 | 0.7 |
| **Total ($nominal)** | **8.5** | **10.7** | **-2.2** |
| **Total ($2021-22)** | **8.7** | **11.0** | **-2.2** |

## 7.3 Water, sewer and stormwater drainage 2021-22 period variances

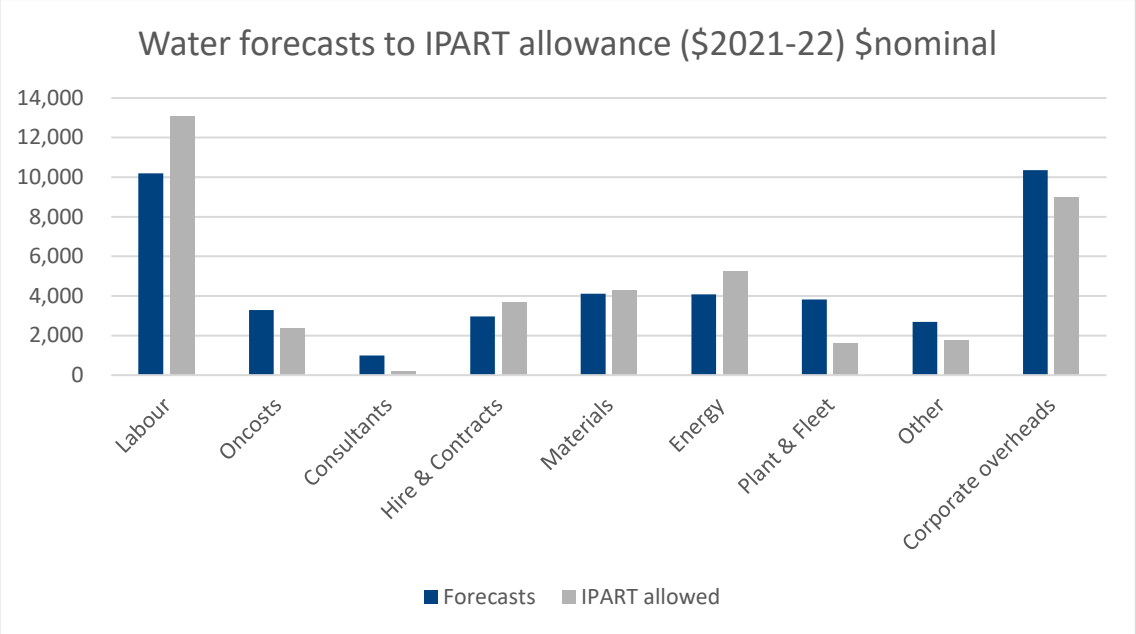


*Figure 22: Water forecasts to IPART allowance 2021-22*

*Ta*

*Table 20: Water forecasts v IPART allowance $millions ($2021-22)*

| $M | Water Fund 2021-22 forecast | | |
|---|---|---|---|
| | Forecast | IPART Allowance | Variance |
| **Labour** | 10.2 | 13.1 | -2.9 |
| **Oncosts** | 3.3 | 2.4 | 1.0 |
| **Consultants** | 1.0 | 0.2 | 0.8 |
| **Hire and Contracts** | 3.0 | 3.7 | -0.7 |
| **Materials** | 4.1 | 4.2 | -0.2 |
| **Energy** | 4.1 | 5.2 | -1.1 |
| **Plant and Fleet** | 3.8 | 1.6 | 2.2 |
| **Other** | 2.7 | 1.7 | 1.0 |
| **Corporate Overheads** | 10.4 | 9.0 | 1.3 |
| **TOTAL** | **42.5** | **41.0** | **1.4** |

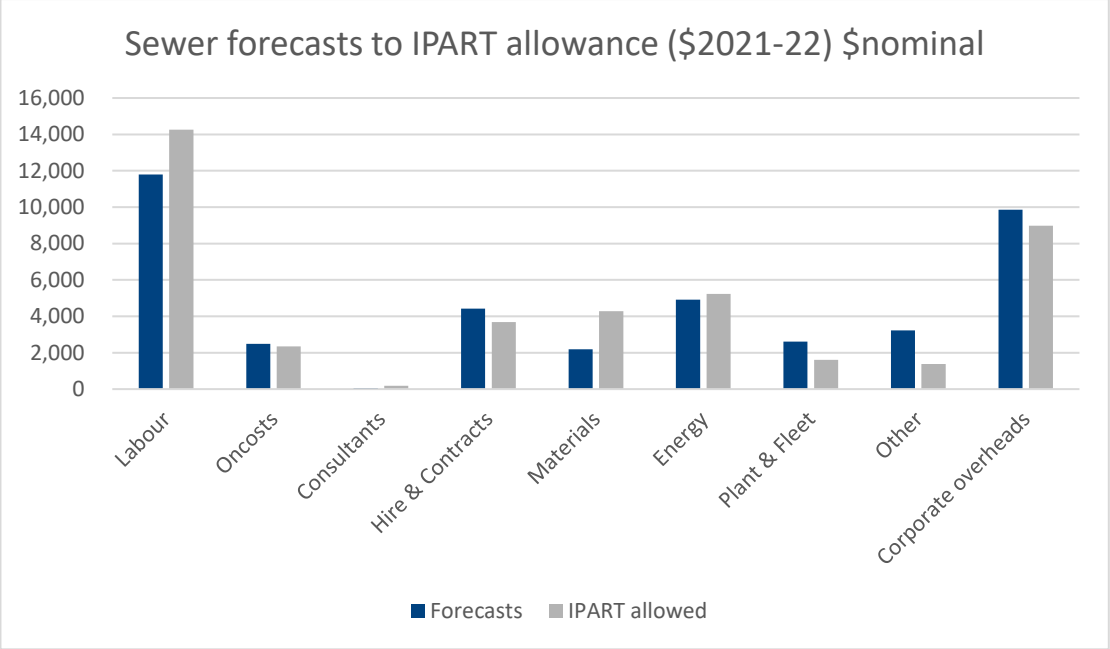


*Figure 23: Sewer forecasts to IPART allowance 2021-22*

*Table 21: Sewer forecasts to IPART allowance $millions ($2021-22)*

| $M | Sewer Fund 2021-22 forecast | | |
|---|---|---|---|
| | Forecast | IPART Allowance | Variance |
| **Labour** | 11.8 | 14.3 | -2.4 |
| **Oncosts** | 2.5 | 2.4 | 0.0 |
| **Consultants** | 0.1 | 0.2 | 0.4 |
| **Hire and Contracts** | 4.4 | 3.7 | 0.8 |
| **Materials** | 2.2 | 4.3 | -2.2 |
| **Energy** | 4.9 | 5.2 | -0.3 |
| **Plant and Fleet** | 2.6 | 1.6 | 1.0 |
| **Other** | 3.2 | 1.4 | 1.8 |
| **Corporate Overheads** | 9.9 | 9.0 | 0.9 |
| **TOTAL** | **41.6** | **42.0** | **0.0** |

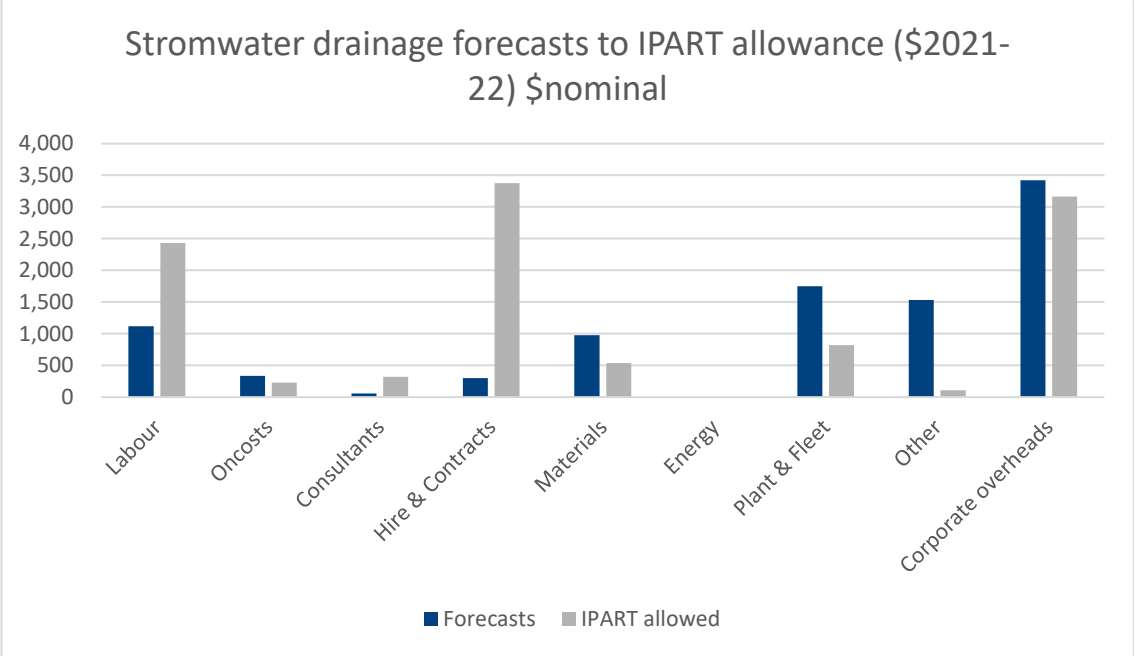


*Figure 24: Stormwater drainage forecasts to IPART allowance 2021-22*

*Table 22: Stormwater drainage Forecasts to IPART Allowance $millions ($2021-22)*

| $M | Drainage 2021-22 forecasts | | |
|---|---|---|---|
| | **Forecast** | **IPART Allowance** | **Variance** |
| **Labour** | 1.1 | 2.4 | -1.3 |
| **Oncosts** | 0.3 | 0.2 | 0.1 |
| **Consultants** | 0.1 | 0.3 | -0.3 |
| **Hire and Contracts** | 0.3 | 3.4 | -3.1 |
| **Materials** | 1.0 | 0.5 | 0.5 |
| **Energy** | 0.0 | 0.0 | 0.0 |
| **Plant and Fleet** | 1.8 | 0.8 | 1.0 |
| **Other** | 1.5 | 0.1 | 1.4 |
| **Corporate Overheads** | 3.4 | 3.2 | 0.2 |
| **TOTAL** | **9.5** | **11.0** | **-1.5** |

## 7.4 Efficiency programs

### 7.4.1 Operating Efficiencies

Council has delivered operational efficiencies in a range of functions.
It has moved three dispatch systems into one with the introduction of Council's Asset Management system. In addition, there has been a rollout of a standard template for Sewer Pump Stations (SPS's) to standardise the operations and alarms. This will create efficiencies through reduced alarm generation, particularly in wet weather and thus less callouts.

