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Date of submission: Monday, 25 October 2021

Your submission for this review:

I am in full support of the submission by Kevin Brooks (please see attached document)

# **Throwing Good Money After Bad**



**Central Coast Council Water Determination 2021/22**

**IPART Submission by Kevin Brooks**

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# 1 An Extraction of Economic Rent

***“There is far more danger in public than in private monopoly, for when Government goes into business it can always shift its losses to the taxpayers.”***

Thomas Edison

- 1.1 Central Coast Council’s proposal for a 34% water rate hike, coming on top of a 42% increase in general rates in Gosford this year, represents an extraction of economic rent by a monopoly service provider on a grotesque scale. IPART exists to protect customers from monopoly pricing.
- 1.2 The Council’s proposal does not deserve to be taken seriously and is almost certainly an exaggerated bid designed to secure a large but less outrageous increase.
- 1.3 Council expects IPART to pare back its bid, so starting with an inflated number like 34% is just a negotiating tactic. Council also hopes to manage community expectations by starting off with an alarmist number in the hope that anything lower will generate relief rather than anger within the community.
- 1.4 IPART should call Council’s bluff and confine any increase to rate peg. This Council has shown it cannot be trusted with extra money. It overspent against the previous IPART determination. This over-spending did not lead to any service improvements. Instead, the money was wasted within an inefficient and ineffective bureaucracy.
- 1.5 Council should focus on improving its woeful productivity and efficiency, and reducing waste and the costs of bureaucracy. This will liberate internal funds for front line service improvements. Until then, trust will remain low, and the community will remain reluctant to throw more good money after bad.
- 1.6 It is also unfair that these massive rate hikes should be imposed by an unaccountable bureaucracy on a community that has no elected Councillors and democratic voice – in defiance of the Enlightenment principle that there should be *“no taxation without representation.”*

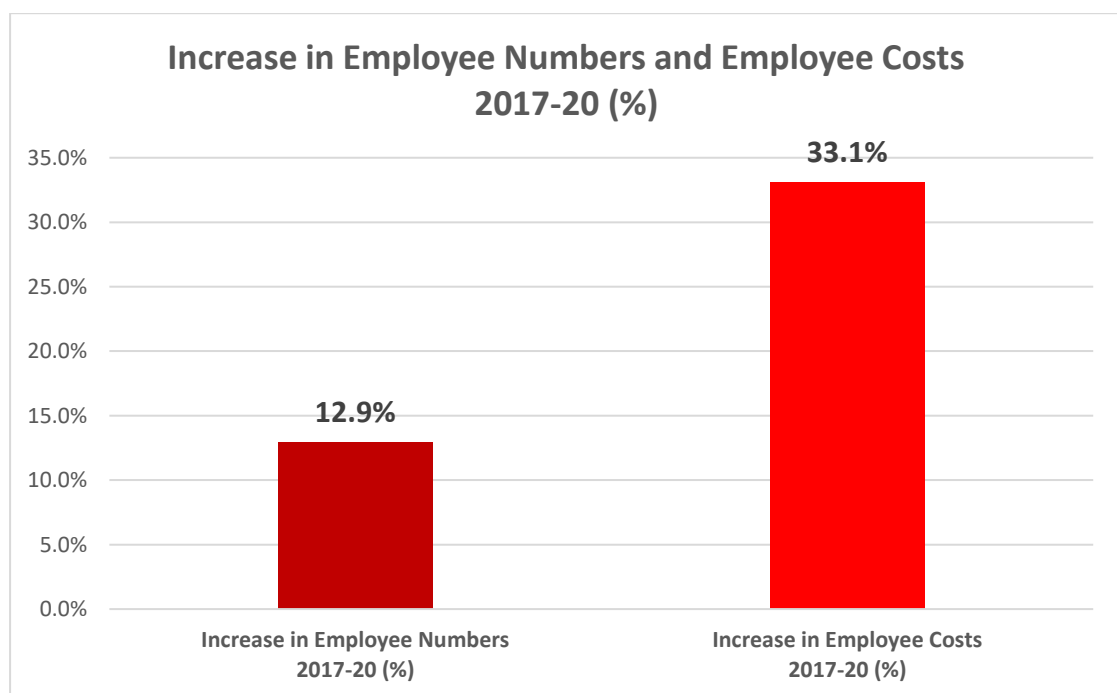
## 2 Where Did All the Money Go?

***“Between 2019-20 and 2020-21...(Council) spent 20% more on operating costs.... than what we had forecast.”***

IPART Issues Paper page 12.

2.1 IPART states in its *Issues Paper* that *“In 2019/20 the Council made a large financial loss on the water business...”* The same *Issues Paper* also states: *“Between 2019-20 and 2020-21, the first two years after we set prices for the Council, it spent 20% more on operating costs and 1% more in capital costs than what we had forecast.”*

2.2 This extra spending was swallowed up in managerial salaries and perks as shown below.



**Picture 1**

**Source: The Interim Administrator's 30 day report**

2.3 It is clear from the above numbers, taken from the Interim Administrator's 30 day report, that the extra spending benefitted the Council bureaucracy not the community.

