



Review of Central Coast Council's water prices

Public Hearing Transcript – Session A

Tuesday, 26 October 2021

Water >>

Tribunal Members

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The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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Central Coast Council's water prices review

Session A – General discussion

1. Introduction – MC (Ms Livingstone CEO)

Ms Livingstone: Well we may get started now; we do have lots of people joining us today. So, I'm sure more will continue to join, but we will get underway. My name's Liz Livingstone and I'm the CEO of the Independent Pricing and Regulatory Tribunal (IPART), and I'm going to be facilitating the public hearing that we're having today.

So I'm just going to start with some housekeeping notes and I'd ask that all of you keep your microphone muted when you're not speaking, that helps to avoid all the feedback and background noise, that I can hear a little bit of at the moment. So, if you've got your microphone unmuted, it'd be great to put it on mute unless you're speaking.

On the other hand, we'd love you to keep your cameras on particularly when you're speaking, because I think that helps us all see each other, and connect a bit better when we're needing to have these public hearings online.

If you could also include your name and the organisation that you're from in your Zoom name, that'd be terrific. There's some instructions that will pop in the chat box to help you do that, if you're not sure how to. But that also helps us manage the conversation, so that we can invite you to speak when it's your turn.

We are recording this session to YouTube today, it's not publicly available as we speak now, but we are recording so that in a couple of days' time we're able to provide a link on our website to the recording. We'll also have a transcript available when we put the link up on our website.

This is a public hearing so the media and anybody else present today is free to publish and refer to what is said during the event, so be aware of that, but we also encourage good discussion so that we get to hear your views.

We do want to create an environment where everybody feels comfortable to speak, so we ask that you are respectful of each other's time, in the length of your comments, but also in the way that you convey them, terrific.

We're going to have 3 sessions today and you can see on the slide the times for those. We're opening with a general discussion. We'll start with the Central Coast Council giving a presentation that outlines its pricing proposal. And then we're going to have 3 short presentations from some key stakeholder groups. And then we'll open it up for everybody to be able to ask questions or make comments. The Tribunal may also have questions for you during the course of the day. We will have a 20-minute break at around 11:20am.

Then we'll move on to Session B, where we'll look a bit more explicitly at performance and costs and then have some more questions and answers, followed by Session C and we'll have another short presentation from the IPART team on prices and impacts.

When we do have question and answer sessions throughout the day, everybody has the opportunity to ask a question or make a comment, but we'd ask that you use that the chat box in Zoom to indicate that you'd like to ask a question or make a comment, so then we know to come to you. We will ask you to speak in person, but just indicate via the chat box or raising your hand in Zoom that you'd like to speak, and we will come to you. I'm now going to hand over to IPART's Chair Carmel Donnelly, who will provide some opening remarks and introduce Session A, thanks Carmel.

2. Welcome – Tribunal Chair (Ms Carmel Donnelly)

Ms Donnelly: Thank you Liz and good morning everyone. So, my name's Carmel Donnelly. I'm the Chair of IPART and I'm joined today by my fellow Tribunal Members Deborah Cope and Sandra Gamble, also Liz Livingstone who is the MC and IPART CEO, that you've already met and you may know some of the other IPART Secretariat team Fiona Towers, Sheridan Rapmund, Scott Chapman, Jessica Forrest, Son Vu, Carol Lin and Kristy Mamaril who are here with us today.

Let me start by acknowledging the traditional custodians of the land on which we're meeting and I'm joining you from Yuin country. I know that there would be people who are joining us from Darkinjung country and also Gadigal Country and others and we pay our respects to the Elders, past, present and emerging and extend that respect to all our Aboriginal colleagues and stakeholders and customers and First Nations Peoples.

So welcome to the public hearing for our Central Coast Council water price review. I want to say at the outset that we greatly value your input and so thank you very much for taking the time to participate.

I'm going to make a few opening remarks before we move into the general discussion and hear from other presenters, and I would like to just start with a little bit of an overview of the review. You can see from the agenda that Liz shared that IPART Secretariat team members will present later in more detail.

But just in terms of overview, IPART sets the maximum prices for Central Coast Council's charges for water, wastewater and stormwater and other related water services. And it provides those services as a Water Supply Authority under the *Water Management Act*.

We are undertaking this review to set prices that will apply from the 1st of July 2022 from next year.

We received the Central Coast Council's pricing proposal on the 10th of September and published the Issues Paper, and also the proposal from Central Coast Council on the 28th of September.

And at that same time, we've invited community feedback, and at the moment obviously we are seeking submissions and you have an opportunity to participate in a survey. Both of which will close on the 1st of November. And also, this public hearing is an important part.

I just would like to also ensure that you're aware that there will be further consultation through what will be a very thorough review. We will also publish a Draft Report in March next year and again be open to submissions and having a public hearing in April, and then a Final Report in May.

So, this public hearing is a very important part of the consultation process. Our purpose today is for you to have your say on the Central Coast Council proposal and our Issues Paper, and to ask questions of council and IPART. The Tribunal will also be listening to everything said today and taking it into account, and we are also likely to ask questions to assist us in our review.

Now to just talk a little more on the Central Coast Council proposal. Central Coast Council have proposed a 4-year determination period, which would run as I said from the 1st of July 2022 until 30th of June 2026.

It does propose some large increases as you can see from the slide on your screen, especially to fix service charges. And IPART's assessment is that on average, the average bills for a typical Central Coast household would increase by 34% in the first year, and then by inflation after that. And for context, on average Central Coast Council water and wastewater bills are lower than most areas in NSW. I would like to be clear though, that that said, IPART will not be increasing the maximum allowed water bills, just because of what other areas do pay.

Now Central Coast Council has proposed a 28% increase in the costs of building, maintaining, replacing old infrastructure, and administering day-to-day the water services as a water utility. In particular, a 39% increase in operating cost, and a 14% increase in capital costs.

Central Coast Council, obviously going to speak for themselves throughout today and I do welcome David Farmer who's going to speak next, but they advised us that the proposal is to ensure that they can provide the water services that will meet community needs now and into the future.

