

## Central Coast Council – Ratepayer Summary

Since its formation in 2016, Central Coast Council (the council) has consistently expended more funds than it has raised. This has recently resulted in the council having insufficient funds to meet ongoing costs, such as wages. The council's dire financial situation resulted in the Minister for Local Government suspending all councillors and appointing an interim administrator in their place.<sup>i</sup> To improve its financial sustainability, the council has applied to IPART for a permanent special variation (SV) of 15% (inclusive of the rate peg) to its general income in 2021-22.<sup>ii</sup>

We have assessed the council's application against Guidelines issued by the Office of Local Government (OLG) and have decided to approve a temporary SV of 15% in 2021-22, which is to be retained for 3 years and then removed. During this 3-year period, the council will be able to implement its proposed business recovery plan, consult with its ratepayers regarding appropriate service levels, and if required, apply for a permanent SV.

### Impact on council's income

#### Purpose

- ▼ Repay loans taken out to replenish withdrawn restricted reserves

\$70.2m

**Additional income**  
above the rate peg over  
the next 3 years

Coinciding with the council's SV application is the rates harmonisation process, where a uniform rating structure for all rating categories will be adopted across the former Gosford City and Wyong Shire council areas from 1 July 2021. The SV will be applied across all rating categories using the harmonised rates, meaning the percentage increases experienced by ratepayers will not be uniform.

### Impact on rates

	 Residential	 Business	 Agriculture	 Mining
Gosford City	+41.6%	+50.2%	+53.2%	0%
Wyong Shire	-9.5%	-17.5%	-25.2%	+15.0%

Many submissions we received vocalised ratepayers' concerns about the proposed higher rates in light of the council's current financial position. These concerns need to be balanced against the council's financial need and its requirement to deliver ongoing community services.

We assessed the council's application against the Guidelines issued by the Office of Local Government and determined it has met:

<p><b>Financial Need</b></p> <p>Without the special variation, the council's financial position will continue to deteriorate and it may have difficulty repaying its loans. However, there is some uncertainty around the council's long term financial modelling as the council has only recently started implementing a program of substantial cost containment measures.</p>	<p>Largely demonstrated</p>
<p><b>Community awareness</b></p> <p>The council used a wide range of consultation methods. However, it could have better distinguished between the special variation and rates harmonisation.</p>	<p>Largely demonstrated</p>
<p><b>Reasonable impact on ratepayers</b></p> <p>The council's average rates are currently lower than most comparable and neighbouring councils. However, we note that due to the simultaneous harmonisation of rates, the impacts on ratepayers are varied and in some cases substantial.</p>	<p>Largely demonstrated</p>
<p><b>IP&amp;R documentation</b></p> <p>The council's revised Delivery Program and Operational Plan omitted a 'no rate rise' alternative scenario and did not consider the community's capacity to pay.</p>	<p>Partly demonstrated</p>
<p><b>Productivity Improvement and Cost Containment</b></p> <p>The council has proposed significant cost reduction strategies that need to be proven over time as it does not have a good track record of delivering savings.</p>	<p>Partly demonstrated</p>

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## Response to concerns raised in submissions

In addition to undertaking a community consultation process, the council received submissions from ratepayers and community representatives on its proposed SV and rate increases.

IPART also received submissions from community stakeholders. Most of these submissions opposed the SV. We considered all the concerns and issues raised in these submissions. Our responses to the most common ones are outlined below.

### **Stakeholders considered that ratepayers should not be responsible for the council's mistakes**

Most of the submissions from stakeholders opposed the SV and raised concerns around the council's financial mismanagement of funds and the Administrator's assertion that the use of restricted funds was unlawful. Some also argued the council should be more accountable for its actions which led to its poor financial situation, or that the Audit Office should have done more to prevent the mismanagement including restricted reserves being unlawfully spent.

We acknowledge these concerns and the understandable anger ratepayers feel. Nevertheless, the council clearly does have a financial need for the SV. Its use of restricted funds was unlawful and it must pay these funds back.

In our view, the council's application for a permanent increase in general income is not appropriate given the purpose of the SV and uncertainty around the council's financial position. For these reasons, we have approved a 15% temporary increase in general income in 2021-22 which is to be removed after 3 years.

In response to comments that the council should be more accountable for its mistakes, we note that the Minister for Local Government suspended the council and appointed an Administrator on 30 October 2020. The Minister has also appointed a Commissioner to commence a public inquiry into the council and appointed another interim Administrator for the duration of the public inquiry.

In response to criticisms of the Audit Office, we cannot comment given we do not consider the role of the external auditor in our assessment.

### **Stakeholders were concerned that the rate increases are not affordable, particularly for pensioners and due to the impact of COVID and natural disasters**

We acknowledge that the rate increases in the former Gosford council area are significant and may be difficult for some ratepayers to afford. However, in general we consider the impact on ratepayers is reasonable. We note that:

- ▼ Most of the increase in the former Gosford area is due to the harmonisation of rates across the Central Coast area, and not the SV. Currently, ratepayers in this area pay much less than those in the Wyong area. To move towards an equitable rating system – where similar ratepayers pay similar rates across the Central Coast – rates in the Gosford area are increasing, while those in the Wyong area are decreasing in 2021-22.

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- ▼ With the SV, the council's average residential rates would be lower than the average for neighbouring and comparable councils in 2021-22.
  - ▼ The council has a hardship policy to assist ratepayers including pensioners experiencing financial hardship.

**Stakeholders considered that the State Government's amalgamation policy and lack of oversight contributed to the council's financial problems**

In 2015, both Gosford City Council and Wyong Shire Council were identified as 'not fit' for the future. IPART's assessment of the council's amalgamation proposal found that the former Gosford City and Wyong Shire councils satisfied the overall financial criteria for amalgamation at that time. The council's failure to correctly recognise its financial position at the beginning of amalgamation was the primary cause of its current financial difficulties, not the amalgamation itself.

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<sup>i</sup> Central Coast Council, Administrator, <https://www.centralcoast.nsw.gov.au/council/about-council/administrator>, accessed 2 April 2021.

<sup>ii</sup> Central Coast Council, *Application Part A*, Worksheet 1.