### 7.4.2 Alignment of the Fixed Asset Register and Technical Asset Register

Recently, the Fixed Asset Register (FAR) and Technical Asset Register (TAR) have been aligned. The asset information in the TAR (which is now consolidated in the Asset Management System) has full asset condition, useful life, asset criticality and risk programs. This will guide the improvements in the inspections and maintenance regimes and lay the foundations of the proposed transition strategy.

Council is committed to continuous improvement of its systems to enhance reliability and performance and manage safety for its staff and the community. 'Be safe' is a corporate value and is reflected in Council's decision making, driving system improvements and innovation across the business.

### 7.4.3 SCADA and Telemetry

The Water and Sewer Operations and Maintenance Unit have recently developed a bespoke Electrical Safety Management System (ESMS) made up of two streams being Electrical Service General Safety Standards and an Electrical Services High Voltage Safety Management Plan. Under each stream sits related specifications, standards, procedures, permits and SWMS. This system establishes a framework to capture all aspects of work undertaken by staff in this area and has become a vehicle by which staff collaborate to drive improvement in work practices.

The ESMS has created a common 'language' staff can use and delivered better safety planning and work outcomes. This is evidenced by an increase in discussion of safety by staff both at regular Toolbox Talks and informally as jobs are undertaken, an increase in reporting of near misses and increased input by staff into changes and improvements to processes and documentation within the ESMS. Staff experience tangible improvements

to their working environment through innovation which is investigated, trialled and then embedded in ESMS via safety reporting processes.

Council has also identified two key technological improvements that will enhance reliability and performance of the network. Switchboard arc flash analysis will help Council better understand and mitigate the risk associated with switchboard works and alarm rationalisation will deliver significant operational benefits, better safety and security as well as better environmental outcomes associated with more accurate and timely information.

**Switchboard Arc Flash Analysis**

The Operations and Maintenance Unit have identified switchboard arc flash as a risk which requires detailed analysis so that risk mitigation procedures can be based on an educated assumption of the ratings across the 400+ switchboard fleet.

Arc flash events can generate temperatures as high as 5000°C and can cause life threatening injuries. Implementing analysis of the switchboard fleet and associated risk measures will allow staff to determine whether recently introduced controls overstate the risk, leading to unnecessary and inefficient work practices, or understate the risk, leading to inadequate and potentially unsafe work practices. It will also enhance Council's understanding of the risk to the community associated with outdoor switchboards.

Performing an analysis on the entire fleet is not deemed to be cost efficient, so an assessment of a representative cross section of switchboard types (age, size, connection type, load etc.) is being undertaken. Results of this analysis will inform improvements to switchboard design, protection settings and safety systems to more effectively mitigate the risks associated with performing works on these switchboards. These changes will be embedded into the Electrical Services Management System (ESMS) and will be subject to review as part of continuous improvements to work practices and safety. These improvements will mean staff are better equipped with knowledge relating to risks associated with switchboard types before they commence working on them and can better mitigate known risks. This will ensure improved safety outcomes are delivered as efficiently as possible.

**Alarm Rationalisation**

Opportunities to improve the reliability and performance of alarms across the network have been identified and a program for sewer pump stations has been developed to reduce unnecessary alarms, harmonise variations in work practices across sites, simplify

SCADA templates and reduce double handling of data due to inadequate alarm masking. Rolling out the program will involve visiting over 200 sites to update local code.

A rationalised alarm philosophy will deliver operational efficiencies, reducing double handling and confusion for operators and maintenance staff. It will also allow for easier rotation of staff between sites and a reduction in errors associated with multiple or conflicting processes. Improving 'alarm masking' and 'consequential alarming' will prevent multiple alarms from causing 'alarm flooding' which reduces response efficiency within the Water Operation Centre.

Reduction and harmonisation of SCADA templates will enable quicker and more consistent rollout of changes and system improvements. Efficiencies have been identified in data collection, interpretation and reporting, making reporting against Key Performance Indicators timelier and more robust.

Safety and security will be enhanced by improvements in the interface between Soft starters and the Human/Machine Interface (HMI) enabling electricians to alter and configure 415v Soft starter parameters via Modbus without having to access the active Motor Cubical. Both onsite and network security will be improved with HMI PIN validation to SCADA, auto-acknowledging the intruder alarm with the user's name, thereby reducing nuisance intruder alarms and providing the Water Operation Centre more visibility over each site.

Alarm rationalisation will also deliver better environmental results as timely and accurate monitoring allows Council to respond more quickly and efficiently to the issue and reduce environmental risk.

### 7.4.4 Leakage Management

Since 25 March 2020, Council has commenced a proactive leak detection program with an annual funding commitment of $142,000 per year for a total of $568,000 for four years. The funding was awarded under the 2019 IPART determination. In the absence of limited leakage data, the program was initiated by focusing on the suburbs that had the highest frequency of watermain breaks per 100km. Over the course of the first full year's program of work (i.e. four quarters), 476 leaks were detected across 1205 km of water main. The estimated loss rate prior to repairs being made was 2.5ML/day or 899.4ML/year. Estimated cost of water saved from the leaks identified and repaired for the first year of leak detection equates to $1,915,637. Estimated loss rates are based on the IWA (International Water Association) Water Loss Taskforce figures and err on the conservative.

### 7.4.5 Re-structure

As recently as April 2021, both Water and Sewer and Infrastructure Services conducted a restructure that saw four Units in each Directorate combine to three in each Directorate. This created efficiencies in management of the resources as well as reducing a full-time Unit Manager position.

### 7.4.6 Solar

As part of doing more with less, business efficiencies should be found to continue to deliver benefits back to Council's customers. Council's main capital works projects that relate to ongoing business efficiencies are investment in Solar Power Generation at selected facilities.

Council undertook a feasibility assessment and business case for installations during the 2019 determination. An installation program has commenced and is due to be completed within the 2022 determination period that targets the most cost-effective sites based on an assessment of payback periods.

# 8 Setting the base year for the price period 2022-2026

For the 2022-26 price period, Council is using 2019-20 for the base year operational expenditure.

## 8.1 Roll forward the base year

The following table shows rebasing the 2019-20 expenditure categories that will be used as the basis of the 2022-26 forecast expenditure.

*Table 23: Re basing the 2019-20 actuals 2022-2026 actuals $M's ($2021-22$)*

| IPART expenditure category | Base line ($2021-22) cost | Reason adjustments for base line |
|---|---|---|
| **Water** | | |
| **Labour** | 15.3 | **Use 2019 actuals and**<br>• Reduce baseline for labour hire by$754,000 (based on $1.57M *48/52% - W/S split)<br>• Reduce allowance for un-capitalised labour $150,000<br>• Include allowance for Other areas of Council by $400,000<br>• Reduce allowance for overtime by $420,000 (efficiency from the WOC 24x7 only implemented in 2021)<br>• Reduce by payroll $80,000 for underestimation of payroll tax<br>• Remove $200,000 for uncontrolled events<br>• Increase by $174,000 for increases to ELE's(from COVID issues) |
| **Oncosts** | 2.5 | Maintain 2019 actuals |
| **Consultants** | 1.1 | Use 2019 actuals plus<br>• $150,000 IPART consultants<br>• $785,000 in additional SCADA contract costs |
| **Hire and Contracts** | 3.5 | Maintain 2019 actuals |
| **Materials** | 5.7 | Maintain 2019 actuals |
| **Energy** | 4.0 | Maintain 2019 actuals |
| **Plant and Fleet** | 2.6 | Use 2020-21 actuals reflecting a lower cost |
| **Other** | 3.3 | Maintain Use 2019 actuals including Tipping fees |
| **Corporate Overheads** | 10.8 | Use the 2021-22 forecast as baseline |
| **Total** | **48.7** | |

| IPART expenditure category | Base line ($2021-22) cost | Reason adjustments for base line |
|---|---|---|
| **Sewer** | | |
| **Labour** | 14.6 | **Use 2019 actuals and:**<br>• Reduce baseline for labour hire by $754,000 (based on $1.57M *48% - W&S split)<br>• Reduce allowance for un-capitalised labour $150,000 (W&S 50/50 split)<br>• Include allowance for Other areas of Council by $400,000 (50/50 split)<br>• Reduce allowance for overtime by $420,000 (efficiency from the WOC 24x7 only implemented in 2021)<br>• Reduce by payroll $80,000 for underestimation of payroll tax (50/50 split)<br>• Remove $200,000 for uncontrolled events (50/50 split)<br>• Increase by $174,000 for increases to ELE's(from COVID issues) (50/50 split) |
| **Oncosts** | 1.6 | Maintain 2019 actuals |
| **Consultants** | 1.1 | Use 2019 actuals plus<br>$150,000 IPART consultants<br>$785,000 in an additional SCADA contract costs |
| **Hire and Contracts** | 4.6 | Maintain 2019 actuals<br>Include Dewatering contract $566,000 p.a |
| **Materials** | 3.7 | Maintain 2019 actuals |
| **Energy** | 5.3 | Maintain 2019 actuals |
| **Plant and Fleet** | 1.4 | Use 2020-21 actuals reflecting a lower cost |
| **Other** | 2.3 | Maintain Use 2019 actuals including Tipping fees |
| **Corporate Overheads** | 10.2 | Using the 2020-21 forecasts |
| **Total** | **44.8** | |
| **Stormwater Drainage** | | |
| **Labour** | 2.1 | Maintain 2019 actuals |
| **Oncosts** | 0.2 | Maintain 2019 actuals |
| **Consultants** | 0.4 | Maintain 2019 actuals |
| **Hire and Contracts** | 1.0 | Maintain 2019 actuals |
| **Materials** | 0.5 | Maintain 2019 actuals |
| **Energy** | 0 | |
| **Plant and Fleet** | 1.2 | Use 2020-21 actuals reflecting a lower cost |
| **Other** | 3.10 | Maintain Use 2019 actuals including Tipping fees |
| **Corporate Overheads** | 4.0 | Use the 2021-22 forecast as baseline |
| **TOTAL** | **12.5** | |

# 9 Next price period (2022-2026)

After establishing the base year's actuals (2019-20), Council has undertaken a review of all operating requirements over the 2022 determination period.

This section details:

- Total operating expenditure requirements 1 July 2022- 30 June 2026 (with additional one year)
- Total operating expenditure by products - water, sewer and stormwater drainage
- Details of operating expenditure by category
- Details of forecast operational expenditure
- Details of higher requested operational costs per IPART category
- Forecast methodology
- Detail of core operational expenditure forecasts by categories

## 9.1 Overview

The impacts over the last six years are resulting in a reduction in operational service delivery. Meeting regulatory requirements i.e. EPL's and Drinking Water standards are also being impacted, resulting in:

- Environmental Protection Licence (EPL) breaches related to suspended solids, oil and grease and total nitrogen
- An increase in sewer overflows, odour complaints and water quality complaints that are above service level targets
- The highest sewerage service complaints in Australia
- The lowest workforce in NSW per 1000 properties (compared to other Local Water Utilities)
- 30% increase in customer service calls (based on 2018-19 trends)
- 50% increase in SCADA alarms (based on 2018 trends) and
- Lost time injury rate is at 16 (2019-20) for water and sewer compared to HWC at 7 and Sydney Water at 5

For the 2022 determination period, Council has requested additional operational expenditure to improve its maintenance regime, re-introduce floodplain risk and stormwater quality management, reduce the current EPL and EPA breaches and address the increase in lost time injuries.