I would like to just remind people that last review in 2019 IPART looked critically, again a thorough review, and didn't allow the maximum prices to be as high as proposed by council. At that time, we found that the work wasn't put in to justify the prices that were proposed, and that there had been a track record of not spending all of the revenue that we had allowed in the past, including delivering on capital projects. So that's important background.

We also probably should be all aware that the regulatory situation for Central Coast Council is different to other parts of NSW. Council obviously is a local government under the *Local Government Act*, but unlike other councils who also deliver water services, Central Coast Council is a Water Supply Authority under the *Water Management Act*, again a bit different. Unlike other Water Supply Authorities under the *Water Management Act* like Sydney Water and Hunter Water, IPART does not have the authority to review a licence and set license conditions.

So in that context I want to also let you know that we are aware of the current context for Central Coast Council, such as the Public Inquiry and we are also interested in looking at how council will manage the water services, and we're interested in seeing what we can do to set performance measures, that would help the community to hold Central Coast Council accountable for delivering on the water services as proposed.

We know that water and wastewater services are essential services that people can't do without. And we know that it's important that people have safe, reliable water supply and that sewerage services are managed well. So, our goal is to make sure that you pay a fair price for safe, good quality, reliable services.

Our process will consider what the cost should be, customer affordability, the standards of service, climate change, environment and also council's business systems. And I want you to rest assured that IPART will take into account the views of the community, and will weigh up the need for safe, reliable, quality water services, with the minimum revenue that an efficient water utility would need to deliver those services, as the people on the Coast expect, what is the fair ask for the people of the Central Coast in terms of affordability.

I want to thank you again for joining us today. We really do value your input and I look forward to hearing from you, and with that I will hand back to Liz.

Ms Livingstone: Thank you Carmel. We're now going to move into a series of presentations. The first of which is from David Farmer, the CEO of Central Coast Council, to take us through what the council is proposing. And then we'll move into a series of presentations from stakeholders.

We've allowed roughly 5 minutes each for these presentations, so I'll ask the presenters to keep that in mind, and if needed I may give you a gentle reminder when we're around that 5-minute mark. So that we can keep moving through the presentations. David could you take yourself off mute and we'll have your presentation now, thank you.

3. Central Coast Council presentation – Mr David Farmer CEO

Mr Farmer: Thank you CEO and Chair. Currently councils on the Central Coast have the lowest bills for water and sewer in NSW as detailed in the externally published 2019-20 National Performance Report. And also, the Central Coast has a unique location. We have a settlement pattern of low-density areas, separated by large amounts of protected natural areas, based around a number of large inland water bodies.

This means servicing the Central Coast Council for any form of municipal services, is expensive due to extended travel times, and length of network. The Central Coast also has a water network that's required to operate at significantly higher pressures, which means that our mains are more susceptible to failures, both minor and catastrophic, and the impacts of those failures are expensive to repair. And literally the first week I moved to the Central Coast, there was a major water main break as I was accessing where I live, and the road was blocked for several hours because of that, so it was just an embodiment of what happens.

We've also got a sewer network that's predominantly in low-lying, difficult to access, harsh environments, which again means that our mains are more likely to fail, are difficult to repair and have a greater impact on the environment.

Our analysis has also revealed that Central Coast Council is collecting less revenue per household than the larger corporations of Hunter Water and Sydney Water, who have much greater economies of scale than this council.

On top of economies of scale, as I mentioned before, the settlement patterns of the Central Coast being predominantly detached dwellings, means our costs of reticulation and maintenance are fundamentally higher, particularly compared to the much higher density Sydney Water. You'd expect that these organisations would have much lower prices than Central Coast, due to their size and revenue base, however this is currently not the case.

Council's seeking to return to revenue levels consistent with those in 2018 in real terms. We believe we've found a balance between the revenue required to meet our service obligations and prices that are affordable for the community.

In developing its pricing proposal, council considered and included input provided through its community engagement program of over 1,600 Central Coast residents, through surveys, focus groups, and forums.

Overall, council's IPART community engagement process identified key areas the community wants council to focus on. Water quality and its reliability the environment, a reduction in sewer overflows, maintenance of our water and sewer pipe networks, being prompt in our response to incidents, and of course the community also wants us to focus on keeping prices to a low and affordable level.

Council requires a justifiable increase in prudent and efficient expenditure to reverse severe and ongoing degradation of our sewer treatment plants, network and water treatment plants. Without prudent and efficient operational expenditure in the next determination period, council faces a continuation of degrading service levels in delivering compliant and appropriate water, sewer and stormwater drainage services to customers.

There is a high risk that we will not be able to meet the mandatory standards imposed by our regulators, and increase the risk of service disruptions, as well as harm to health and the environment, next slide please.

The above table shows that while council is proposing an increase in total bills for the future determination. The proposed bills are comparable to those in the previous 2013-2019 Determination. The figures quoted in this table are based on a typical 3-bedroom home using 150 kilolitres of water per year. These will obviously vary depending on your water usage.

IPART substantially reduced council's revenue for water, sewerage and stormwater drainage services in its 2019 Determination to the lowest prices in the state. This reduction was mainly due to council's revenue variance in the previous determination period, attributed to an underspend on both capex and opex, against the IPART allowance.

The community has benefited from low prices over the past years 3 years. However, the resulting cost reductions have driven poorer water quality, impact on the environment, from the deterioration of community-owned assets. These reductions are not sustainable and lead to degrading service levels, and ultimately to real risks to human health and the environment.

For example, based on an average bill, the 2019 bills went down approximately \$367 for former Gosford residents, and \$170 for residents of the former Wyong Shire. That's an approximately 25% reduction for a resident of the former Gosford. If IPART fully accepted council's proposal, the water and sewer charges for a resident of the former Gosford, will be still lower than it was in June 2019.

Look I understand that many community members are unhappy with council's performance over recent years, with a range of financial issues and impacts on the community in the form of rating changes and some impacts on services. This has been ventilated by a Public Inquiry that recently concluded its public sittings.

As someone who has come in after the event to rectify the situation. I also share their concern. However, this session is about water, sewer and drainage charges and what is required to reliably safely and deliver that to the community, next slide please.