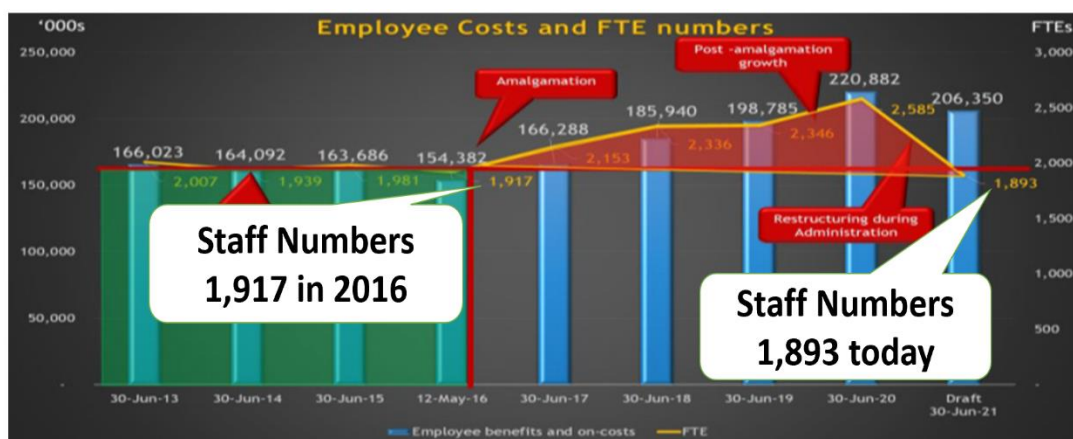
- 2.4 Employee numbers rose 12.9% between 2017 and 2020. **But what is truly shocking is that employee costs over the same period rose 33.1%.**
- 2.5 This means employee costs rose two and a half times faster than employee numbers – which means salaries and other perks were rising well beyond annual public sector awards which are typically 2-3%.
- 2.6 Normally, if employee numbers rise 12.9% you might expect employee costs to rise by a similar percentage plus a bit extra for annual award increases. So, for employee costs to rise two and a half times faster than employee numbers shows the extent of above award pay increases, more expensive Executive contracts, and other perks in this period.
- 2.7 Some of this was done under the guise of “pay harmonization” post Council merger. This effectively means managers being pushed up the pay scale following individual job re-evaluations to reflect merged organization charts. There is no reason this should have happened on the scale that it did. It was an uncontrolled nose in trough money grab.
- 2.8 As a result of these pay hikes, the managerial structure for new Council (including a whole new category of “section manager” is as follows):
- Chief Executive Officer – over \$500,000
  - Executive Directors - \$300,000 - \$400,000
  - Unit Managers - \$200,000 - \$300,000
  - Section Managers - \$100,000 - \$200,000.
- ██████████ ██████████ confirmed the above on local radio as correct ballpark figures but declined to answer the current average salary of each of those managerial grades and how they compared with the average salaries of the same managerial grades pre-merger.
- 2.9 Salaries, however, are only one part of “employee costs.” The above blow out in salaries was accompanied by a large increase in other benefits, cars, office fit outs, and Executive and Personal Assistants, etc.. Under current Council policies, a manager can drive their whole family to Cairns and back for a holiday and the ratepayer will pay for their petrol.
- 2.10 Whilst Council has reduced employee numbers in the past year in response to the financial crisis (whilst also cutting services), higher salaries for those still employed remain in the budget base and therefore continue to drive deficits and rate demands. This is a large part of what is driving Council’s bid for a 34% water rate increase.
- 2.11 Why should customers of a monopoly service provider with no choice of alternative service provision, nor any longer any democratic representation, fund the excesses of an unaccountable bureaucracy?

### 3 Council Productivity Lower than Five Years Ago

***“Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per employee.”***

Paul Krugman, Professor of Economics and International Affairs Emeritus at Princeton University and Centennial Professor London School of Economics

- 3.1 In the real world, salary increases are earned by higher productivity. Indeed, most organisations seek to improve productivity and efficiency year on year.
- 3.2 Unfortunately, the evidence suggests CCC's productivity, far from increasing year on year, is lower than five years ago - which is one of the main reasons it can only balance the books through rate hikes. This is despite the opportunities presented by amalgamation to liberate merger savings by merging back office functions and other economies of scale.




Picture 2

Source: Central Coast Council Draft Financial Statements June 2021

- 3.3 Council produced the above chart to demonstrate that it has now reduced its employee numbers back to 2016 levels after a massive blow out between 2016 and 2020.

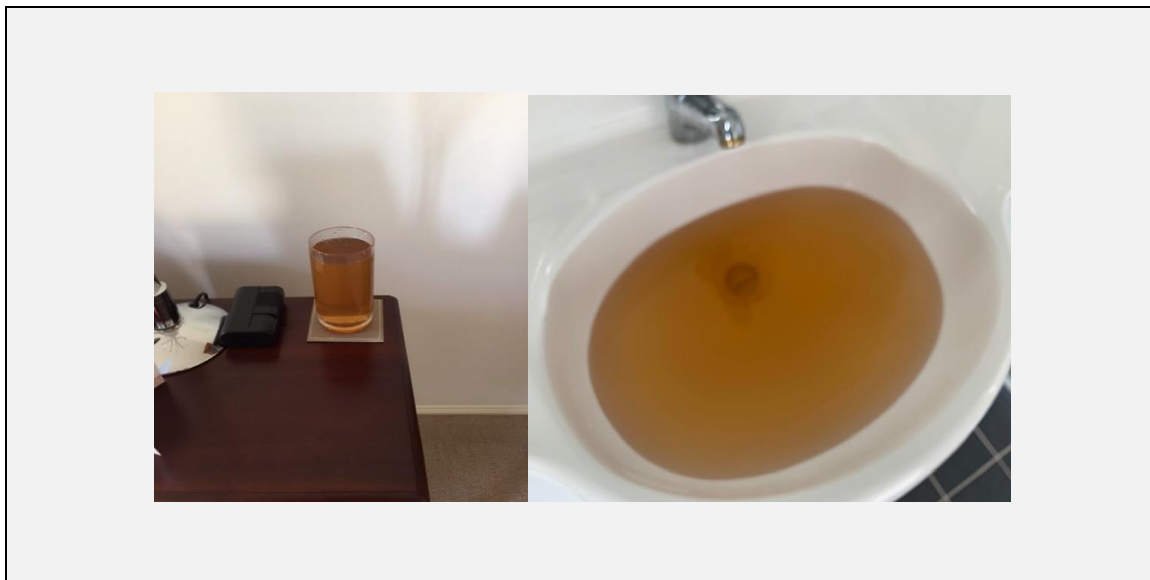
██████████ has changed the measure of FTE from that used by his predecessor ██████████ so he can include 337 vacant posts in this claimed reduction (██████████ used staff in post), so there is a bit of statistical 'smoke and mirrors' in ██████████ claim. Nevertheless, to avoid a debate on statistics, let us accept ██████████ claim

that employee numbers are now back to 2016 levels and consider what this means for productivity.