In the Operations and Maintenance unit, the additional funding will be used to:

- Improve Workplace Health and Safety
- Implement transition strategy to improve proactive maintenance and improve risk management planning of critical water and sewer assets
- Improve rectification programs, pump station analysis and reduce SPS overflows
- Increase mains cleaning programs to improve water quality
- Increase sewer inspections and maintenance programs
- Improve workspaces to improve onsite oil storage, part management and cleaning pumps
- Reduce risk for chemical storage and improve and monitor odour and reduce wet weather chemical usage
- Utilise SCADA alarm rationalisation to reduce environmental overflows
- Reduce risk of uncontrolled switchboard failure for ARC flashes (safety)

In the Headworks and Treatment unit, the additional funding will be used to:

- Introduce Sewage Treatment Plant improvement program including clean out of the grit chambers, aeration tanks and digesters, wet weather ponds, as well as improvements in sludge management
- Improve sampling results with a quality database
- Improve Council's bushfire management practices by reducing hazards, reducing water quality risks, maintaining a balanced ecology and protecting water and sewer assets
- Improve catchment management practices by elimination or minimisation of all sources of impurity in the catchments resulting in clean and safe water, reducing the costs of treatment as well as protecting the environment
- Ensure that the standards are met in relation to dam safety
- Improve outfall monitoring thus reducing ecological impacts of effluent to ocean outfalls
- Include additional operational expenditure resulting from the Mardi Treatment Plant upgrade

In the Planning and Delivery unit, the additional funding will be used to:

- Improve Asset Management and Inspection programs
- Conduct water conservation and resilience studies
- Improve strategic management

In the Roads and Drainage Infrastructure unit, the additional funding will be used to:

- Ensure that the standards are met in relation to dam safety

- Undertake critical asset inspections, cleaning and repair to inform forward planning, manage risk, reduce reactive maintenance requirements and prevent catastrophic asset failure

In the Environmental Management unit, the additional funding will be used to:

- Deliver floodplain risk management planning required to guide sustainable development and strategic prioritisation of stormwater drainage upgrade works
- Improve stormwater quality management to maintain the health of Council's waterways
- Implement Plans of Management for creeks identified as being critical to maintaining flood planning levels and preventing flooding of existing properties

The above functions were deemed prudent in prior (former Council) Determinations but were excluded from the 2019 Determination as they were being funded by a Stormwater Levy under the Local Government Act. This Levy has now ceased, and Council are simplifying the delivery of stormwater management for customers by bringing all functions under the single Stormwater Drainage Charge.

The additional expenditure has been reviewed against the IPART drivers with a focus on prudency and efficiency.

## 9.2 Capital expenditure delivery impacts on operational expenditure

Investment in infrastructure is associated with an increase in operational expenditure. For the 2022 determination, Council is forecasting operational expenditure from capex programs to be mainly influenced by the Mardi Water Treatment Plant (WTP) upgrade. The Mardi Water Treatment Plant Stage 3 upgrades will allow the plant to maintain production. The approved Capex business case (20799) will see the plant augmentation with additional chemicals and processes. The additional operational expenditure costs have been identified in the Hunter H2O report to effectively operate the upgraded water treatment plant. This is an estimated addition to expenditure of approximately $1,045,000.

Another consideration to the expenditure is the infrastructure delivered via the Developer Servicing Plans (DSP's). The value of these assets is deducted from the Regulated Asset Base, however the operational expenditure to maintain these assets is included in the revenue.

Most of this capex will be delivered during the 2022 determination period and it is therefore not required to be in this submission for additional expenditure.
A summary of these assets is shown below in the following table.

*Table 24: DSP CAPEX deliverables*

| Project Description | Fund | Project Type | Suburb | IPART Driver | Asset Type | Funding |
|---|---|---|---|---|---|---|
| **DSP Forecast Sewer Capacity Misc** | 30 | Upgrade | Region wide | Growth - funded by cash capital contributions | | DSP |
| **DSP Forecast Sewer Gravity Mains** | 30 | Upgrade | Region wide | Growth - funded by cash capital contributions | | DSP |
| **DSP Forecast Sewer Pump Stations** | 30 | Upgrade | Region wide | Growth - funded by cash capital contributions | Sewer Pump Stations | DSP |
| **DSP Forecast Sewer Rising Mains** | 30 | Upgrade | Region wide | Growth - funded by cash capital contributions | Sewer Mains | DSP |
| **DSP Forecast Sewer Treatment Plants** | 30 | Upgrade | Region wide | Growth - funded by cash capital contributions | Sewage Treatment Plant | DSP |
| **DSP Forecast Water Capacity Misc** | 20 | Upgrade | Region wide | Growth - funded by cash capital contributions | | DSP |
| **DSP Forecast Water Main** | 20 | Upgrade | Region wide | Growth - funded by cash capital contributions | Water Mains | DSP |
| **DSP Forecast Water Reservoir** | 20 | Upgrade | Region wide | Growth - funded by cash capital contributions | Water Reservoirs | DSP |

## 9.3 Operating expenditure by product

The forecast expenditure for Council's water, sewer and stormwater drainage businesses is explained in the follow sections.

### 9.3.1 Total Forecast 2022-2027

*Table 25: Total forecast operational expenditure 2022-27 (millions ($2021-22) water, sewer and stormwater drainage*

| Total $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| **Labour (incl: employee provisions)** | 43.1 | 45.9 | 46.3 | 46.3 | 46.4 |
| **Consultants** | 6.7 | 5.7 | 8.0 | 6.1 | 9.3 |
| **Hire and Contracts** | 16.0 | 18.0 | 19.1 | 18.5 | 17.3 |
| **Materials** | 10.3 | 10.5 | 11.1 | 11.1 | 11.1 |
| **Energy** | 9.3 | 9.3 | 9.3 | 9.3 | 9.3 |
| **Corporate Overheads** | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| **Plant and Fleet** | 5.7 | 5.7 | 5.7 | 5.7 | 5.7 |
| **Other Expenses** | 9.9 | 10.2 | 10.7 | 10.5 | 10.4 |
| **TOTAL** | **126.1** | **130.4** | **135.1** | **132.6** | **134.5** |

### 9.3.2 Water Forecast 2022-2027

*Table 26: Forecast operational expenditure 2022-27 $millions ($2021-2022)*

| Water $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| **Labour (incl employee provisions)** | 20.2 | 21.9 | 22.0 | 22.0 | 22.0 |
| **Consultants** | 2.9 | 1.5 | 4.2 | 2.8 | 6.0 |
| **Hire and Contracts** | 5.8 | 6.7 | 7.9 | 7.6 | 7.2 |
| **Materials** | 5.9 | 6.0 | 6.6 | 6.6 | 6.6 |
| **Energy** | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| **Corporate Overheads** | 10.8 | 10.8 | 10.8 | 10.8 | 10.8 |
| **Plant and Fleet** | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| **Other Expenses** | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 |
| **TOTAL** | **55.9** | **57.2** | **61.7** | **60.1** | **62.8** |

**Note employee provisions/oncosts can be approximated at 25% of labour*

### 9.3.3 Sewer forecasts 2022-2027

*Table 27: Sewer operational expenditure forecasts 2022-2027 $millions ($2021-22)*

| Sewer $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| **Labour (incl: employee provisions** | 18.6 | 19.6 | 19.9 | 19.9 | 19.9 |
| **Consultants** | 3.0 | 3.4 | 3.0 | 2.4 | 2.5 |
| **Hire and Contracts** | 7.6 | 8.8 | 8.7 | 8.4 | 7.6 |
| **Materials** | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 |
| **Energy** | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 |
| **Corporate Overheads** | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 |
| **Plant and Fleet** | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| **Other Expenses** | 3.1 | 3.3 | 3.8 | 3.6 | 3.5 |
| **TOTAL** | **53.2** | **56.0** | **56.4** | **55.3** | **54.4** |

### 9.3.4 Stormwater drainage forecasts 2022-2027

*Table 28: Stormwater drainage operational expenditure forecasts $millions ($2021-2022)*

| Stormwater $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| **Labour (incl employee provisions)** | 4.3 | 4.3 | 4.4 | 4.4 | 4.5 |
| **Consultants** | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 |
| **Hire and Contracts** | 2.6 | 2.6 | 2.5 | 2.5 | 2.5 |
| **Materials** | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| **Energy** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Corporate Overheads** | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| **Plant and Fleet** | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| **Other Expenses** | 3.4 | 3.4 | 3.5 | 3.5 | 3.5 |
| **TOTAL** | **17.1** | **17.2** | **17.1** | **17.2** | **17.3** |

## 9.4 Operating expenditure by cost category

Operating expenditure by cost categories is expected to increase from 2022 across the determination period. The forecast operational expenditure for Council's water, sewer and stormwater drainage businesses is estimated to be $524M ($2021-22) or $389M ($2021-

22) for a three-year period. This compares to 2019-20 base operational expenditure using three years of $300,387,000 ($real).