In terms of water and sewer, our reactive maintenance is increasing. This is an inefficient method of service delivery and means our resources are being directed away from proactive maintenance, which reduces the likelihood of asset failure and therefore service disruption to repair broken assets. This often results in damage to private and public property, impacts on water quality and the environment and usually incurs additional costs such as overtime.

We need a temporary increase in resourcing to reverse this trend and return to a more sustainable service delivery method. So fundamentally, we need to increase our proactive maintenance, which will lead to a tailing down of our reactive movements, but that will take some time and some investment.

We are failing to meet our mandatory regulatory and legislative responsibilities in relation to increasing the number of sewer outflows, increasing number of sewer customer complaints, the level of compliance with the environmental protection license conditions for sewer treatment plants is deteriorating, and the number of water quality complaints has increased.

In terms of stormwater drainage, we need to simplify how we charge for stormwater drainage services, reduce the risk of non-compliance, meet our mandatory regulatory and legislative responsibilities, maintain existing services and enhance critical asset inspection and maintenance service levels. Improve flood planning to inform emergency planning, prioritise future works and guide sustainable growth. Improve stormwater quality through maintenance and expansion of stormwater quality treatment service network and mitigate flood risk community impacts through proactive maintenance of urban drainage channels, next slide please.

For water and sewer, some of our major capital investments are a major upgrade of the Mardi Water Treatment plant to increase the capacity of the plant to cater for growth and improve the quality of drinking water produced. In terms of water quality, a regional wide chlorination program to improve residual chlorine levels throughout the network, therefore ensuring the safety of drinking water.

Significant water main renewals and sewer main renewals, sewer pump station upgrades, sewage treatment plant upgrades at Charmhaven, Bateau Bay and Gwandalan. Some of our key operating investments are increasing our cleaning of mains, increasing our assets inspections, improving the bushfire and catchment management areas, improvement to dam safety, sewer treatment plant improvement programs, and improved leak detection.

We've got robust business cases for all opex projects with linkages to IPART's drivers for mandatory standards, growth asset service reliability, and business efficiencies. If I can go to the next slide?

How the revenue will be spent. Key capital investments for stormwater drainage include \$36 million major trunk drainage upgrades in Berkeley Vale and Avoca Beach, drainage upgrades in Gosford CBD and Greater Warnervale area for growth and development, critical asset drainage renewals, relining of pipes and rehabilitation, new stormwater treatment devices, new floodgates and valves.

And in terms of operational investments and that's \$68 million for stormwater drainage. Strategic asset management planning, maintenance of the stormwater drainage network, investigation of customer requests, flood related emergency responses, improved critical asset management including condition assessments, cleaning and repairs, improved stormwater quality management, improved flood planning and flood risk mitigation and implementing urban Channel Plans of management. Again, we've built robust business cases for opex projects. Can I now have the next slide?

And how will we be accountable to IPART. We will provide compliance and performance reporting on service standards and performance and make quarterly information available to customers.

Our environmental standards will keep our community in the loop regarding our environmental performance standards, that is meeting our environmental license conditions.

We'll be having drinking water quality management activities and programs. For example, monitoring the catchments and weirs.

We'll be letting the community know the production of water, versus demand for water, to understand whether we've got challenges in that space.

We'll be letting the community know about operational programs and expenditure on key improvement areas, particularly know about budget versus actual spend on key improvement programs. And we're now publishing both the organisational and the water and sewer financials on a monthly basis to council. They're available on our web.

Our capital investment progress and activities will be available on their website.

Changes to legislative and regulatory requirements. We will be letting the community know when changes have been made, the impacts of those changes, for example, changes the *Dam Safety Act*, bushfire management regulations.

Regulatory performance and reporting. For example, making available councils results in the national benchmarking and best practice reporting public.

Community engagement services survey results. Making this available to the community and we'll be introducing a Customer Charter for water and sewer, including complaints handling, notification of planned and unplanned interruptions.

So, thank you very much and I'll hand back to IPART.

Ms Livingstone: Thanks very much David for taking us through that. We're going to move straight into some presentations from representatives of stakeholder groups, but can I encourage everybody else to be thinking of the questions that you want to ask, and if you do think of them, just make a note in the chat box, and we'll come to you following the presentations.

First up for this series of presentations we have Mr Kevin Brooks, who is representing the group Protest Against Extreme Rates. So, Kevin could I invite you to take yourself off mute, and take us through your presentation now, thank you.

4. Presentation by stakeholder groups

Mr Brooks: Thank you Chair. The council spent 20% more on...

Ms Livingstone: Sorry Kevin, I just wondered are you able to turn your camera on or is that...

Mr Brooks: No, I've got bandwidth problems today. I'm actually quite worried that it will cut out halfway through so...

Ms Livingstone: Okay, I understand.

Mr Brooks: And I don't want people to miss the presentation.

Ms Livingstone: Okay.

Mr Brooks: Okay are you ready? So, the council spent 20% more on operational costs than allowed for in the last IPART Determination. In fact, that is even more than it asked IPART for. So, where did all the money go?

Now this graph from the Administrator's 30-day Report shows that employee numbers rose 12.9% between 2017 and 2020, but what I think is truly shocking is that employee costs, that is salaries and other benefits rose 33.1% over the same period.

The fact that employee costs rose two and a half times faster than employee numbers, can only mean that there were significant increases in salaries, in perks through, so-called pay harmonisation, job revaluations, bigger executive contracts, and new management layers, plus of course the perks, the cars, the office fit outs, executive and personal assistants etc. These increases are now in the budget base driving future deficits and rate demands, next slide please Jessica.

Now that's my dirty brown water in the picture there. When I first complained about this, I had to go through my Member of Parliament just to get a reply. This council treats complainants as enemies, not customers.

You can see from the customers satisfaction and benchmarking surveys on the right, that services have been declining. In fact, Central Coast has the highest number of complaints, by some distance for water utilities in the 2019-20 National Performance Reports. So, the overspending didn't improve performance. There was no correlation between money and services. The spending benefited the bureaucracy, not the community, next slide please.

Now council produced this chart to show employee numbers back to 2016 levels. There's a bit of smoke and mirrors here, because the Administrator uses a different definition of staff numbers to his predecessor, which enables him to include 337 vacant posts in the reduction.