- 3.4  chart above shows current staffing of 1,893 compared with 1,917 that existed in June 2016 – albeit employee costs are still higher due to salary increases highlighted in the previous section remaining in the budget base.
- 3.5 The real significance of the employee numbers in graph 2, however, is that they suggest Council productivity (output per employee) has fallen since the merger. The performance and customer satisfaction with respect to the water and sewerage function has declined over the Determination period (see next section). And Council has recently announced extensive further service cuts. So, Council is providing less despite having about the same number of staff as before the merger. This means that by definition productivity (output per employee) has fallen.
- 3.6 Over 50 individual service cuts were announced at the Council meeting of 23 March alone – including a reduction in on going flushing activities to reduce instances of dirty brown water. Why is Council doing less despite having the same staff as five years ago?
- 3.7 The Council's 112 page "Pricing Proposal" to IPART makes only one reference to "productivity." The document claims *"This workforce has made significant productivity improvements."* The only evidence to support this assertion is a statement that staff numbers have significantly reduced since 2020. This is blatant statistical cherry-picking – comparing current staff numbers with 2020 hides the bigger picture shown in picture 2 above that these reductions – forced on Council by a financial crisis of its own making – merely cancel out the massive increases in staffing numbers in the prior years. And reducing staff since 2020 does not mean higher productivity if services are cut at the same time. Does Council even understand the definition of productivity?
- 3.8 In the private sector, large increases in salaries and other costs would need to be funded by higher productivity because customers would not be prepared to pay much higher prices just for pay rises.
- 3.9 Councils, on the other hand, are monopoly service providers so ratepayers have no choice. There is no incentive for management to do the hard work improving productivity and efficiency when they do not have to earn their revenues in a competitive market and can pass on higher costs to captive customers. That is why IPART exists to protect ratepayers from monopoly pricing.



## 4 Services Have Declined Despite Overspending.



**Picture 3**

**Source: My home**

- 4.1 Despite massive increases in salaries, perks and other employee costs, council services have declined during the period since the merger.
- 4.2 Whilst Council has whinged constantly about IPART awarding less ratepayer money than it requested in 2019, Council spent 20% more on operational expenditure in the first two years of the determination which was even more than it had asked for. Yet, whilst this may have led to higher salaries and perks for the bureaucracy, it did not lead to service improvements for the community. On the contrary, services declined.
- 4.3 Council admits that, despite all the extra spending, it isn't meeting mandatory standards:

### 2.2 Not meeting mandatory or industry standards

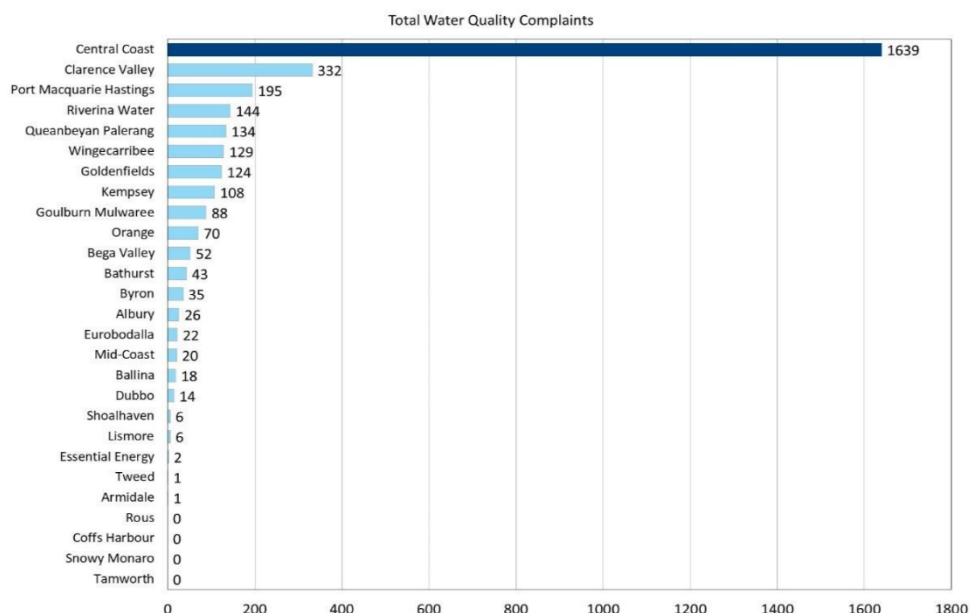
Council is currently not meeting some mandatory or industry standards for water and sewerage services. Critical issues that need to be addressed include:

- Breaches of Environmental Protection Licences for sewer treatment plants
- Non-compliant number of sewer overflows
- Significant sewerage network customer complaints
- Rising water quality complaints

**Picture 4**

**Source: Central Coast Council Pricing Proposal**

- 4.4 Central Coast Council has the highest number of water quality complaints of any Council by some distance.