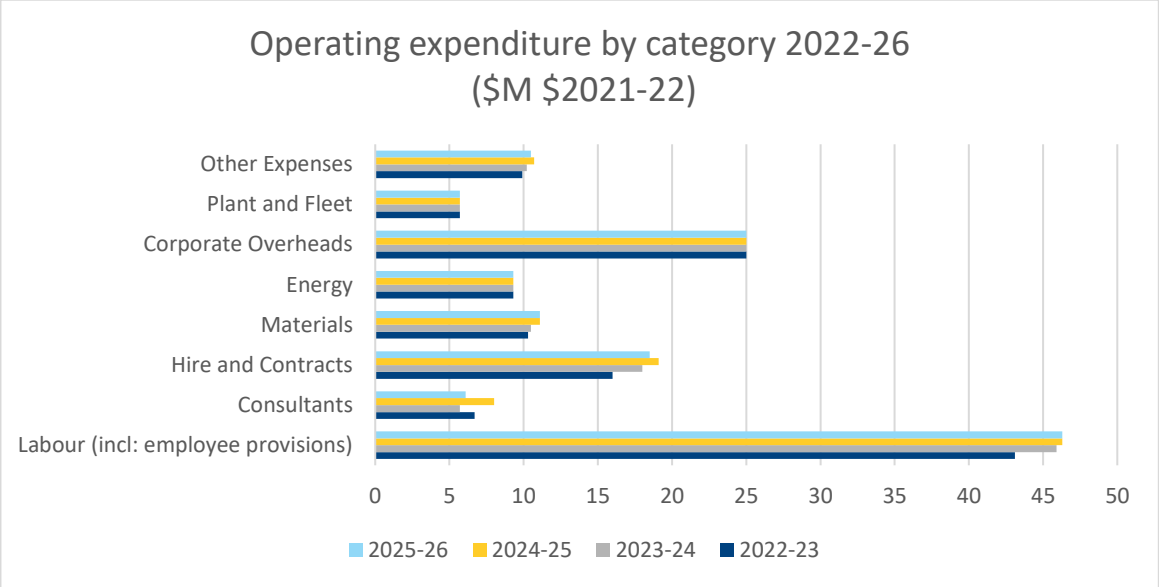


*Figure 25: Operational expenditure by category 2022-26*

The additional water and sewer expenditure is to support the following improvements:

**Headworks and Treatment**

*Water*

- Building and supporting a Water Quality database and Quality systems
- Management of bushfire strategies
- Improvements in catchment management
- Supporting Water Treatment Plant (WTP) improvements

*Sewer*

- Supporting Sewerage Treatment Plant (STP) improvements

**Networks Operations and Maintenance**

*Water*

- Supporting transition to proactive maintenance and asset reliability
- Improving WHS learning and development
- Mains cleaning
- Water civil inspections and maintenance

*Sewer*

- Sewer civil inspections and maintenance

**Planning and Delivery**

*Water and Sewer*

- Improvements in customer communications and water resilience
- Asset condition assessments
- Asset management improvements
- Strategic planning

**Roads and Drainage Infrastructure**

Stormwater Drainage

- Compliance with Dam Safety legislation
- Critical asset condition assessments
- Critical asset cleaning and repairs

**Environmental Management**

Stormwater Drainage

- Existing stormwater quality management, urban channel maintenance and flood planning services being reintroduced to the drainage fund
- Harmonisation of prudent minimum service levels for the same across the region

### 9.4.1 Employee costs

The total FTE base line for labour is done using the 2019-20 FTE's of:

- Water and Sewer 284.99 operational expenditure and 39.40 capital expenditure drainage 5 operational expenditure

There is also additional expenditure allowance of $400,000 where other areas of Council charge to the Water and Sewer labour expenditure account (this is not included in the FTE count).

For 2022-26, the FTE's are forecast to increase by Water, Sewer and Stormwater drainage, 79 FTE's increasing to 88.5 by 2025-26. The forecast growth is shown in the following table. 13.2 FTE's are a result of Environmental Management now being included in the Stormwater drainage fund (previously in the General Fund).

*Table 29: Forecast FTE's 2022-2026 net of CAPEX FTE's*

| Operational expenditure FTE | | | | | |
|---|---|---|---|---|---|
| **Unit** | **Change Type** | **2022-23 Operational expenditure FTE** | **2023-24 Operational expenditure FTE** | **2024-25 Operational expenditure FTE** | **2025-26 Operational expenditure FTE** |
| **Stormwater drainage (including Environmental Management)** | Fund Change | 13.2 | 13.2 | 13.2 | 13.2 |
| | Step Change | 7.0 | 7.0 | 7.0 | 7.0 |
| **Headworks and Treatment** | Step Change | 5.0 | 8.0 | 8.0 | 7.5 |
| **Network Operations and Maintenance** | Step Change | 31.0 | 37.0 | 39.0 | 38.0 |
| **Planning and Delivery** | Step Change | 16.0 | 16.0 | 16.0 | 16.0 |
| **TOTAL** | | **72.2** | **81.2** | **83.2** | **81.7** |

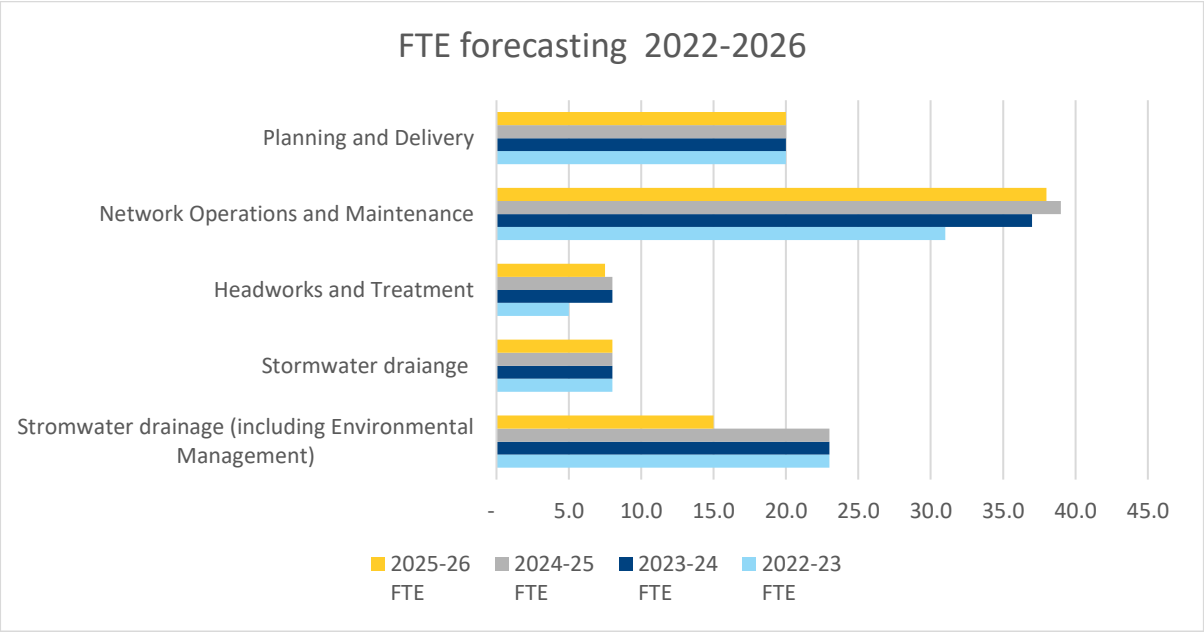


*Figure 26: FTEs Water, sewer and stormwater drainage 2022-2026*

The FTEs also have a component of CAPEX that is not included in the above costings in the following table.

*Table 30: CAPEX FTE Forecasts*

| Capex FTE | | | | |
|---|---|---|---|---|
| **Unit** | **2022-23 Capex FTE** | **2023-24 Capex FTE** | **2024-25 Capex FTE** | **2025-26 Capex FTE** |
| **Stormwater drainage (including Environmental Management)** | 0.8 | 0.8 | 0.8 | 0.8 |
| **Stormwater drainage** | 0 | 0 | 0 | 0 |
| **Headworks and Treatment** | | | | |
| **Network Operations and Maintenance** | | | | |
| **Planning and Delivery** | 4.0 | 4.0 | 4.0 | 4.0 |
| **TOTAL** | **4.8** | **4.8** | **4.8** | **4.8** |

The total increase in the labour expenditure is estimated to be (including recurring allowances and on costs[7]) $32.7M ($2021-22) over four years. The total labour expenditure is shown in the following table.

*Table 31: Additional labour expenditure to 2019-20 baseline 000's ($2021-22) (includes oncosts)*

| | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 |
|---|---|---|---|---|---|
| **Additional Employee costs** | 6,962 | 9,710 | 10,078 | 10,145 | 10,192 |
| **2019/20 baseline** | 36,183 | 36,183 | 36,183 | 36,183 | 36,183 |
| **TOTAL** | **43,145** | **45,893** | **46,261** | **46,328** | **46,375** |

## FTE's Water and Sewer

Water and Sewer's additional head count is on average 65 additional FTEs per annum from 2022-2026. This increase is expected to decrease by 2028 in alignment with resources transitioning to retirement (8-10%) from 2028. These resources will not be replaced. The largest portion of FTE's age currently sits within the 56-65 demographic. Shown in Figure 27 and Figure 28.