But here's the thing, if employee numbers are roughly the same as they were 5 years ago and services have been cut, which they have been quite significantly. Then by definition, productivity must be lower than 5 years ago, and this is despite all the opportunities afforded by the merger, for back office savings, and economies of scale. This is woeful, because most organisations seek to improve productivity and efficiency year on year. Next slide please Jessica.

Now this map shows why it is misleading to look at regionwide deprivation statistics, such as the SEIFA statistics to assess the affordability of a 34% rate hike. The Coast is a large and disparate region. Many wealthy households, but we also have some of the most deprived. Average rankings can therefore mask pockets of severe deprivation.

The map shows, top right-hand corner there, the Central Coast has some of NSW's most disadvantaged areas, shown in red. It also shows some of those disadvantaged areas are in the South, where general rates rose 42% this year. A 34% rate on top of that and the pandemic, will create serious hardship, next slide please.

Now rental vacancy rates on the Coast have fallen to around 1% and I'm told that supply and demand are in equilibrium, at about 3%. This means there is already significant upward pressure on rents, which have indeed risen 23% in the past year alone.

A water rate increase to 34% coming on top of the 42% increase in general rates in Gosford, will add significantly to these pressures. Landlords will pass these rate increases on to their tenants, pushing up rents to unaffordable levels. The council's hardship policy applies for rates, but this does not apply to rents, next slide please.

Now the main basis for this claim about the lowest bills in NSW is the DPIE data, which is confined to 68 councils, making up just 25% of NSW households. Council admits in its own submission and I quote, "larger customer bases should result in lower bills per property." So, by the council's own logic, it should be the cheapest of these 68 councils, because it has a population of 344,000 compared with an average of just 25,000 for all the others.

Now as for the Sydney council's prices are similar at the moment there, but difficult to compare because of a completely different pricing structure. What we can say though is that the 34% increase here, as you can see on the right-hand graph, will make our bills much higher than Sydney. Given the difference in service levels, infrastructure, calibre of management etc this simply cannot be justified, final slide please Jessica.

So, I'll leave you with this slide summarising some of the key take-outs. I won't go through them all, but I would like to end by saying that this council doesn't have a revenue problem, it has a management problem. It has a performance problem. Council needs to earn community trust by improving performance, productivity, efficiency and culture. This will liberate internal savings that can be directed to frontline services.

Only if council proves it can deliver and offer value for money, can it ever be trusted by the community with more of our hard-earned money. Until then IPART, which exists to protect customers from monopoly pricing, should be careful not to incentivise poor performance, and low productivity, thank you Chair.

Ms Livingstone: Thanks very much Kevin for taking the time to take us through that. We will keep moving through the presentations, and I'm pleased to see that some of you have started to signal that you've got questions to ask soon. We'll get to you, after these presentations, but I will invite Lorraine Wilson from the Central Coast Plateau Chamber of Commerce to speak now. Over to you Lorraine. Lorraine, you might want to make sure you're not on mute.

Ms Wilson: So, thanks Liz. I was starting my stopwatch. Thank you, very much, and good morning, everybody. Historically, Gosford and Wyong Council's did not fully recognise the value or land use of the Central Coast Plateau and adjacent valleys.

Our communities have no reason to believe that the policy makers in the amalgamated Central Coast Council will have any better understanding about the relationship between stormwater runoff onto agricultural land west of the M1 or the cost and use of that stormwater.

In this area for the most part, stormwater has always been and continues to be managed by private land holders, either as natural ground soakage for growing food, or fed via privately managed drains to dams and or creeks on privately-owned land.

This has been highlighted on a number of levels over the years including the Central Coast Council's submission to IPART in 2018 for substantial increases in stormwater management rates for larger properties. There was no distinction between agricultural land which utilises stormwater and industrial which does not.

While the current and forecast rate predictions up to 2026-27 are basically the same for properties between 10 and 45 hectares, there remains a very high cost for properties based on 1 to 10 hectares, with no regard to what is on that property. Agricultural properties can be viable in a variety of hectare ranges, while larger properties over 10 hectares, can have a very large amount of tarmac. It seems inequitable not to recognise what the rateable land is being used for.

There is no mention of what rate would apply to properties over 45 hectares. The Declared Drainage Area map on page 29 of the IPART information paper (Correction: 2022 Central Coast Council pricing proposal Technical Paper 7 Demand for services), shows that the majority of the land west of the M1, predominantly agricultural, National Park and Crown Land, as David has mentioned remains a drainage area, with the same rateable value as the built-up areas along the Coast and waterways.

This would indicate that those properties will be included in a stormwater levy, despite the fact that the majority of council-owned road and riparian zoned stormwater runoff, is managed free of charge, by adjacent property owners in the main, farmers.

At the moment there is a separation on our rates notices for sewage and waste management. If the IPART recommendation to include water, sewerage and stormwater rates, in land value rates is adopted. Will the cost separation remain in place?

We recognise that the salient point made in the paper, that a combined rate would make it easier for council to plan road maintenance, in conjunction with stormwater management along road verges. This is basically what happens west of the M1 currently. Council manages stormwater on their roads and their verges, the rest is up to the landowner. Any additional rate note cost relating to stormwater management, must be identified, if tied to the normal council land, sewerage and domestic water rates.

I mentioned that I was presenting to IPART this morning at a Girl Guide meeting last night. They were just about to head off to Popran Creek for a program on water. and I was very quickly told by the 3 guide leaders, of 3 different examples of mismanagement, or lack of management provided by council.

One was a drain maintenance done by a neighbour on council land, to manage stormwater on the dirt side road. Another leader said the use of small gravel on a dirt road adjacent to her home, had managed to fill their dam with that gravel. And another said a storm-felled tree across the creek, was unable to be moved by the landowner without council approval. They're just 3 examples of things that could be rectified by a little bit more understanding between what happens west of the M1 and council policy makers.

And that is me thank you for listening.

