

When the Central Coast Council asked for community feedback on the proposed 15% special rate variation, I took the opportunity to complete the Council's online survey. In formulating my opinion to enable me to complete the survey I reflected upon the letter sent to each rate payer, attended Council meetings chaired by the Administrator Mr Dick Perrson and analysed the Administrator's 30 day interim report dated 2 December 2020.

Based upon the information publicly available at the time I completed the survey indicating that I supported the 15% increase.

I only reached this position after I was informed by the Administrators 30 day interim report which states:

"... Managing the Council's financial position is the number one responsibility of the CEO. ...

Many councillors claim they were unaware of the extend of the problem ...

Claims [by the Councillors] that the CEO and CFO would not provide them certain financial information may well be true, but Council has the power to get whatever information it requested. Their failure to either understand this, or understand how to do this, represents a failure of one of their fundamental functions under the Local Government Act."

My interpretation of the statements presented by the Administrator is because the CEO and the Councillors were at some degree of fault and as we the ratepayers who elect our Councillors need to take responsible for their action or lack of action. Consequently, I supported the 15% rate variation increase.

However, since completing the Council survey I have had the opportunity to access new information.

That new information includes:

- Administrator's 3 Month Progress Report dated 3 February 2021
- Attending the Council meeting where the Administrator publically released the 3 Month Progress Report
- LG Solutions – newsletter to members Issue Number 2020/10 dated November 2020) (NB. Although the newsletter is dated November 2020, I did not have access to this document until after I had completed the Council online survey)
- The Point Social and Environmental Justice News article, The Point gets a mention in the NSW Parliament" [REDACTED]
- Securing your future with a rate rise – Consultation Report Central Coast Council 4 February 2021
- Central Coast Community News Issue 280 -dated 19 February 2021, articles on 'Sacked CEO sets the record straight' on pages 1, 12 and 13

- Coast Community Pelican Post Issue 008 dated 25 February 2021, article on "Council concedes Peninsular rates could rise by 42 per cent' page 1
- NSW Office of Local Government – Guidelines for the preparation of an application for a special variation to general income

Based upon the new information I have now formed a different opinion and strongly withdraw my support for the 15% increase and express in the strongest terms possible that IPART should not agree to the 15% increase.

This change of position is based upon the following. First an extract from the LG Solutions report states:

"Is it possible that the elected Council at Central Coast took a level of comfort in their financial position as at 30/6/19 (and therefore in their YE 19/20 budget) based on the levels of internally restricted and unrestricted cash & investments that were reported in the YE 18/19 audited financial statements? (ref LG Solution No 2020/10 page 23)"

The above extract identifies that Councillors received reports that would not have raised any alarm bells it appears that Councillors were not at fault to the degree suggested by the Administrator.

Secondly, an extract from The Point states

"According to LG Solutions, this problem did not suddenly occur in 2020. They looked at three years of post-amalgamation audited reports and the problem was across all three years, getting bigger every year. LG Solutions checked other councils' reports to convince themselves the anomaly was not widespread. It was not. The LG report goes on to say:

On the face of it ... Central Coast's audited financial statements for YE 18/19 suggests nothing untoward: a net operating surplus result for the year of 62,397K (a stable result when compared to the previous year's \$66,214,000 figure); a net operating deficit result before capital income of - \$5,126,000 (which while a disappointing result was a 75% improvement on the previous years). In terms of rankings ... there were 21 Councils who reported worse deficits before capital ... Capex cash outflows of \$169 million (at an average of \$170m pa over the 4 years since merger compared to an \$144m pa pre-merger); no new debt since the start of the merger; and the repayment of \$100 million in loan liabilities over the same period. The Council had \$478 million dollars in cash and investments on June 30, 2018 (with an average annual balance of \$418 million over the 4 years of merger).

The council's performance ratios were close to or exceeding the industry benchmarks.

In addition, an extract from the Central Coast Newsletter issue 280 dated 19 February 2021 on page 13 states:

Audited financial statements in 16/17 had a \$38 million error; Audited financial statements in 17/18 had a \$89 million error; and Audited financial statements in 18/19 had a \$129 million error."