[7] Oncosts are normally calculated at a rate of 54.5% on the base salary

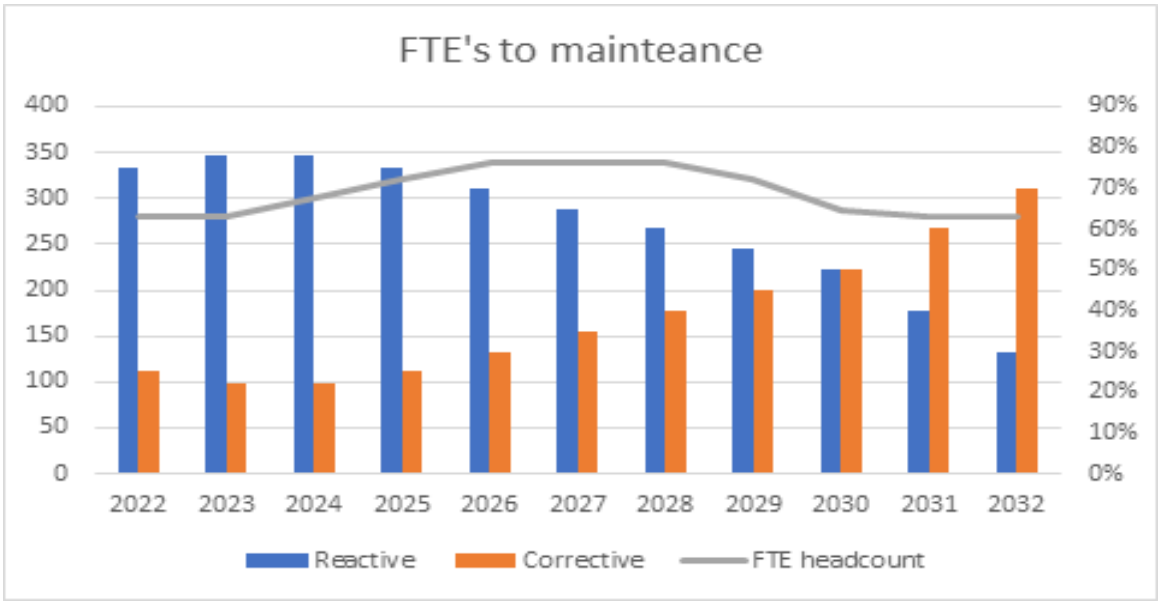


*Figure 27: 31 FTE's to maintenance. Source CCC Transition Strategy document*

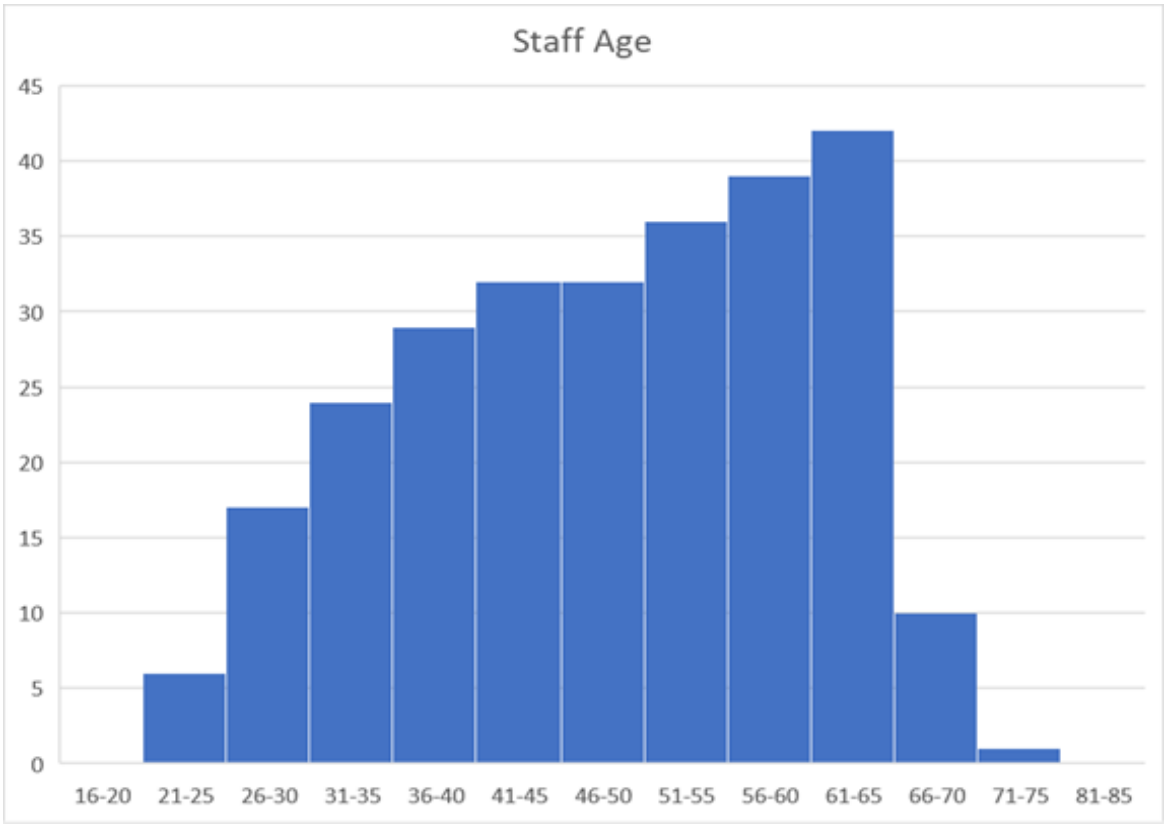


*Figure 28: 17 Staff ages*

The additional FTEs (shown in the following table) are to support the increase in expenditure to support the transition strategy and are detailed in business cases.[8]

[8] The business cases for the additional FTE's for Water and Sewer are detailed in the business cases. Separate to this technical paper.

*Table 32: Water and Sewer additional FTE's*

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| **Headworks and Treatment** | 5.0 | 8.0 | 8.0 | 7.5 | 7.5 |
| ***Water*** | *3* | *5* | *5* | *4* | *4* |
| ***Sewer*** | *2* | *3* | *3* | *3.5* | *305* |
| **Network Operations and Maintenance** | 31.0 | 37.0 | 39.0 | 38.0 | 38.0 |
| ***Water*** | *17.2* | *20.2* | *21.2* | *21.2* | *21.2* |
| ***Sewer*** | *13.8* | *16.8* | *17.8* | *16.8.* | *16.8.* |
| **Planning and Delivery** | 16.0 | 16 | 16 | 16 | 16 |
| ***Water*** | *10.5* | *10.5* | *10.5* | *10.5* | *10.5* |
| ***Sewer*** | *5.5* | *5.5* | *5.5* | *5.5* | *5.5* |
| **TOTAL** | **52** | **61** | **63** | **61.5** | **61.4** |

The total labour expenditure is forecast to increase by approximately $6M per annum totalling $23.5M ($2021-22) over the determination period, as detailed in the following table.

*Table 33: Additional labour expenditure $millions ($2021-22 includes on costs) approximate split 48/52 water/sewer *total may not add due to rounding*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 | Total |
|---|---|---|---|---|---|---|---|
| **Headworks and Treatment** | 0.6 | 0.8 | 0.8 | 0.8 | 3.0 | 0.8 | **3.8** |
| ***Water*** | 0.4 | 0.5 | 0.5 | 0.5 | 0.19 | 0.5 | **.24** |
| ***Sewer*** | 0.2 | 0.3 | 0.3 | 0.3 | 0.11 | 0.3 | **.14** |
| **Network Operations and Maintenance** | 1.8 | 3.6 | 3.9 | 3.9 | 13.3 | 3.9 | **26.4** |
| ***Water*** | 0.10 | 1.9 | 2.0 | 2.0 | 6.0 | 2.0 | **8.0** |
| ***Sewer*** | 0.8 | 1.7 | 1.9 | 1.9 | 6.3 | 1.9 | **8.2** |
| **Planning and Delivery** | 1.64 | 1.74 | 1.7 | 1.8 | 6.8 | 1.8 | **8.6** |
| ***Water*** | 0.8 | 0.8 | 0.8 | 0.8 | 0.3 | 0.8 | **0.4** |
| ***Sewer*** | 1.6 | 1.6 | 1.6 | 1.6 | 6.4 | 1.6 | **8.0** |
| **Subtotal (proposed increase)** | **4.1** | **6.2** | **6.6** | **6.6** | **23.5** | **6.6** | **30.1** |
| **2019-20 baseline** | 33.9 | 33.9 | 33.9 | 33.9 | 135.6 | 33.9 | **169.5** |
| ***Water*** | *17.8* | 17.8 | 17.8 | 17.8 | *70.8* | *17.8* | ***88.5*** |
| ***Sewer*** | *16.2* | 16.2 | 16.2 | 16.2 | *64.4* | *16.2* | ***80.5*** |
| **TOTAL** | **38.0** | **40.0** | **41.0** | **41.0** | **160.5** | **40.5** | **201.0** |

### FTE's Stormwater Drainage

The number of staff charged directly to Stormwater Drainage will increase by 20.2 full time employees from 2022-26. This increase is due to the reintroduction of flood planning and stormwater quality management in this Determination.

The additional employees comprise 13.2 existing staff previously funded by either Council's general fund or the Stormwater Management Service charge (in accordance with s496A of the Local Government Act 1993) which was applied in the former Wyong Shire Council local government area but ceased to be levied following amalgamation in 2016. The additional employees also comprise of 7 new full-time employees to deliver a prudent and harmonised level of service to support Council's WSUD and Urban Channel operations.

*Table 34: Stormwater Drainage additional FTE's*

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| **Environmental Management** | **20.2** | **20.2** | **20.2** | **20.2** | **20.2** |
| ***Drainage – Fund Change*** | *13.2* | *13.2* | *13.2* | *13.2* | *13.2* |
| ***Drainage – Step Change*** | *7.0* | *7.0* | *7.0* | *7.0* | *7.0* |
| **Roads and Drainage Infrastructure** | **-** | **-** | **-** | **-** | **-** |
| ***Stormwater Drainage*** | *-* | *-* | *-* | *-* | *-* |
| **TOTAL** | **20.2** | **20.2** | **20.2** | **20.2** | **20.2** |

## 9.4.2 Consultants

### Water and Sewer

Water and Sewer forecast operational expenditure for consultants for the 2022 determination to total $10.8M ($2021-22). Similar to labour, this is to support the transition strategy and changes required to satisfy regulatory obligations and maintain service standards.

There is a need to use Consultants to support the Directorate's:

- STP outfalls and benthic ecology strategy
- STP improvements
- Rebuilding of Quality databases
- Odour septicity corrosion

- Workplace Health and Safety
- Water resilience
- Strategic Planning and Asset improvements

The additional expenditure is detailed in the business cases that support the requested expenditure.

The following table details the requested expenditure as well as the 2019-20 base line for this category.

*Table 35: Forecast consultants' costs $millions ($2021-22) indicative and approx. totals only (indicative spread)*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Headworks and Treatment** | 0.8 | 0.7 | 0.3 | 0.3 | **2.0** | **0.8** |
| **Network Operations and Maintenance** | 0.7 | 0.4 | 0.3 | 0.3 | **1.65** | **0.3** |
| **Planning and Delivery** | 2.1 | 2.1 | 4.3 | 2.5 | **11.0** | **2.5** |
| **Subtotal (proposed increase)** | **3.5** | **3.1** | **4.8** | **2.0** | **13.4** | **2.3** |
| **2019-20 baseline** | 2.4 | 2.4 | 2.4 | 2.4 | 9.6 | 2.4 |
| **TOTAL** | **5.8** | **5.5** | **7.2** | **5.2** | **23.0** | **8.3** |

**Stormwater drainage**

Stormwater Drainage forecast operational expenditure on Consultants for the 2022 determination to total $3.34M ($2021-22). This is to support continued delivery of baseline stormwater drainage service levels and ensure compliance with new dam safety requirements as well as support the reintroduction of flood planning and stormwater quality management.

There is a need to use Consultants to support the following functions:

- Specialist stormwater drainage asset inspections
- Dam safety engineering
- Management of environmental risks present with urban channel maintenance
- Flood studies, plans and mitigation activities

The following table details the forecast expenditure as well as the 2019-20 base line for this category.

*Table 36: Forecast consultants' costs (in $millions) from 2022-23 for Stormwater Drainage (indicative spread)*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Environmental Management** | *0.32* | *0.33* | *0.33* | *0.34* | **1.32** | **0.34** |
| ***Stormwater Drainage - Fund Change*** | *0.16* | *0.16* | *0.16* | *0.17* | **0.65** | **0.17** |
| ***Stormwater Drainage - Step Change*** | *0.16* | *0.17* | *0.17* | *0.17* | **0.68** | **0.17** |
| **Roads and Drainage Infrastructure** | *0.06* | *0.06* | *0.06* | *0.11* | **0.27** | **0.11** |
| ***Stormwater Drainage - Step Change*** | *0.06* | *0.06* | *0.06* | *0.11* | **0.27** | **0.11** |
| **Sub Total (proposed increase)** | **0.38** | **0.39** | **0.39** | **0.40** | **1.59** | **0.40** |
| **2019-20 baseline** | | | | | | |
| ***Stormwater Drainage*** | 0.43 | 0.43 | 0.44 | 0.48 | 1.75 | 0.48 |
| **TOTAL** | **0.81** | **0.82** | **0.83** | **0.88** | **3.34** | **0.88** |

The Environmental Management costs are attributed to existing consultancy costs and service levels which are currently funded by Council's general rates but are proposed to move across to the drainage fund. The consultancy costs are for Flood Warning Systems as well as an allowance for specialist support in relation to operational activities associated with stormwater quality infrastructure and urban channels, particularly considering they are located in sensitive environments. The expenditure is detailed in supporting business cases.