Ms Livingstone: Thank you very much Lorraine, and some interesting issues around stormwater and drainage in particular that you've raised there. We'll keep moving through to Timothy Kemp's presentation, and then we will come to your questions and your comments. Timothy's coming to us from the NSW Farmers Central Coast Horticulture Branch. Timothy if you could take yourself off mute and take us through your presentation now thank you.

Mr Kemp: Yep no problem. Look can you hear me okay?

Ms Livingstone: Yes, very clearly thank you.

Mr Kemp: Beautiful, look I'm not going to take the 5 minutes up, because I'm sort of backing up, from the sounds of things what Lorraine has said, and completely agree with her insofar as that west of the M1, and it doesn't matter what's on council's map that Lorraine referred to. West the M1, I'll want to make it clear that council does nothing as far as stormwater management goes in this area.

Farmers manage the stormwater flows in this area, they have done ever since farming's been done in this area, it's a resource that we use to grow the food that people eat, and we commit our own resources to manage that stormwater. We manage the flow of it, as in as in the rate that it goes through the properties and also the quality of it.

And more often than not the stormwater that leaves our property is in better condition than when it entered the property. I'd like to agree with the paper that IPART's put forward, the stormwater information paper, in so far as that there shouldn't be a charge for stormwater in this area, west of the M1. Land holders, like I said before manage the stormwater themselves, council play no part in this.

I don't know that I can entirely agree with the part of it in 1.3.2, where it's talking about the rate increases, because look farmers would like to be part of that for sure, we've had a massive rate increase. But I keep going back to the point that we manage the stormwater; council doesn't manage the stormwater.

So, if there was going to be a rate increase for a stormwater charge in this area, then I tend to think that farmers need to be involved in that discussion, because I'd like it to be shown to us what council does to manage that stormwater.

So, look I think the point that I wanted to make, I've made so I'm going to pull up there and let the questions start.

5. Q & A Session – facilitated by MC (Ms Liz Livingstone)

Ms Livingstone: Okay thanks very much Timothy, and it sounds like an issue that we'll need to get back to it at some stage of our hearing today.

This session now is an open question and answer session, you've heard presentations from the council, and from some stakeholder groups that may have raised questions for you, or you might have questions based on the reading that you've done of Central Coast's proposal, and our information papers. Joy Cooper has got in first with her question, Joy I might ask you to take yourself off mute and ask that in person, and it's directed at the council itself, so Joy could you speak now?

Ms Cooper: Yes, apologies for not having my screen up, because I'm working at the moment. But I noticed in one of the posts that Mr Farmer put up, that there's no mention of the Woy Woy Peninsula, nor is there any mention of Terrigal with drainage, and I know that there's issues there, quite important issues that need to be addressed and that they weren't mentioned in the key capital investments for stormwater drainage, thank you.

Ms Livingstone: Thanks, I think Boris this might be one for you, are you best placed from the council to answer that?

Mr Bolgoff: Yes, thank you for the question. Just in relation to Woy Woy and Peninsula, we certainly do have some work identified in the capital space. So, for the year 2021-22 and the Everglades Catchment, there is work proposed. I see it's \$1.5 million for upgrade of that network, which the Peninsula drains to, which then you know, drains to the waterways there.

In relation to Terrigal. Terrigal has got a significant drainage system you probably would be aware that over probably the last couple of years there's probably been some water quality issues rather than quantity issues in that particular location.

And between the environment team, the water and sewer team and the stormwater management team, there's been a lot of investigation into what was actually happening. What has happened out there is some relining of some existing pipes, there was a lot of work done in detecting illegal connections from the private sewer services. So that's where someone illegally connected to the stormwater system, instead of the sewer system, because they are 2 very different systems, as people would be aware. And in doing that they certainly did things like smoke testing, water quality testing, you know up through that catchment, thank you.

Ms Livingstone: Thank you Boris, and I hope that answered your question Joy. Leanne Wilson, you've got a question, can I invite you to speak to that now thanks.

Ms Wilson: Hello everyone. I'm Leanne Wilson. I have a farm in Yarramalong Valley. My question is really general, but just I'm obviously not a town or city ratepayer, but I'm interested to know based on the previous comments about farmers, and where does that leave us, because we'll obviously also have to pay the increase in our rates, so I'm just wondering what do we get for that?

Mr Bolgoff: Okay, am I okay to answer now Chair. Okay, so I just want to be very clear for this proposal and the angst in relation to the Declared Areas west of the M1. In the northern part of the local government area, there is no change. If you weren't being charged, you're not going to be charged as part of this determination. I'm not sure what that that angst is, but there is no proposal in this submission that looks at charging those properties the stormwater drainage charge.

Previous farmlands that are getting charged, you get charged a flat rate, not a scaled rate as per what may have been mentioned in relation to you know 10,000 to 45,000 or 10 hectares to 45 hectares. Thank you.

Mr Kemp: Can I just jump in there just really quickly.

Ms Livingstone: Okay Tim.

Mr Kemp: So, we're directly west and we have been initially in 2018, there was a charge there that was proposed, and it was a ridiculous amount, it was around \$11,000 or something per lot. So, we went to IPART in 2018, and that was reduced dramatically down to \$120 or so around that \$120 mark. So there was a charge on farmland, and that charge is my understanding is proposed to be increased to \$180, so there is a charge on farmland, and my presentation was to that point that there shouldn't be any charge, because there is no work, there's no work being done by council at all.

Mr Bolgoff: Thank you through the Chair. I don't know exactly where you are. I'll answer the question in relation to if you were being charged the \$110 or what you said \$120, the change to that would be, what's being proposed in this submission is to \$180 just over \$180.

In relation to what you get, if it's built-up or not, there's still, stormwater is still managed wherever you go in relation to urban and built-up rural. So, in some of the built-up areas, obviously there's you know some kerb and gutter, other areas, and that flows into some drainage pits, and we've got something in the order of 39,000 pits in our network.

In relation to other areas that don't have kerb and gutter, there still is an enormous network of table drains. Table drains are the things on the side of the road, where water will flow, and it has to be able to cross and be managed in the right location.

Now table drains included in the local government areas are in the order about 2,200 kilometres. That certainly does include in rural lands. When you're crossing the roads, there's what people do not see is, water follows a catchment and it follows low points. Driving along the road, you're going to not see a lot of the major culverts and major pipe systems which are underground.