**Picture 5**

**Source: Total water quality complaints in NSW local water utilities (LWI Report 2019-20)**

- 4.5 Central Coast Council performs poorly against benchmarked Council's in IPART customer satisfaction surveys:

*Table 4: Extract from IPART water utility customer satisfaction survey results 2 Oct 2020*

Customer satisfaction indicator	Hunter Water	Central Coast Council	Barwon Water
	(Average over last year)	(Average over three surveys in 2020-21)	(Average over last year)
How would you rate your water / waste water provider on delivering value for money?	6.2	5.8	6.7
How would you rate your trust for your water / waste water provider?	6.8	6.0	7.1
How would you rate your water / waste water provider's reputation in the community?	6.8	5.6	7.2
How would you rate your satisfaction with your water / waste water provider as a service provider overall?	6.9	6.1	7.3

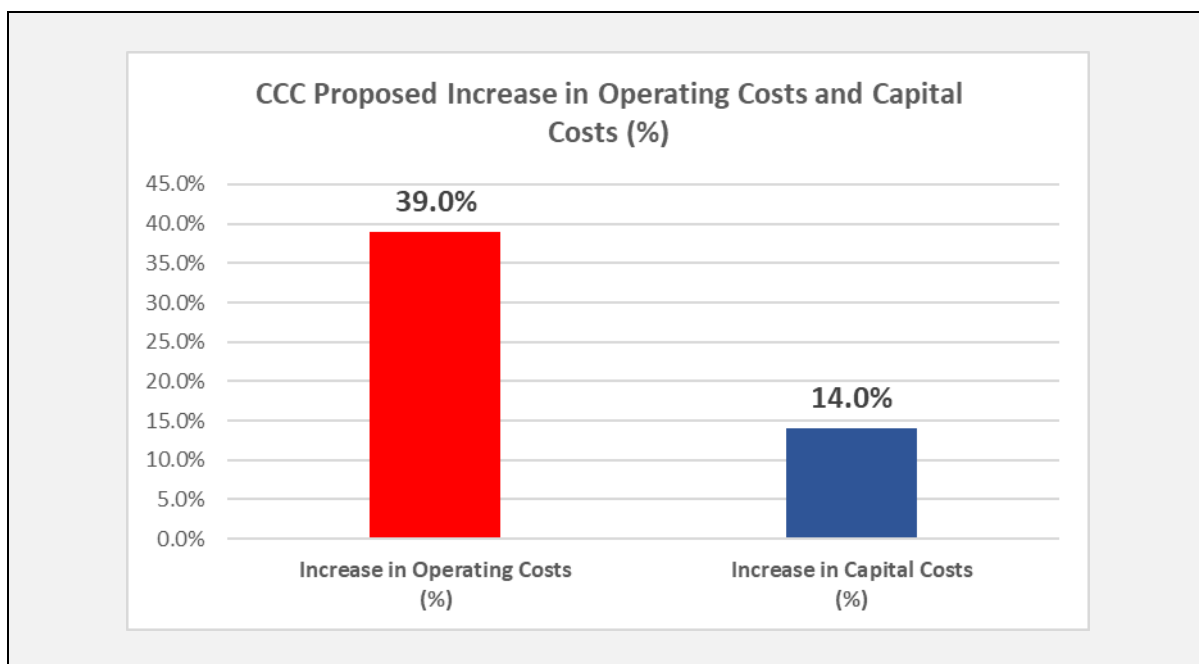
**Note:** Hunter Water and Barwon Water's results are the average of results obtained from surveys undertaken in June 2020, August 2020, November 2020 and February 2021. Central Coast Council's results are the average of results from surveys undertaken in August 2020, November 2020 and February 2021.

**Picture 6**

**Source: CCC Pricing Proposal Technical Paper 5**

- 4.6 Despite Council spending 20% more in two years than IPART awarded, even more than the Council itself asked for, and despite the higher salaries and costs of bureaucracy, Council's performance has declined. **There has been no correlation between revenue and performance.** This Council does not have a revenue problem, it has a performance and productivity problem. It needs to focus on improving its performance, productivity, efficiency, and culture. Otherwise, ratepayers will be throwing good money after bad.