The Roads and Drainage Infrastructure consultant costs are to maintain existing baseline service levels in relation to stormwater drainage. The additional expenditure is required to meet new legislative requirements associated with the management of declared dams. The additional expenditure is detailed in supporting business cases.

## 9.4.3 Hire and Contracts

### Water and Sewer

Water and Sewer forecast operational expenditure for Hire and Contracts for the 2022 determination to total $60M ($2021-22). Similar to labour, this is to support the transition strategy and changes are required to satisfy Council's regulatory obligations and maintain service standards.

There is a need to use Contractors to support:

- Water resilience and community engagement
- Catchment Management
- STP improvements
- Workplace Health and Safety

The additional expenditure is detailed in the business cases that support the requested expenditure.

*Table 37: Hire and Contracts Water and Sewer ($2021-22) (indicative only)*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Headworks and Treatment** | 1.7 | 2.7 | 2.7 | 2.7 | **10.0** | **2.7** |
| **Network Operations and Maintenance** | 1.5 | 2.4 | 2.6 | 2.2 | **8.7** | **1.1** |
| **Planning and Delivery** | 1.9 | 2.0 | 3.0 | 2.9 | **9.8** | **2.9** |
| **Sub total (proposed increase)** | **5.1** | **7.1** | **8.3** | **7.8** | **28.3** | **6.7** |
| **2019-20 baseline** | 8.1 | 8.1 | 8.1 | 8.1 | 32.4 | 8.1 |
| **TOTAL** | **13.2** | **15.2** | **16.4** | **15.9** | **60.7** | **14.8** |

## Stormwater drainage

Stormwater Drainage forecast operational expenditure on Hire and Contracts for the 2022 determination to total $10.11M ($2021-22). This is to support continued delivery of baseline stormwater drainage service levels and address critical asset risks as well as support the reintroduction of flood planning and stormwater quality management. The following table details the forecast expenditure as well as the 2019-20 base line for this category.

*Table 38: Forecast Hire and Contracts' costs ($millions) from 2022-23 for Stormwater Drainage*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Environmental Management** | 0.64 | 0.65 | 0.66 | 0.68 | **2.63** | **0.68** |
| ***Fund Change*** | *0.52* | *0.53* | *0.54* | *0.55* | ***2.12*** | **0.55** |
| ***Step Change*** | *0.12* | *0.12* | *0.13* | *0.13* | ***0.50*** | **0.13** |

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Roads and Drainage Infrastructure** | *0.90* | *0.90* | *0.75* | *0.75* | ***3.30*** | **0.75** |
| ***Stormwater Drainage - Step Change*** | *0.90* | *0.90* | *0.75* | *0.75* | ***0.27*** | **0.75** |
| **Sub Total (proposed increase)** | **1.54** | **1.55** | **1.41** | **1.43** | **5.93** | **1.43** |
| **2019-20 baseline** | | | | | | |
| ***Stormwater Drainage*** | *1.04* | *1.04* | *1.04* | *1.04* | 4.18 | 1.04 |
| **TOTAL** | **2.58** | **2.59** | **2.45** | **2.48** | **10.11** | **2.5** |

The Environmental Management step change will support additional telemetry maintenance costs associated with Council's flood and rainfall monitoring network. A 2019 audit found a number of gauges were not operating. To address this matter, an ongoing maintenance contract for these gauges was negotiated in 2020-21 and will be ongoing. The additional expenditure is detailed in supporting business cases.

The Environmental Management fund changes are predominantly contract costs associated with existing gross pollutant trap (GPT) cleaning services that are delivered via external contractors. It also funds specialised contractors engaged to support the urban channel cleaning program as well as bush regenerators who are required to undertake weed management and riparian restoration as part of this program. These costs are currently funded by Council's general rates but are proposed to move to the drainage fund. The expenditure is detailed in supporting business cases.

The Roads and Drainage Infrastructure contract costs are to maintain existing baseline asset inspection and stormwater drainage maintenance services such as pipe relining and repairs. The additional expenditure is required to expand the inspection and pipe cleaning program to address critical assets. A 2020 review of critical stormwater drainage assets identified some of these assets have not been inspected on record. Critical stormwater drainage assets are identified via multi-criteria consideration of asset size, age and location as well as the consequence of failure. The additional expenditure is detailed in supporting business cases.

### 9.4.4 Materials

### Water and Sewer

Water and Sewer forecast expenditure related to Materials as an increase of $4M over the determination period. This increased expenditure is to support:

- Improved asset maintenance
- Mardi Water Treatment Plant improvements
- Water resilience

The additional expenditure is detailed in the business cases that support the requested expenditure.

*Table 39: Water and Sewer Materials ($2021-22) $millions (indicative only)*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Headworks and Treatment** | 0.21 | 0.21 | 0.67 | 0.67 | 1.75 | 0.67 |
| **Network Operations and Maintenance** | 0.16 | 0.25 | 0.43 | 0.43 | 1.28 | 0.43 |
| **Planning and Delivery** | 0.00 | 0.05 | 0.05 | 0.05 | 0.14 | 0.05 |
| **Subtotal (proposed increase)** | **0.36** | **0.51** | **1.15** | **1.15** | **3.16** | **1.15** |
| **2019/20 baseline** | 9.3 | 9.3 | 9.3 | 9.3 | 37.2 | 9.3 |
| **TOTAL** | **9.7** | **9.8** | **10.4** | **10.4** | **40.4** | **10.4** |

## Stormwater drainage

Stormwater Drainage forecast operational expenditure on Materials for the 2022 determination to total $2.33M ($2021-22). This is to support continued delivery of baseline stormwater drainage service levels and address critical asset risks as well as support the reintroduction of flood planning and stormwater quality management. The following table details the forecast expenditure as well as the 2019-20 base line for this category.

*Table 40: Forecast Materials costs (in $millions) from 2022-23 for Stormwater Drainage*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Environmental Management** | 0.05 | 0.05 | 0.05 | 0.05 | **0.19** | **0.05** |
| ***Fund Change*** | 0.05 | 0.05 | 0.05 | 0.05 | **0.19** | |
| ***Step Change*** | 0 | 0 | 0 | 0 | **0** | |
| **Roads and Drainage Infrastructure** | 0 | 0 | 0 | 0 | **0** | |
| **Sub total (proposed increase)** | **0.05** | **0.05** | **0.05** | **0.05** | **0.19** | **0.05** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2019-20 baseline** | | | | | | |
| ***Stormwater Drainage*** | *0.53* | *0.53* | *0.53* | *0.53* | *2.14* | *0.53* |
| **TOTAL** | **0.58** | **0.58** | **0.58** | **0.58** | **2.33** | 0.60 |

The Environmental Management material costs are based on current costs to deliver stormwater quality operations. These costs are currently funded via Council's general rates but are proposed to move to the drainage fund. Over the five-year period, this allowance amounts to an average of approximately $118 per stormwater quality device per year. The expenditure is detailed in supporting business cases.

The Roads and Drainage Infrastructure material costs are to maintain existing baseline asset inspection and stormwater drainage maintenance services.

### 9.4.5 Energy Water and Sewer

*Table 41: Water and Sewer Energy*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|
| ***Water*** | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| ***Sewer*** | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 |
| **TOTAL** | **9.3** | **9.3** | **9.3** | **9.3** | **9.3** |

- Large market sites:

The electricity budget forecast will sum up 54 large market sites' electricity budget forecasts from Council's Water and Sewer Directorate from FY2022 to FY2026.

The price forecast is based on the current electricity retailer contract signed with ERM.

Each charge component involves electricity usage and rates of usage. To achieve a reasonable budget forecast, both electricity usage and rates of usage are assumed accordingly.

- Small market sites:

The electricity budget forecast will sum up 444 small market sites' electricity budget forecasts from Council's Water and Sewer Directorate from FY2022 to FY2026.

The forecast is based on the current electricity retailer contract signed with ERM.

Each charge component involves electricity usage and rates of usage. To achieve a reasonable budget forecast, both electricity usage and rates of usage are assumed accordingly.

### 9.4.6 Plant and Fleet

#### Water and Sewer

The increase in plant and fleet costs is a result of the increase in FTE's. The increase in expenditure for the period is expected to be $1.14M. This is to support the strategies for:

- Bushfire and Catchment management
- Water and Sewer increased maintenance and inspections

The additional expenditure is detailed in the business cases that support the requested expenditure.

*Table 42: Water and Sewer Plant and Fleet costs ($2021-221) $millions indicative only*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Headworks and Treatment** | 0.11 | 0.11 | 0.13 | 0.11 | 0.46 | 0.11 |
| **Network Operations and Maintenance** | 0.17 | 0.18 | 0.18 | 0.18 | 0.69 | 0.18 |
| **Planning and Delivery** | - | - | - | - | - | |
| ***Water*** | - | - | - | - | - | |
| ***Sewer*** | - | - | - | - | - | |
| **Subtotal (requested increase)** | **0.27** | **0.28** | **0.31** | **0.29** | **1.15** | **0.29** |
| **2019-20 baseline** | 3.90 | 3.90 | 3.90 | 3.90 | 15.60 | 3.90 |
| **TOTAL** | **4.17** | **4.18** | **4.21** | **4.19** | **16.75** | **4.19** |

#### Stormwater drainage

Stormwater Drainage forecast operational expenditure on plant and fleet for the 2022 determination to total $6.99M ($2021-22). This is to support continued delivery of baseline stormwater drainage service levels and address critical asset risks as well as support the reintroduction of flood planning and stormwater quality management. The following table details the forecast expenditure as well as the 2019-20 base line for this category.

*Table 43: Forecast Plant and Fleet costs (in $millions) from 2022-23 for Stormwater Drainage*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| Environmental Management | 0.14 | 0.15 | 0.16 | 0.17 | **0.62** | **0.17** |
| ***Fund Change*** | 0.18 | 0.19 | 0.10 | 0.11 | | **0.11** |
| ***Step Change*** | 0.06 | 0.06 | 0.06 | 0.06 | | **0.06** |
| Roads and Drainage Infrastructure | 0 | 0 | 0 | 0 | **0** | **0** |
| **Subtotal (proposed increase)** | **0.14** | **0.15** | **0.16** | **0.17** | **0.62** | **0.17** |
| 2019-20 baseline | | | | | | |
| ***Stormwater Drainage*** | *1.29* | *1.29* | *1.29* | *1.29* | **5.16** | **1.29** |
| **TOTAL** | **1.33** | **1.40** | **1.45** | **1.46** | **5.64** | **1.4** |

The Environmental Management plant and fleet costs are for existing vehicles allocated to flood planning, stormwater quality and urban channel operations. These costs are currently funded by Council's general rates but are proposed to be moved to the drainage fund. Additional plant and fleet costs have been proposed to facilitate the operation of additional work crews required to provide a harmonised level of service for stormwater quality and urban channel assets.