Unfortunately, I understand where the speakers are coming from because they don't see that, because what happens is, when it's going from one farmland, to another farmland or one property to another property, there are usually head walls and infrastructure and civil works, as well as the pipes and the culverts that have to go underneath these road systems.

So in relation to what is being done, even if it's not directly outside of your property, if you're travelling along the road, and there are table drains, and you're going to your sports, or you know taking produce, or traveling within the road network, you will be travelling along a maintained stormwater draining system, along that way.

Ms Livingstone: Thanks very much Boris. Thank you. And Diane Dales had a question around the maintenance program. Diane, if you take yourself off mute, would you like to ask that question now?

Ms Dales: Thank you Liz. I've been a resident of Gosford local government, area prior to the amalgamation and still are in the Gosford area for over 70 years. And prior to amalgamation, I'm fully aware that there was a proactive maintenance program conducted on the water and sewer. I am also aware there was none in the Wyong Shire area. And since amalgamation the only work I've seen in my area is when there was 2 broken water mains out the front of my place in 2017. Other than that, there has been no maintenance work carried out in our area.

I would like to know what is happening with the maintenance work right across the Central Coast area and what has to be increased because in the presentations, it has indicated more maintenance work, proactive maintenance work to be undertaken.

Ms Livingstone: Thanks Diane, and Jamie I think this might be one for you.

Mr Loader: Yes, it is, thank you Chair, and thank you Ms Dales for the question. Very valid point that you raised in relation to our maintenance programs and certainly part of our submission is heavily underpinned by the need to reverse our current service delivery model, which is predominantly reactive maintenance as you've mentioned.

Currently our resources are primarily dedicated to responding to failures and broken mains and other issues within the network. What that means is that we don't have the sufficient resourcing level to attend to proactive maintenance. So, we're actually, the way we are operating currently is largely inefficient, and as David said in his opening introduction, we need a short-term increase in resourcing to dedicate teams to improving our maintenance programs.

We've got excellent asset management plans that we just need to implement those maintenance schedules on those and deploy staff out into the field to undertake that proactive maintenance. And what that will do over time is prevent those mains from breaking in the long run. So, we're preventing them from breaking in the first place, that way we won't have to spend so much time fixing those breaks, and more and more of our resources will be dedicated to those maintenance programs. So, definitely over the last number of years, I can't really speak prior to amalgamation but certainly since and as a result of the current pricing determination that we're, in our proactive maintenance has certainly dropped off.

Ms Livingstone: Sorry about that. Thank you, Jamie. I think we have a question now from Mark Skipper about the history of spending of the revenue collected from water and sewerage charges. Mark, would you like to speak to that now?

Mr Skipper: Yeah, I think the first presentation from my IPART said that Central Coast Council did not spend the capital approved portion of the budget last time. I'd like to know what that money specifically went on that specific capital spend budget and Mr Farmer said in his presentation the price increase is affordable to residents. How is this so when he's proposing a 34% increase? What does he base that particular submission on that it is affordable for everyone?

We've had issues with water quality in the Davistown Saratoga area for 15-20 years. It has not changed. I'm sure work may have been done, or may not have been done, I don't know, but the water quality hasn't changed. Even the IPART commissioner (Correction: IPART Secretariat Principal Analyst) noted that in the last presentation a month ago.

So I'd like to know what's specifically going to happen in this area, because nothing's happened to make water quality, we've got ground water like the gentleman showed before on some days, and most days the water's got a foul taste in it all. A muddy type taste in it.

Also, in this area it's been inhabited by residents for about 70 to 90 years. We've got areas with no footpaths, no kerb and guttering so the spend in this area has been negligible, and all you have to do is look at the fiasco with Davistown Road, to see the potholes being filled up by hot mix, the people coming and going repairing the road, it's been a fiasco which really typifies Central Coast Council, thank you.

Ms Livingstone: Thank you, Mark. There are a few questions and some comments included in that. It looks like Jamie; you've taken yourself off mute so you're happy to start the response there.

Mr Loader: Yeah thanks Chair. I'll do my best knowing there were a number of questions there. So starting I think with the first one, in relation to where did the money go and certainly I think when, I don't want to speak for IPART, but as part of the last determination, I think IPART acknowledged that or recognised that council had underspent in previous determinations and therefore that was why our revenue was reduced the way it was.

And Mr Brooks I think pointed out the fact that our spend continued to be 20% above what that allowance was, and I guess that additional spend was funded by the money that had been under underspent in the previous determination.

There are other factors at play in relation to that as well, in terms of the amalgamation itself interrupted the normal cycle that we would have gone through in terms of pricing determinations. They were they were delayed 2-years running as a result of the amalgamation. We just weren't in a position to go through that process, and through agreement with IPART the reviews were pushed back.

What that meant was there wasn't an opportunity for us to adjust what our required revenue was going to be, on the basis of things that had happened within the business, changes to our energy costs, and those sorts of things, and that's why that kind of resulted in that additional or that underspend.

In terms of your comments and questions around the water quality in Davistown and certainly part of our submission includes a couple of aspects supported by business cases, obviously around improving water quality throughout the network and we are aware of those dirty water issues, and certainly have a number of a large number of dirty water complaints certainly throughout the last determination.

We are aware of that. Some of those programs include getting rid of some of the dead-end mains and certainly in the Davistown-Saratoga area particularly, there's a large number of those and what happens in those dead-end mains is, as water sits, it doesn't naturally flush through and you get an accumulation of sediment and things building up in the main, and that's how you get that dirty water.

We have started a program previously around connecting some of those up with you know nearby mains to improve that flushing, and that's certainly part of this submission as well as to continue that program along.

Also, I think David mentioned in his presentation around the chlorination, and certainly introducing chlorination points throughout the network to improve that residual chlorine in the far-reaching areas of the network, so that you don't get those poor tastes and odour issues in the water.

And also in addition to Davistown, you didn't really mention your sewer issues which we are aware that you've got those as well, particularly when it floods, and we've certainly flagged a reasonable amount of investment in that system, the vacuum system down there, to improve the performance of that, minimise the period of outages in those flood events.