## 5 What Would We Get For a 34% Price Hike?

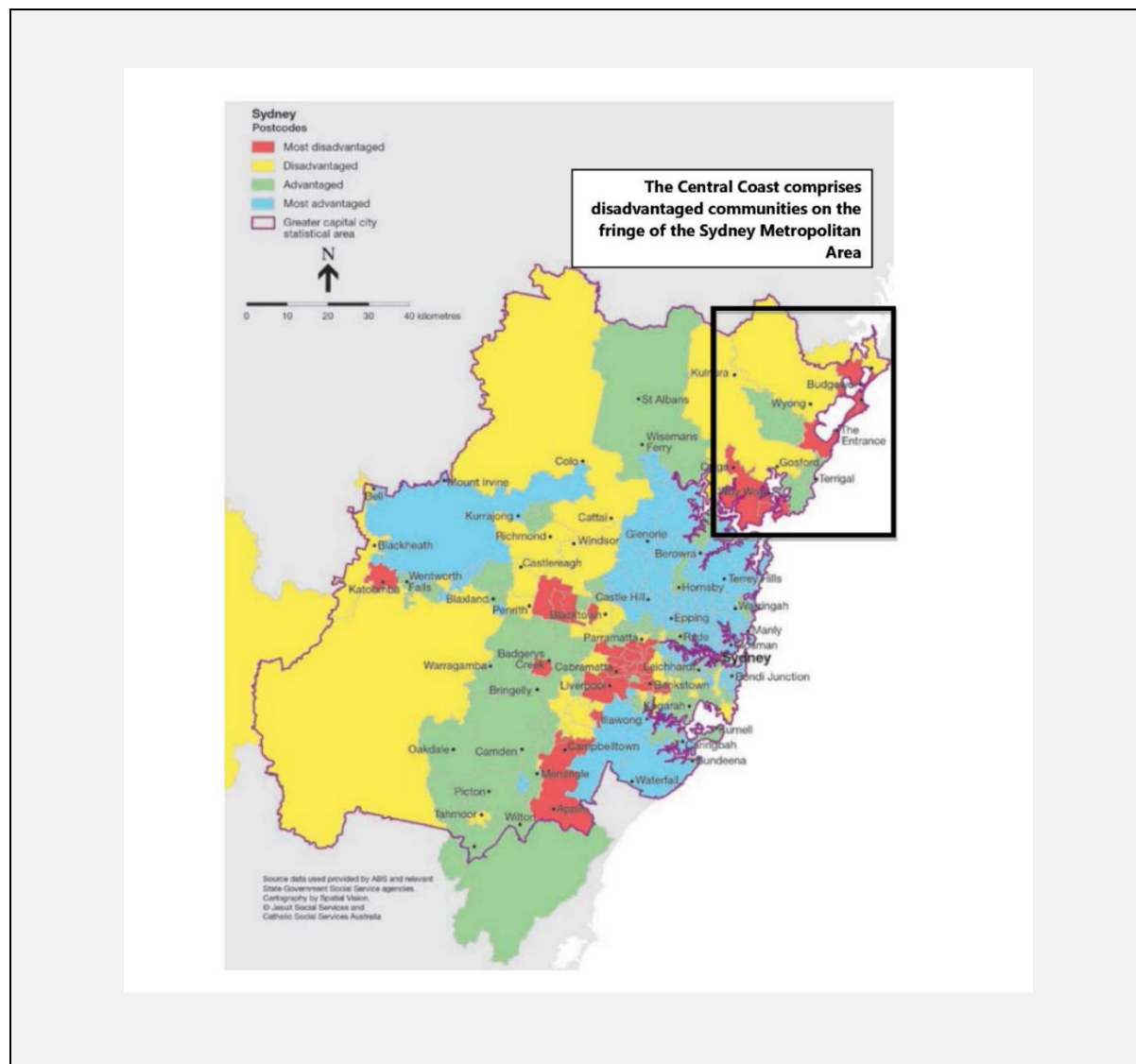


**Picture 7**

***Council's proposed percentage increase in expenditure on operational and capital costs***

- 5.1 The Council seeks to justify its proposed 34% water rate hike in its *Pricing Proposal* as follows: *"Council requires a major increase in prudent and efficient expenditure to reverse severe, ongoing degradation of its sewage treatment plants, network and water treatment plants."*
- 5.2 This messaging is reiterated in the IPART Issues Paper: *"Council proposes to use the additional money (from) higher prices to better and more proactively maintain its assets (e.g., dams and pumps) and replace old and worn out infrastructure (e.g., water pipes and wastewater treatment components)."*
- 5.3 One might think from the above statements that most of the extra money from a 34% price hike is earmarked for capital spending on major infrastructure upgrades. New water pipes and pumps, new or upgraded sewerage or wastewater treatment plants, massive capital investment in dams and the water and sewer network. This is not, however, the case.
- 5.4 As picture 7 above shows, the Council intends to increase spending on capital costs by just 14% compared with a 39% increase in operational costs. Once again, the interests of the bureaucracy trump the interests of the community.

## 6 How Will 34% Impact Vulnerable People?



**Picture 8**

**Source: *Dropping off the Edge – Jesuit Social Services/Catholic Services of Australia 2015***

- 6.1 The IPART Issues Paper quotes a number of statistics, SEIFA deprivation, unemployment rate, etc, which taken together suggest Central Coast is about average in NSW in terms of deprivation. For a region as large and disparate as the Central Coast, however, average levels mask areas of severe deprivation. The Coast has many wealthy households that push up the average, but also some of the most deprived.
- 6.2 Picture 8 above shows that Central Coast has a number of NSW “most disadvantaged areas” (shown in red). The impact of a 34% water rate increase on these areas, already hit by the pandemic, will be devastating. Picture 8 also shows some of the “most disadvantaged areas” are in the South where general rates rose 42% this year. A 34% water rates hike on top of that will be catastrophic.

- 6.3 During the recent SRV, Council played down deprivation by quoting averages for the region as a whole whilst ignoring the impact on the areas of severe deprivation that exist. Council even opportunistically argued that because average deprivation in the North was higher than the South, rates harmonization would reduce inequality. As picture 8 shows, this argument ignores areas of severe deprivation in the South.
- 6.4 Council cherry picks statistics to support whatever narrative it is trying to spin. It was only two years ago that Council, seeking support from other levels of Government, made a different argument focusing on statistics of micro disadvantage rather than region wide averages. Some extracts from a Council report in September 2019 are reproduced below and they remain pertinent.

**Table 2 Index of Relative Socio-Economic Disadvantage – Small Areas**

Small Area	Score
Wyong	859.7
Toukley – Canton Beach	881.3
The Entrance - North Entrance	888.1
Charmhaven – Lake Haven	893.4
San Remo – Doyalson-Colongra	900.4
Gorokan	901.3
Watanobbi	911.2
Woy Woy - Blackwell	931.8
Manning Park	937.3
Ettalong – Booker Bay	937.4
Budgewoi - Halekulani - Buff Point	940.5
Blue Haven	943.1
Blue Haven	949.2

Source: *profile.id*

## 2.4 Lower levels of Income

Research identifies low family income as a central factor in shaping individual and family life opportunities. Income, low parental education and single parent family structure all impact on the life chances of children (*Jesuit Social Services & Catholic Social Services, 2015*)

The Central Coast LGA has a significantly lower income profile than Greater Sydney and NSW. In 2016 the median weekly household income was \$1,256 per week (compared to \$1,745 for Greater Sydney and \$1,481 for NSW).

Median household incomes were around 70% of Greater Sydney, and a much higher proportion of local households were on very low and low incomes.

**Table 3: Comparative Median Weekly Household Income**

	Household income per week
Former Wyong LGA	\$1,185
Former Gosford LGA	\$1,331
Central Coast LGA	\$1,256
Greater Sydney	\$1,745
New South Wales	\$1,481

Source: *profile.id ABS 2016 Census*

## 2.3 Poor Labour Market Performance

The main features of Central Coast LGA's labour force are:

- A high proportion of the population aged 15 years and over not in the labour force (low participation rates);
- A high ratio of part-time to full-time employment; and
- High unemployment rates.