Reflecting upon both these statements it is evident that both the CEO and Councillors, were not in receipt of information to raise alarm bells. As both the CEO and Councillors were not provided accurate information, I now question how the Administrator formed the opinion that both the CEO and Councillors were at fault. Furthermore, I note within the newspaper article that the identification that there was a problem within Council's financial management only originated by the enquiry instigated by the CEO.

If the CEO had not instigated the financial enquiry the situation would have remained hidden.

As the Councillors and the CEO were not 100% the cause of the financial crisis the question arises who was at fault and why should I as a ratepayer be held responsible for the full financial crisis?

On page 34, of Securing your future with a rate rise – Consultation Report prepared by the Central Coast Council dated 4 February 2021, addresses this argument stating:

"Council's current financial situation is due to spending more money than we had coming in, both before and after amalgamation. Money was not lost, rather, it was spent on infrastructure and services that directly benefited the community. "

In layperson's terms as money was not lost but spent on infrastructure and services that directly benefited the community then the community has to cover the expenditure. What concerns me with this argument is that the Council was spending more money both before and after amalgamation.

The question arises which Council was overspending before the amalgamation? Before IPART agrees to the requested rate variation increase I believe IPART should answer this question.

The reason I believe this question needs to be answered is because if the financial controls in the former Gosford City Council or the former Wyong Shire Council become the financial control of the new Central Coast Council it means that ratepayers in either the former Gosford or former Wyong have received additional infrastructure and services. If the additional infrastructure and services were supplied in Gosford than a higher rate variation in my opinion should be applied relative to

Wyong. Alternatively, if the additional infrastructure and services were supplied in Wyong than a higher rate variation in my opinion should be applied relative to Gosford.

In other words whichever former local government area received the additional infrastructure and services then that ratepayer base should proportionally cover the rate variation increase.

### **Comments on criterion 1**

It is acknowledged that Council faces a critical financial crisis and that there is a need to raise additional rates to cover the overexpenditure. However, I do not agree that the IP&P documents have clearly articulated who should pay.

As stated in the general comments, if a fault in the financial control originated in one of the former Gosford or Wyong Councils which ever received the additional infrastructure and services should be responsible.

Plus, if the financial control oversight by the Minister of Local Government in accepting audited reports did not identify a financial mismanagement the question arises how can the ratepayers be held responsible if the government did not rectify the financial mismanagement earlier? This question becomes even more relevant given the fact that the government appointed an Administrator to ensure the amalgamated took place to achieve the outcome of reducing cost of running local government.

The above two aspects in my opinion have not been explored in the IP & P documents.

### **Comments on criterion 2**

Although Council has communicated a need for the increase I do not agree that Council has effectively communicated why the ratepayer should be responsible for the full financial crisis when the CEO and Councillors were not in receipt of accurate information

Audited financial statements in 16/17 had a \$38 million error; Audited financial statements in 17/18 had a \$89 million error; and Audited financial statements in 18/19 had a \$129 million error.

If the audited financial statements were accepted by the Minister for Local Government who is charged with overseeing the Administration of Local Government in NSW why wasn't the financial mismanagement picked up in the financial year of 16/17?

### **Comments on criterion 3**

In my opinion the Central Coast Council has critically failed to meet criteria 3. Criteria 3 places the responsibility upon the Council to clearly show the impact of any rate rises upon the community and establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

On page 37, of Securing your future with a rate rise – Consultation Report prepared by the Central Coast Council dated 4 February 2021 in response to the community concern regarding the different rates across the former Wyong and Gosford LGAs it states:

"Since the merger Council has been required to maintain two rating systems. This was due to a four-year rate freeze imposed by the NSW Government. This meant that Council could not adjust rates beyond the rate peg in the first four years after amalgamation. Under current legislation Council must maintain one consistent rating structure to ensure a fairer and more equitable system across all rating categories within the Central Coast Local Government Area. This will be a separate process to the SV and will also take effect from 1 July 2021 and will only affect general rates. "

What the published information presented by Council fails to clearly show to the community which was published in the Coast Community News is that as a result of the 15 % increase as a residential ratepayer in the former Gosford LGA, I will be paying a 42% increase on average after the 1 July 2021.

In respect to the question do I have the capacity to pay a 42% increase as a self-funded retiree on a fixed income the answer is no.