We're quite conscious of the issues that are that are occurring out in the network and we certainly have those plans within this submission to invest in those areas to improve that performance. You mentioned the roads, kerb and gutter and those aspects. Road conditions certainly an issue that's covered by general rates, so it's not really relevant for this hearing, but certainly take your point on that issue.

Mr Skipper: And what about the kerb and guttering at Saratoga?

Mr Loader: Yeah, kerb and guttering, I might just refer that part of the question on to Boris to answer that if that's okay?

Mr Bolgoff: Thank you Mr Loader, through the Chair. Just in relation to kerb and gutter. Kerb and gutter is also funded out of general rates, it's not out of the IPART process, so yeah that's considered under a priority capital works program and if their funding is available, that's where we can look at those road upgrades and sometimes they're tied with external grants with the State and Federal Government, thank you.

Ms Livingstone: Thank you Boris. Just while we're on this topic, I might ask Sandra Gamble to ask a question that's related to one of the issues that Mark raised, Sandra would you like to ask your question now?

Ms Gamble: Okay thank you very much. I'm Sandra. I'm one of the Tribunal Members and I'm just sort of picking up a theme here around confidence in Central Coast Council's plans. So, this is a question for the council, what assurance can you provide and perhaps real-time transparency, around your delivery of capital projects, increasing efficiency and quality of service?

You know, we only see you every 4 years, a lot of water has gone under the bridge, excuse the pun, in the meantime things are not always as they were expected to be at the beginning of the process. You know, after those 4 years and sometimes there's some surprises, which I think erodes a bit of trust. So, what assurance can you provide us in advance, and also what real-time transparency can you provide around that delivery of projects, increasing efficiency and improvements in quality?

Mr Farmer: If I could comment, at a general level not just water and sewer, clearly the community has been through a significant trauma with what's occurred in the organisation. And I've taken over a significant number of troubled councils. Wollongong after an ICAC inquiry in 2007. In Ipswich after a major CCC Inquiry, and the mayor and the CEO went to jail in 2019, and before that I took over Cairns City in a very similar situation, where it was 5 years after a poorly implemented merger and the place was going broke, at a rate of knots.

I'm used to major situations where the community's trusts eroded in the organisation and in the end what it's about doing is creating accountability in the organisation, and continually reporting to the community about what we're doing.

We've made some commitments in the very short-term, that the organisation's financial performance, which was our most critical issue, would be restored to an even balance. We were on track to lose you know \$115 million last year, and that would have continued on to increase if we hadn't made any changes, and so this year we are tracking on budget, and better than budget and tracking for a small surplus.

We report that to the council on a monthly basis. We'll also continue to report publicly on our performance. So, I think what we do is develop a plan, stick to the plan, report to the plan. And ultimately, trust doesn't take very long to lose, but it takes a long time to regain.

And that is about continued delivery everyday understanding you know, it's like doing your English HSC exam every day, that's what you do with the community. So, all I can say is I've had success over a long period of time, turning these sort of organisations around. You don't, you know, have a very poor reputation with the community one day, wake up and everybody loves you. You have to earn that trust, and you have to earn that trust by performing better every day.

Ms Livingstone: Thank you David. Karl Schaerf, you've been waiting patiently, we might come to your question now. I think you've also made some additional comments since you first posted your question, but if you take yourself off mute, would you like to speak now?

Mr Schaerf: Thank you Madam Chair. Yes, I would I'm just deeply concerned in general about the environmental issues which appear to have been glossed over in this whole issue, apart from the financial burden, which might result from this rather horrendous increase proposed, and its ongoing. It's not just something that's going to occur as a once-off, we're upfront for a mighty increase in potential water costs.

But I'm deeply concerned about the lack of forethought in relation to the stormwater disposal. We had an unfortunate flooding event here around the lakes area and the north of the council area not so long ago. All sorts of accusations were banded about, but the fact that these flood events, yes as the scientists predicted were likely to occur far more often than in the past, but we've exacerbated the potential, simply by a destruction of the catchments and of course allowing development along effectively, what would be in the area around here, small floodplains.

Pretty unwise to build on a low-lying area, adjacent to major watercourse such as the Wyong River or even a Ourimbah creek, but the fact remains that I'm deeply concerned that we are going to pay a huge amount for the disposal of stormwater, when much of the runoff particularly in the area where I now live, which had been partly developed 6 years ago when I bought the property, has now had a major disruption to a small, but significant contributor to the larger overall catchment and the runoff from it, until the houses were constructed upon it, was horrendous.

Little regard was paid to what I believe is an act of environmental vandalism in the first place. But nevertheless, we're now looking at this document from the council, which suddenly appears to me at least anyway, they've developed an environmental conscience, strange that it may seem, council would develop such a conscience.

But I am deeply concerned...

[1:06:45 – Photographs shared from member of the audience]

I repeat myself that this problem continues to be discussed, and we are now going to have to pay for the disposal of that water. When surely if there is proper supervision, and I repeat, proper supervision of these works when they're underway, would not be as great as they presently are, and the overall long-term impact from denuded catchments, no matter how small, needs to be looked at very seriously, thank you Madam Chair.

Ms Livingstone: Thank you, Karl. I'll just check whether anybody from council wanted to make a comment on that. I think you've made a clear point, but was there anything that the council wanted to say in response? No, thank you Karl we've heard what you've said there.

Now I will go to Jenny McCulla, who's had her hand up for a while and has shared a photo as well. Jenny would you like to speak to that.

Ms McCulla: Yes, thanks very much and good morning everybody. Thanks for the opportunity for us to be able to have some say in what's happening with the stormwater and sewerage, and the pricing of that in our area.

I'd like to agree with what Mark Skipper has said in regard to the taste of the water. It's pretty unpleasant, I boil everything and drink bottled water here in Davistown. I'm part of the Davistown Progress Association and Jamie would know that we've been meeting with officers about the sewerage system here, and we've been briefed pretty much very well by the officers as to what the progress will be in that direction about maintenance.