Traditionally the Central Coast has had one of the lowest labour force participation rates (the proportion of people aged over 15 who are either working or looking for work) of all regions in NSW. In July 2019 the region's participation rate was 61.3% compared to the NSW rate of 65.9% and national rate of 66.1% (LMIP, 2019).

In addition, there is a high ratio of part-time to full-time employment that could disguise significant levels of underemployment. The 2012 Central Coast Quality of Life Survey found that 36.6% of the region's residents who worked part-time would like to work more hours.

In March quarter 2019 the Central Coast LGA had an unemployment rate of 5.3% compared with 4.5% for NSW and 5.2% for Australia. There are some areas within the LGA that continue to have unemployment rates that are consistently 1-5% above the LGA rate. These include Wyong 11.6%, Blue Haven-San Remo 9.7%, The Entrance 9.2%, Budgewoi-Buff Point-Halekulani 7.8%, Toukley-Norah Head 7.4%, Woy Woy –Blackwell 7.3%, Umina-Booker Bay 6.7% and Wyoming 6%. (Small Area Labour Markets, Dept of Employment Skills, Small and Family Business).

At July 2019 the unemployment rate for young people (15-24 years) on the Central Coast is 11.6% compared with a NSW rate of 10.0% (LMIP, 2019).

## 7 A Worsening Homelessness Crisis on the Central Coast?



- 7.1 During the past year or so, rental vacancy rates have fallen to around 1% or lower. Housing market experts say supply and demand are in equilibrium at about 3%. So, there is already upward pressure on rents from the market. Already, rents have risen 23% in the past year according to figures recently released by real estate consultant BFP Property Buyers.
- 7.2 A water rate increase of 34%, coming on top of the general rates SRV (42% increase in Gosford), will add significantly to these pressures. Landlords will likely pass on these rate increases in the form of rent increases to their tenants – pushing up rents to unaffordable levels. And, whilst Council claims it has a hardship policy for rates, this does not apply to rents.
- 7.3 Council is contributing to a perfect storm in the rental market with the potential to unleash a homelessness crisis. As Council's own report in 2019 highlighted:

In 2016, there were around 24,200 households in the Central Coast LGA in 'housing stress' (paying more than 30% of their gross household income on housing costs) equating to one in five households. By far the most serious affordability problem is among very low income renters, who make up almost half of all households in housing stress in the Central Coast. When combined with low income renters, these groups make up almost two-thirds of those in housing stress. They are also far more likely than other target groups to be in 'severe' housing stress (paying more than 50% of their household income in rent).

In this context, there was a 35% increase in homelessness in the Central Coast from 2011 to 2016. There are now conservatively estimated to be from 4,100 to 8,500 people who are homeless or marginally housed in the LGA. Although the rate of homelessness is still lower



than for metropolitan areas, 'rough sleepers' increased at double the Greater Sydney rate and people who were marginally housed grew at more than twice the metropolitan rate from 2011-16. More than 40% of people reported that they had been homeless for three months or more, and were thus at serious risk of chronic, long-term homelessness.

*(Judy Stubbs & Associates, 2019)*



## 8 Does Anyone Trust the Council's Public Engagement?

***"You can fool all the people some of the time and some of the people all the time, but you cannot fool all the people all the time."***

**Abraham Lincoln**

- 8.1 Picture 9 below shows that the community valued lower prices as top priority in a recent unprompted survey carried out by the Council for its IPART submission. In fact, lower prices and water quality were the only two options to receive any significant support at all.

Table 5: Improvement Preferences - Unprompted

	Residential – Structured (n=489) %	Residential – Council YVOC (n=578) %	SME (n=109) %
Lower the cost/keep price reasonable	36	37	24
Clean/safe/drinkable water/improve water quality	34	42	22
Maintaining pipes/sewer lines	17	14	3
Provide a better/more efficient/reliable service	14	16	7
Better drainage/gutters for streets/flood prone areas	13	12	6
Protecting the environment/sustainability/conservation of water	8	19	5
Continuity of water supply/appropriate storage	7	11	9
Regular/better maintenance NFD	6	4	-
Cleanliness NFD	6	2	1
Improve water pressure	5	3	6
Quality NFD	5	2	1
Nothing/all good	4	2	18
Smell/odour from treatment plant/tap water	3	4	2
Reusing/recycling water	3	12	5
Improve the taste of water	3	2	-
Better communication/updates/information	3	2	-
More accurate/clearer pricing/billing	2	-	-
Other	10	16	6
Don't know	4	-	6

Q. When you think about your water and sewerage services, what are the three things you want Central Coast Council to focus on and improve on the most?

### Picture 9

**Source: Community Feedback for IPART Submission –Central Coast Council**

- 8.2 Unfortunately, the Council has a poor track record in interpreting and indeed conducting public engagement surveys. The Council published a four page summary of the above research on its website which did not include one reference to lower prices despite this being the most popular option. In the end, the community had to seek an assurance from [REDACTED] in a public forum that the full Woolcott report and not the biased four page summary would be included in the Council's submission to IPART (Technical Paper 1).

- 8.3 Following the above research, the Council convened a focus group of 80 persons (selection method unclear) and concluded from this that: *“The results show that overall, there is a clear propensity for residents to accept an increase in costs in order to improve services to them and others in the community.”*
- 8.4 The Council used a similar tactic for its SRV application earlier this year where handpicked respondents were read a “concept statement” setting out the arguments in favour of a rate rise before being asked whether they supported one.
- 8.5 It seems the water pricing focus group methodology was similarly biased and flawed. A study of the detailed report raises the following concerns:
- Before voting, participants were given presentations by Council managers. Unlike the SRV “concept statement,” we do not have the full content of these presentations but the bullet points from the agenda suggest they included special pleading about problems that could only be fixed through extra rates revenue (options to improve productivity or efficiency do not appear to have been included). From this, it seems likely there was scaremongering about what would happen without rate hikes. A one sided presentation of arguments before voting does not constitute an unbiased survey methodology.
  - The “no additional change” option should have been based on 2% rate peg – but Council priced this at \$76 extra per year which equates to an increase of about 7.5%. This was added on at the end to beef up the final increase.
  - Participants were offered improvements one by one. For example, an extra \$9 a quarter for (unspecified) improvements in drinking water; an extra \$2.25 a quarter for environmental safety; an extra \$2.75 a quarter for water conservation; an extra \$6.25 a quarter for sewerage overflows; an extra \$4 a quarter for treatment plants; and an extra \$9.19 for stormwater drainage.