The Roads and Drainage Infrastructure plant and fleet costs are to maintain existing baseline asset inspection and stormwater drainage maintenance services.

### 9.4.7 Other

## Water and Sewer

The "other' category is expected to increase by approximately $6M due to anticipated increase in sludge from Council's proposed STP improvements program over 2022 determination period.

The additional expenditure is detailed in the business cases that support the requested expenditure.

*Table 44: Water and Sewer Other ($2021-22) $millions (indicative only)*

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Headworks and Treatment** | 0.77 | 1.00 | 1.45 | 1.25 | 4.47 | 1.12 |
| **Network Operations and Maintenance** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Planning and Delivery** | 0.05 | 0.09 | 0.09 | 0.09 | 0.32 | 0.12 |
| **Sub total** | 0.82 | 1.09 | 1.54 | 1.34 | 4.79 | 1.24 |
| **2019-20 baseline** | 5.50 | 5.50 | 5.50 | 5.50 | 22.00 | 5.50 |
| **TOTAL** | **6.32** | **6.59** | **7.04** | **6.84** | **26.79** | **6.74** |

## Stormwater drainage

Stormwater Drainage forecast operational expenditure on other expenses for the 2022 determination to total $13.8M ($2021-22). This is to support continued delivery of baseline stormwater drainage service levels and address critical asset risks as well as support the reintroduction of flood planning and stormwater quality management. The following table details the forecast expenditure as well as the 2019-20 base line for this category.

*Table 45: Forecast Other costs (in $millions) from 2022-23 for Stormwater Drainage*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Environmental Management** | 0.46 | 0.47 | 0.48 | 0.49 | **1.90** | 0.49 |
| ***Fund Change*** | 0.42 | 0.43 | 0.44 | 0.45 | 1.73 | 0.45 |
| ***Step Change*** | 0.04 | 0.04 | 0.04 | 0.04 | 0.16 | 0.04 |
| **Roads and Drainage Infrastructure** | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 0.00 |
| **Subtotal (proposed increase)** | **0.46** | **0.47** | **0.48** | **0.49** | **1.90** | **0.49** |
| **2019-20 baseline** | | | | | | |
| ***Stormwater Drainage*** | *2.97* | *2.97* | *2.97* | *2.97* | ***11.9*** | ***2.97*** |
| **TOTAL** | **3.43** | **3.44** | **3.45** | **3.46** | **13.8** | **3.46** |

The majority of the Environmental Management Other costs are to maintain existing service levels for stormwater quality and urban channel operations. These services are currently funded via Council's general rates but are proposed to move to the drainage fund.  The major factor in this category is tipping costs associated with pollutants

removed from these assets. An additional allowance of approx. $40K per annum has also been proposed to support consistent servicing regimes for these assets. The allowance is considered prudent, but conservative.

The Roads and Drainage Infrastructure material costs are to maintain existing baseline stormwater drainage maintenance services. Similar to Environmental Management, the major factor in this category is tipping fees associated with materials cleared from drainage pipes, culverts and table drains.

### 9.4.8 Corporate overheads

The forecast for corporate overheads below is based on the new organisational structure and operational expenditure caps including reduction in staff costs and materials and contracts:

*Table 46: Water and Sewer corporate overheads $millions ($2021-22)*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Water** | 10.8 | 10.8 | 10.8 | 10.8 | 43.1 | 10.8 |
| **Sewer** | 10.2 | 10.2 | 10.2 | 10.2 | 41.0 | 10.2 |
| **TOTAL** | **21.0** | **21.0** | **21.0** | **21.0** | **84.1** | **21.0** |

*Table 47: Stormwater drainage $millions (2021-22)*

| $M | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2022-26 | 2026-27 |
|---|---|---|---|---|---|---|
| **Stormwater Drainage** | 4.0 | 4.0 | 4.0 | 4.0 | 16.0 | 4.0 |

# 10 Council's water, sewer and stormwater drainage budgeting process

## 10.1 Forecast methodology

Management of the budgeting process commenced in September 2020, where budget owners were requested to develop forward budgets and develop detailed business cases for the requested expenditure. All requested expenditure had to be non-discretionary, pass a prudency and efficiency test and align to an IPART driver.

IPART regulatory drivers: (requirement, law, standard etc)

- IPART drivers
- Mandatory standards (by law – legislation)
- Health
- Safety
- Compliance
- Environmental
- Growth
- Asset reliability

### 10.1.1 Allocation of operating costs to activities

The general ledger is set up with three funds - water, sewer and stormwater drainage. The general ledger captures both regulated and unregulated expenditure against each fund. The funds are further broken down to Unit and Section and costs are captured via work orders with defined activities (activity-based costing) or Project numbers. These are used when ordering materials, working on a civil asset or ordering plant and fleet (as an example).

The allocation of the forecast expenditure was allocated to these funds and cost categories to understand impacts to the 2019-20 base operational expenditure.

### 10.1.2 Budget process and internal governance

When forecasting the operational expenditure for the 2022 determination, an iterative process was adopted, where each unit was required to:

- Review current expenditure in relation to service delivery
- Identify risks and asset failures in relation to licence conditions and service levels

- Understand expected pollution reduction programs

Each Unit was then required to evaluate the additional expenditure in relation to the IPART regulatory drivers. The additional expenditure was reviewed by a governing committee (Unit Managers for each Section) to prioritise the requested expenditure and where required, additional information was requested. Each Section Manager was then required to present the request to the Director, and the panel, to assess prudency and efficiency.

### 10.1.3 Key expenditure assumptions

When setting the forecast operational expenditure, the key assumptions underpinning the forecasts are:

- There will be no further change to the regulatory environment and standards
- The current retail contract for the purchase of energy expires in 2021
- The current forecast takes the 2021 contracted price as a price indication for 2022 to 2026 (Currently this is reasonable considering current electricity market movements. The PPA tenders after September and will not be available at the time of this submission)
- Operating expenditure has been forecast with reference to Asset performance, Asset assessment capital expenditure impacts and risks
- Connection forecasts
- Demand and volume of wastewater
- What are Council's operational plans
- Average weather conditions assumed
- Increase in inflation in relation to cost of goods and
- Wage increases

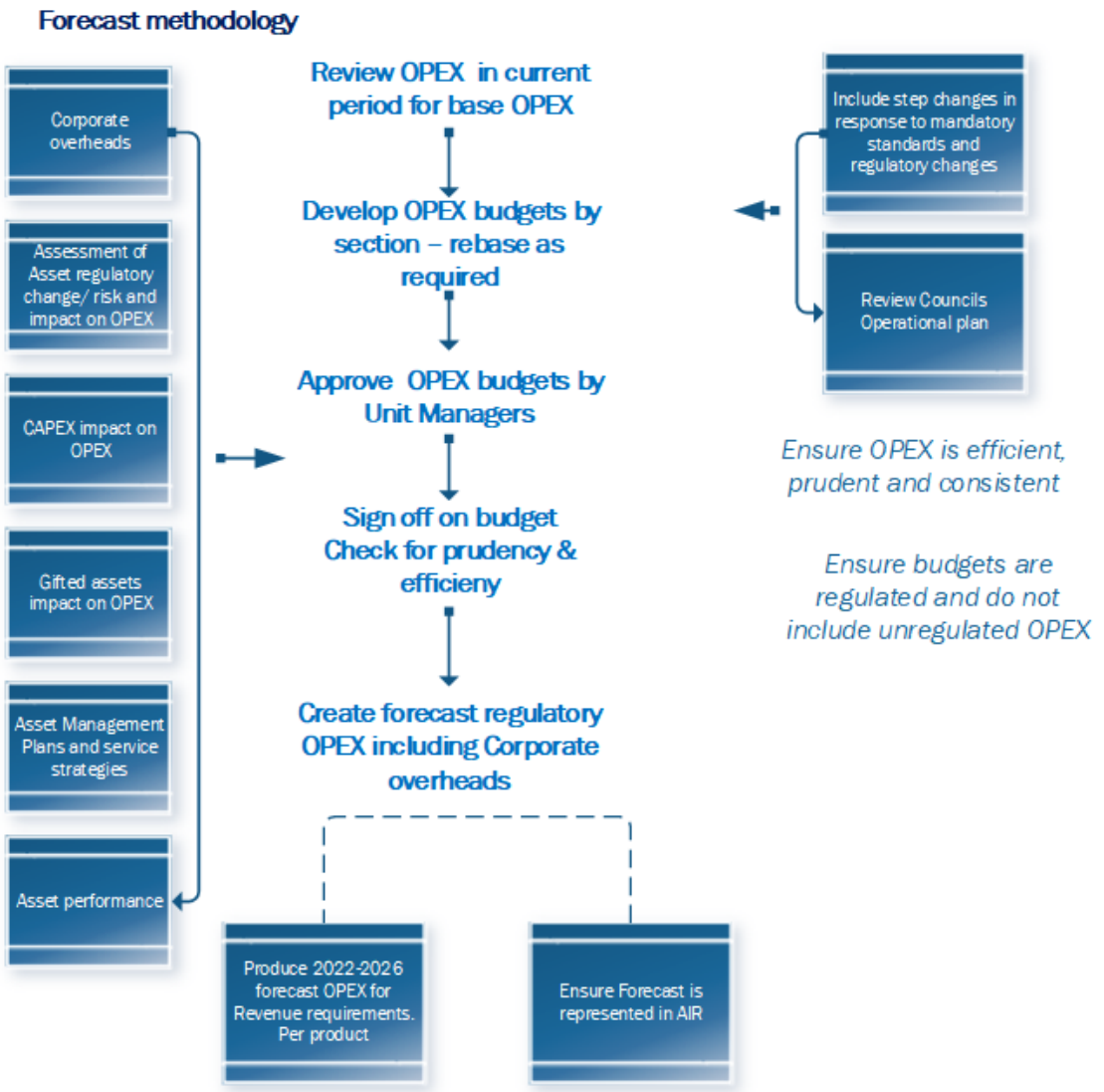


*Figure 29: Forecast Methodology*

# 11 Abbreviations

| | |
|---|---|
| CAPEX | Capital Expenditure |
| ELE | Employee Leave Entitlements |
| ESMS | Electrical Services Management System |
| FAR | Fixed Asset Register |
| FTE | Full Time Employees |
| HMI | Human Machine Interface |
| HWC | Hunter Water Corporation |
| IWA | International Water Association |
| LGA | Local Government Area |
| LRMC | Long Run Marginal Cost |
| LTI | Long Term Injuries |
| NPR | National Performance Reporting |
| OPEX | Operational Expenditure |
| RAB | Regulated Asset Base |
| SCADA | Supervisory Control and Data Acquisition |
| TAR | Technical Asset Register |
| WACC | Weighted Average Cost of Capital |