But I don't think that that link between the water sewerage issues here and the stormwater drainage system in Davistown has been looked at enough, and I really do urge people at council to connect with one another, those two things here because in storm events, the actual blockages in our stormwater system here, exacerbate our problems and make our sewerage system worse.

Although there have been a number of issues of illegal, at least 100 illegal connections into water sewerage, has caused problems in the past and needs to be rectified by council and followed up on. Because they are aware of what those addresses are, and unfortunately those people do have to be contacted, because that sewerage system, connecting that into the stormwater and their own sewage system, makes raw sewage spill out onto the stormwaters here, and it makes it very unhealthy.

So, if that connection could be made and also in fact, I've been here for at least 7 years, not long, but in the scale of things enough time to be able to observe over a number of east coast lows, what does happen, and I've shared a lot of photos of some of the main streets behind the Central Wharf. They're not guttered, they're not drained. I haven't seen any guttering happen in Davistown in that 7 years. I'd like to be proved wrong, but I think that that really does need to be looked at in terms of any infrastructure. I'd be happy to pay additional funds to see some of that happen, so thank you very much for listening, and I do appreciate the fact that council is trying to work with us on the water sewerage system, but we do need to connect that aspect of the stormwater and what it does in connection with it all, thank you.

Ms Livingstone: Thanks very much Jenny, and I'll just check again whether anybody from council wanted to make any further comment Jamie?

Mr Loader: Just very briefly, and I'm not, like I absolutely agree with Ms McCulla and her comments around the 2 systems, and they are inherently linked and certainly in those lower lying areas if we do have issues with the stormwater management, then it does impact on the, increases the impacts of that short-term localised flooding and that impacts on the sewerage system so certainly we are aware of those things and that's something that those teams are working together on and just really I guess emphasises the point of how important it is for us to get the stormwater drainage aspect of this proposal right, because that it's not just Davistown that those issues are occurring in, it's right across the board.

Ms Livingstone: Thanks Jamie.

Ms McCulla: Thank you Jamie, and also there was some investigation into possibly a way of being able to dispose of stormwater in such east coast lows, through a drainage system that acts like a venturi, is any of that infrastructure being investigated for Davistown, and also some of the de-silting of areas that have built-up over time which is stopping stormwater from getting out faster, thank you.

Mr Loader: Thanks.

Ms Livingstone: Thanks Jenny, and Jenny I might ask you to stop sharing your screen, so we can get more people on the screen. We are going to have a break at 11:20am but that doesn't mean that we won't get to your questions, because we do have session B and C commencing at 11:40am, where we're specifically wanting to speak more about the quality of the services you're receiving, as well as the prices and impacts, and I've noticed a comment that people are keen to hear more about, thinking about the price impact on customers. So, we will get to those questions, we probably have time for a couple of more before the break, and I'd like to ask Graham Hankin if he would speak now.

Mr Hankin: Can you hear me?

Ms Livingstone: Yes.

Mr Hankin: Excuse me, my concern is that when there are new satellite developments on the Central Coast, that the council's cost for providing this water and sewer is not fully compensated for by the developer. And I've looked into the develop, the DSP process, that's on the website, and it provides a calculation for the developer to work out what his costs might be, which he has to pay to the council, for the council to then do their side of the work.

We've got an example at Chittaway Point, with a 69-lot subdivision in a greenfield site, it's got no sewer, no water, no roads, it's wetlands that were re-zoned to residential. The DA originally was refused by council, it went to the Land and Environment Court, and it got overruled. And part of the change that's going to take place is a huge 15-meter wide culvert, 90 meters long, 2 of them are going to be put across the development and take flood waters from one side of the development to the other.

But there's been no consultation with the council, it's going to end up in the in the backyards of houses, it's going to end up in Ourimbah Creek, there's going to be huge costs to when we get heavy rain. There's going to be huge costs to the local community.

And then when I worked out the DSP contribution, it was about \$450,000 for a 69-lot subdivision. It just didn't seem to add up. The council's got to put in a new sewer pumping station, they've got to put in new water mains, they've got to put in ways of managing the stormwater, from a detention basin which they will inherit in the future.

So, there's 50 years of ongoing maintenance required by the council for that, and in the beginning \$450,000 just won't cut it. That's my calculation. So, I just don't think, I'm of the opinion that the shortfall is actually paid by all the other ratepayers on the Central Coast, and the developer is getting away quite easy on it. Thank you.

Ms Livingstone: Thanks Graham. So, your question's around the developer charger's framework, because slightly outside the scope of the price review, but I think Jamie, you're open to commenting on that.

Mr Loader: Sure thanks, that is correct, it is, you are referring to the developer servicing plans and that's their contributions for development, paid for by developers in relation to water and sewer, and those contributions are calculated on a way that the developer is contributing, certainly to those leading assets and infrastructure that's required to service the development, any major asset and upgrades like pump stations and those sorts of things, certainly covered by the developer servicing plans.

And those are reviewed also, they also go through an IPART process, but not in this current cycle and this determination. They are due again; I think in another 2 years or something. But they are calculated in a way that they cover those particular costs. I think you're confusing 2 separate components there in relation to the stormwater drainage works that are required.

They're covered by the developer contributions under section 7.11 of the *Environmental Planning Assessment Act*. So that's a different set of charges that would cover the costs of those works as well and calculated differently again. But you know, in most cases those charges cover and a lot of the time, the developer actually undertakes that work, and we provide credits out of those funds, rather than having to pay for those contributions, they do the work instead.

So, there's a whole system around that also, but you know there are swings and roundabouts throughout that sometimes, there is a shortfall, sometimes there's additional money there, depending on the area and the location and the works that are required. But by and large those plans are designed to cover the cost of those works.

Ms Livingstone: Thanks Jamie, thanks Graham. We have been going for an hour and 20 minutes, so I'm conscious people probably do need a break, and we had one scheduled at this time. We do have a record of all the questions that have been asked today, and we'll come back to those in sessions B and C which commence at 11:40am.

But for the next 20 minutes, we'll have a break. So, if you just turn off your cameras and mute your microphones, then re-join us at 11:40am. We'll be looking more specifically at performance of Central Coast water and the quality of services you're experiencing, as well as price impacts, so we'll see you shortly, thank you.