This is flawed because whilst each one on its own may seem affordable, it is only when you total them all up at the end that you see the total increase. Anyone who has ever put together a budget will be familiar with this process. Increases all appear desirable and affordable on an individual basis, but the total always exceeds what is realistic which should lead to a prioritization process at the end.

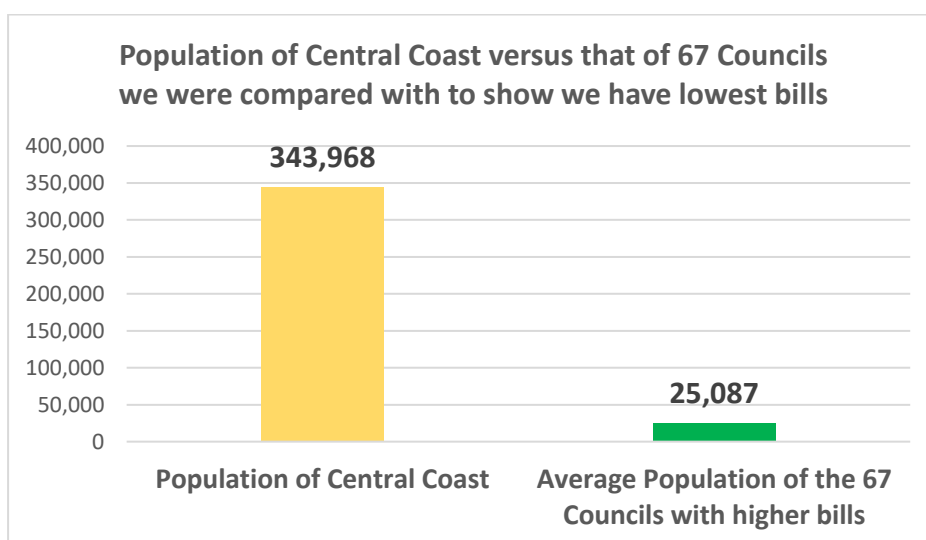
- Despite the biased presentations and flawed incremental methodology, the result only produced a majority vote for an increase of \$33.46 a quarter – an increase of about 13% above “no additional change.” That hardly justifies an increase of 32% above rate peg. A less biased presentation and less flawed methodology would have produced a much smaller figure.

## 9 Fact Check: Are Our Water Bills Really the Lowest in NSW?

### Fact Check Verdict:



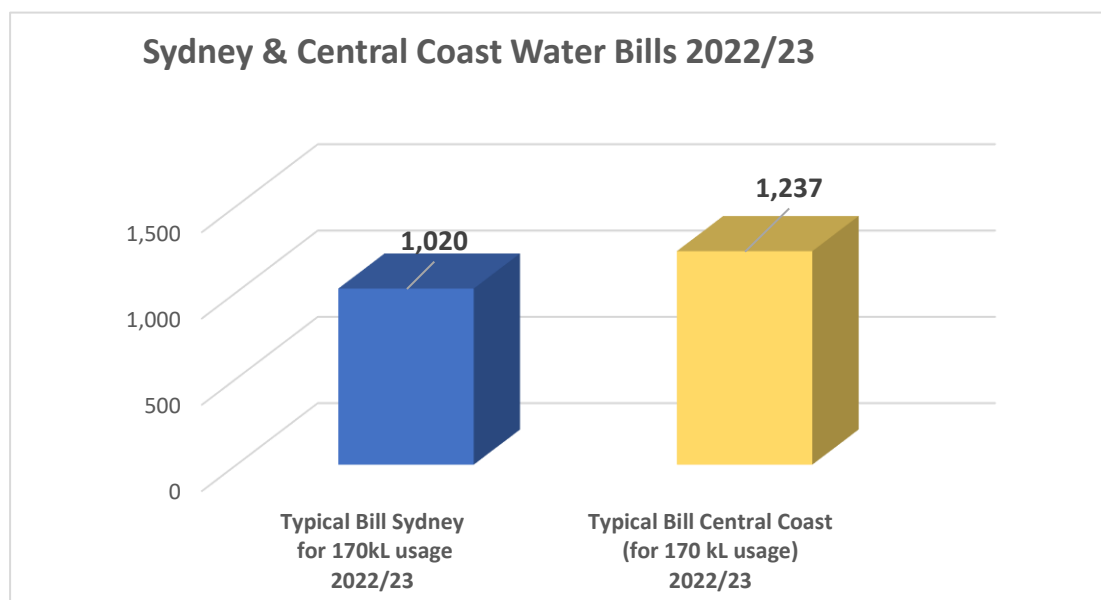
- 9.1 Central Coast Council's pricing proposal begins with a bold claim: *"Currently, customers on the Central Coast have the lowest bills for water and sewerage in New South Wales."* The IPART Issues Paper repeats a similar claim.
- 9.2 The main basis for this claim is the DPIE Local Water Utilities performance monitoring data which is itself derived from the OLG time data series. Yet this data is confined to just 68 Councils, none of which are in Central Coast's OLG Group, and which together make up a mere 25% of NSW households.
- 9.3 Central Coast Council has a population of 343,968 whereas the average population for the other 67 Councils is just 25,087. This is significant because, as Central Coast Council admits in its pricing submission: ***"Larger customer bases should result in lower bills per property."***