# 12 References


- Atkins Cardno, Review of Central Coast Council's Expenditure, March 2019
- Bureau of Meteorology 2021, National performance report 2019–20: urban water utilities, part A, Bureau of Meteorology, Melbourne
- Hunter Water Corporation Annual Reports
- IPART Review of Central Coast Council's water, sewerage and stormwater prices to apply from 1 July 2019, May 2019
- Sydney Water Corporation Annual Reports

# 13 Appendix A

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **25.10000** | **25. WASTE AND RECYCLING** | | | | | | |
| **25.10001** | **Landfill Waste Disposal Tip Fees**<br>**Landfill charges include components to cover Council's liability for the NSW State Government Environment Protection Authority (EPA) Waste Levy of $143.60 plus GST where applicable** | | | | | | |
| 25.10002 | **Mixed Waste**<br>Including: General waste, food, building and demolition waste, commercial recyclables, tiles, bricks and car tyres without rims (maximum 5). FOOD WASTE NOT ACCEPTED AT KINCUMBER | Per tonne | 2 | $179.13 | $143.60 | $32.27 | $355.00 | NSW Environment Protection Authority |
| 25.10003 | Minimum charge for Mixed Waste | Per load | 2 | $11.61 | $9.30 | $2.09 | $23.00 | NSW Environment Protection Authority |
| 25.10004 | **Bricks, Roof Tiles, Pavers and Concrete**<br>- must not contain other contaminants<br>- required to meet operational requirements | Per tonne | 2 | $24.58 | $143.60 | $16.82 | $185.00 | NSW Environment Protection Authority |
| 25.10005 | Minimum charge for Bricks, Roof Tiles, Pavers and Concrete | Per load | 2 | $3.06 | $17.85 | $2.09 | $23.00 | NSW Environment Protection Authority |
| 25.10006 | Virgin Excavated Natural Material (VENM) and Excavated Natural Material (ENM)<br>- Does not include rocks, gravel, wet silty or sandy loam, tree roots or vegetation, or any other contamination<br>- required to meet operational requirements<br>VENM AND ENM NOT ACCEPTED AT KINCUMBER | Per tonne | 2 | $24.58 | $143.60 | $16.82 | $185.00 | NSW Environment Protection Authority |
| **25.10007** | **Organic Waste** | | | | | | | |
| 25.10008 | **Organic Materials**<br>Including trees, garden vegetation, untreated timber and shredded green waste. Excluding tree stumps and trunks greater than 1 metre measured at the widest point and treated timber | Per tonne | 2 | $139.09 | - | $13.91 | $153.00 | |
| 25.10009 | Minimum Charge for Organic Materials | Per load | 2 | $10.91 | - | $1.09 | $12.00 | |
| **25.10010** | **Recyclables** | | | | | | | |
| 25.10011 | **Recyclable Household Items**<br>Including aluminium cans and foil, car and marine batteries, car bodies (not LPG), whitegoods, metals, cardboard under 200kg, computers and TVs (undamaged), glass bottles and jars (NO FLAT GLASS), HDPE plastic milk bottles, milk and fruit juice cardboard cartons, PET plastic bottles, tin and steel aerosol cans, household batteries, motor oil (maximum 20ltrs), fluorescent lights (maximum 12) | Per tonne | 5 | No charge | - | $0.00 | No charge | |
| 25.10012 | Cardboard loads over 200kg | Per tonne | 2 | $123.64 | - | $12.36 | $136.00 | |
| 25.10013 | E-waste (1 to 15 items per customer per day) | Per item | 2 | No charge | - | $0.00 | No charge | |
| 25.10014 | **Scrap Metal**<br>Includes ferrous and non-ferrous metals and car tyres with rims (maximum 5) | Per item | 2 | No charge | - | $0.00 | No charge | |
| **25.10015** | **Other waste** | | | | | | | |
| 25.10016 | **Special Waste**<br>Special Waste which requires additional handling, including asbestos (see website for details), security and customs, tree stumps > 1m3, animals (must be wrapped in plastic), food, bulky and dusty waste. Large commercial quantities (> 10m3) to Buttonderry Waste Management Facility only.<br>SPECIAL WASTE NOT ACCEPTED AT KINCUMBER | Per tonne | 2 | $286.40 | $143.60 | $43.00 | $473.00 | NSW Environment Protection Authority |
| 25.10017 | Minimum charge for Special Waste | Per load | 2 | $18.77 | $9.41 | $2.82 | $31.00 | NSW Environment Protection Authority |
| 25.10018 | **Mattress Surcharge**<br>Charged in addition to the Mixed Waste fee | Per item | 2 | $23.64 | - | $2.36 | $26.00 | |
| 25.10019 | **Gas Bottle (maximum 9kg) and Fire Extinguisher Surcharge**<br>Charged in addition to the Mixed Waste fee | Per item | 2 | $5.45 | - | $0.55 | $6.00 | |
| 25.10020 | **Large Tonnages Waste Disposal** for large commercial entities disposing of large commercial tonnages may be determined through contract negotiation, including with reduced rates based on volume | Per tonne | 2 | 10/11 of fee charged | - | 1/11 of fee charged | By Contract Negotiation | |
| 25.10021 | **Charities with Environment Protection Authority (EPA) Exemption**<br>CHARITY EXEMPTION NOT ACCEPTED AT KINCUMBER<br>Minimum charge $16.00 | Per tonne | 5 | $33.64 | - | $3.36 | $37.00 | |
| 25.10022 | **Security Bond**<br>Applicable to all account holders (refundable when accounts are closed and all outstanding debt paid in full) | Per account holder | 4 | By Contract Negotiation | - | $0.00 | By Contract Negotiation | |
| **25.10023** | **Other waste management services** | | | | | | | |
| 25.10024 | Provision of **240 litre Special Event Waste Bin** | Per bin per day | 3 | $20.56 | $19.44 | $4.00 | $44.00 | NSW Environment Protection Authority |
| 25.10025 | Provision of **240 litre Special Event Recycling Bin** | Per bin per day | 3 | $33.64 | - | $3.36 | $37.00 | |
| 25.10026 | Provision of **Commercial Litter Bin - The Entrance Town Centre** | Per bin per service | 3 | $7.27 | - | $0.73 | $8.00 | |
| 25.10027 | **Collection of Waste**<br>Collection of waste (dumped waste or kerbside waste where the number of allocated kerbside collections are exceeded or for properties that are not entitled to kerbside collections). Waste type must be in accordance with legal and contractual guidelines and collection is at request. | Per cubic metre | 3 | $73.64 | - | $7.36 | $81.00 | |
| 25.10028 | **Bulk Bin Configurations**<br>Modifications to standard bulk bins. For example 'Lids within Lids' | Per application | 4 | 10/11 of fee charged | - | 1/11 of fee charged | By quote | |

# 14 Appendix B

Full time equivalent (FTE) and head count from 2018-19 to 2020-21 as at 30 June for each financial year.

FTE reflects the number of positions based on full-time hours of the position. For a 38 hour per week position if the position is for 38 hours then the position is 1.0 FTE. If the position hours is set to 19 hours then the FTE is 0.5 FTE.

Head count refers to the number of people who fill a position. Where there is 1 person filling a role then the head count for the role is 1. If the position is job shared between 2 people then the head count for the position is 2.

| Actual Full Time Equivalent (FTE) | Employee | Contingent Worker | 2018-19 Actual FTE | Opex FTE | Capex FTE |
|---|---|---|---|---|---|
| Water & Sewer Funds | 278.27 | 39.00 | 317.27 | 284.96 | 32.31 |
| Drainage Fund | 4.00 | | 4.00 | 4.00 | |
| **Total** | **282.27** | **39.00** | **321.27** | **288.96** | **32.31** |
| **Actual Head Count** | **Employee** | **Contingent Worker** | **2018-19 Actual Head Count** | **Opex Head Count** | **Capex Head Count** |
| Water & Sewer Funds | 282.00 | 39.00 | 321.00 | 287.89 | 33.11 |
| Drainage Fund | 4.00 | | 4.00 | 4.00 | |
| **Total** | **286.00** | **39.00** | **325.00** | **291.89** | **33.11** |

| Actual Full Time Equivalent (FTE) | Employee | Contingent Worker | 2019-20 Actual FTE | Opex FTE | Capex FTE |
|---|---|---|---|---|---|
| Water & Sewer Funds | 307.29 | 17.00 | 324.29 | 284.99 | 39.30 |
| Drainage Fund | 5.00 | | 5.00 | 5.00 | |
| **Total** | **312.29** | **17.00** | **329.29** | **289.99** | **39.30** |
| **Actual Head Count** | **Employee** | **Contingent Worker** | **2019-20 Actual Head Count** | **Opex Head Count** | **Capex Head Count** |
| Water & Sewer Funds | 310.00 | 18.00 | 328.00 | 288.53 | 39.47 |
| Drainage Fund | 5.00 | | 5.00 | 5.00 | |
| **Total** | **315.00** | **18.00** | **333.00** | **293.53** | **39.47** |

| Actual Full Time Equivalent (FTE) | 2020-21 Employee | Contingent Worker | Actual FTE | Opex FTE | Capex FTE |
|---|---|---|---|---|---|
| Water & Sewer Funds | 253.49 | 8.00 | 261.49 | 236.85 | 24.64 |
| Drainage Fund | 5.00 | | 5.00 | 5.00 | |
| **Total** | **258.49** | **8.00** | **266.49** | **241.85** | **24.64** |
| **Actual Head Count** | **2020-21 Employee** | **Contingent Worker** | **Actual Head Count** | **Opex Head Count** | **Capex Head Count** |
| Water & Sewer Funds | 258.00 | 8.00 | 266.00 | 241.16 | 24.84 |
| Drainage Fund | 5.00 | | 5.00 | 5.00 | |
| **Total** | **263.00** | **8.00** | **271.00** | **246.16** | **24.84** |

| Actual Full Time Equivalent (FTE) | Movement in Resources 2018-19 to 2019-20 FTE | 2018-19 to 2019-20 % | 2018-19 to 2019-20 FTE | 2018-19 to 2019-20 % |
|---|---|---|---|---|
| Water & Sewer Funds | 7.02 | 2.2% | - 62.80 | -19.4% |
| Drainage Fund | 1.00 | 25.0% | - | 0.0% |
| **Total** | **8.02** | **2.5%** | **- 62.80** | **-19.1%** |
| **Actual Head Count** | **Movement in Resources 2018-19 to 2019-20 FTE** | **2018-19 to 2019-20 %** | **2018-19 to 2019-20 FTE** | **2018-19 to 2019-20 %** |
| Water & Sewer Funds | 7.00 | 2.2% | - 62.00 | -18.9% |
| Drainage Fund | 1.00 | 25.0% | - | 0.0% |
| **Total** | **8.00** | **2.5%** | **- 62.00** | **-18.6%** |