Picture 9

Source: DPIE Local Water Utilities performance monitoring data/OLG time data series

- 9.4 In fact, whereas Central Coast has a population of 344,000, all the other Councils in the comparison have populations less than 100,000. So, by Central Coast Council's own logic, that "larger customer bases should result in lower bills per property," Central Coast should have comfortably the lowest water bills of these 68 Councils.
- 9.5 As above, the 68 Councils in the OLG time data series and DPIE statistics comprise only about 25% of the population of NSW. The majority of NSW water customers are in the Sydney Councils. In its pricing proposal, Central Coast seeks to compare its prices with those in Sydney in 2019/20. This is misleading because Sydney Water reduced its prices by 8% in July 2020 following the last IPART Determination.
- 9.6 A more realistic comparison therefore would be with Sydney prices today. Unfortunately, this is complex because the price structure in Sydney is different, for example a higher proportion of costs on usage compared with standard charges, drought charging, and different stormwater treatment. Estimates of a "typical bill" in Sydney are also based on usage of 200kL per annum whereas Central Coast bases its typical bill on less usage at 150kL per annum.
- 9.7 A recent IPART analysis suggests a typical bill for 2021/22 in Gosford would be \$969 for 170kL usage, whereas an equivalent usage in Sydney would be almost identical at \$995. Taking all the complexities and variations into account, it is hard to say definitively that Sydney bills are higher than Central Coast. One thing we can say, however, is that a 34% increase on the Central Coast will make Central Coast bills significantly higher than Sydney. Given the difference in service levels, this cannot be justified. It would be like paying the price of a BMW for a Honda.



**Picture 10**

**Source: IPART – typical bills based on 170kL of usage in 2022/23**

## 10 How Can Council be Held to Account?

*“What gets measured, gets managed.”*

**Peter Drucker – The Practice of Management**

10.1 The IPART Issues Paper states that IPART will consider setting performance measures for the Council, but only lists three possible measures.

10.2 IPART should consider a range of SMART measures. These should include:

- (i) **Productivity (output per employee).** It is unfortunate that IPART does not require Councils to provide genuine measures of productivity even though productivity is supposed to be one of the criteria for assessing SRVs. The importance of productivity, and this Council’s woeful performance, were discussed in section 3. Council does not even seem to understand the definition of productivity based on their public statements and indeed their claim to have improved productivity simply by reducing staff compared with 12 months ago (whilst also cutting services). It would be extremely beneficial to Central Coast Council to accurately measure its productivity and IPART could assist with this by requiring genuine productivity measures.
- (ii) **Efficiency.** It is noticeable that IPART set Sydney Water catch up efficiency and continuing efficiency targets of 0.9% and 0.8% per annum respectively (1.7% per annum in total). The NSW State Government sets its Departments and Agencies an annual efficiency target of about 2% per annum. Including an efficiency target in the price determination would be advantageous to the customers of an inefficient Council such as Central Coast.
- (iii) **Customer Satisfaction.** The Issues Paper suggests measuring complaints, but IPART should go further and require a broader range of customer satisfaction scores based on independent surveys. The Council could also introduce a measure in its complaints process so that complainants rank the response thereby assessing how well the complaint was dealt with rather than just the number of complaints.
- (iv) **Dirty brown water.** This is a specific problem that does not seem to be reflected in current water quality measures based on compliance with minimum standards

such as chemical or microbiological. Measures could include number of recorded instances (either from complaints or monitoring).

- (v) **Unplanned interruptions and mains breaks.** The focus here should be speed of response and rectification, not just the number of instances. The quality of response is a better measure of management and staff performance.
- (vi) **Water lost through leaks.**
- (vii) **Sewerage overflows.** Again this should include time for response and rectification as well as the number of instances.
- (viii) **Complaints about smells from sewerage plants.**
- (ix) **HR indicators such as days lost through sick leave, percentage of staff appraisals completed on time, etc.**
- (x) **Project Management.** A range of measures here such as delivery against time and budget, and delivery of quantifiable benefits (which should always be specified at project initiation). Independent gateway reviews should also be considered.

- 10.3 Ultimately, raising performance, productivity, efficiency and culture is the key objective for Central Coast Council. It does not have a revenue problem, it has a performance problem. If it can improve performance and productivity and become more efficient, it will transfer internal funds to front line services. This will begin the process of regaining community trust. Ratepayers may then trust Council with more money, but until then will be simply throwing good money after bad.

## 11 Throwing good money after bad

***“It’s not the employer who pays the wages. Employers only handle the money. It’s the customer who pays the wages.”***

**Henry Ford**

- 11.1 Council overspent by 20% on operational expenditure during the first two years of the Determination period – it spent even more than it had originally requested from IPART – but services have declined. There was no correlation between revenue and performance.
- 11.2 Most of the money went on the bureaucracy, including salaries, not the community.
- 11.3 Council doesn’t have a revenue problem, it has a performance problem. Four of the six Executive Leadership Team from the financial collapse are still in post including the Director of Water and Sewerage.
- 11.4 Productivity (output per employee) is lower than five years. This is despite the opportunities offered by amalgamation for economies of scale and the merger of back-office functions.
- 11.5 A 34% rate hike coming on top of a 42% increase in general rates in Gosford and the pandemic will create genuine hardship and potentially a homelessness crisis.
- 11.6 Council needs to demonstrate improvements in performance, productivity, and efficiency, which will themselves liberate savings for front line services, to earn community trust. Only then might the community trust them with more money.
- 11.7 Council will not win back trust simply by engaging in spin, propaganda, and biased community engagement surveys. Continuing on this path will simply raise questions of integrity and lead to more mistrust. Transparency and delivery count for more than spin and promises.
- 11.8 IPART exists to protect customers from monopoly pricing. Only an unregulated monopoly could get away with what this Council has done and is now proposing. IPART needs to be careful not to incentivise poor performance, bureaucratic excess, and lower productivity.