

Operational Plan 2020-21

Frequently Asked Questions

1. Background information

[What is the Operational Plan 2020-21](#)

Central Coast Council's Operational Plan 2020-21 outlines the third year of the Delivery Program 2018-21. It is the key document that details our proposed actions, projects and budget for the year ahead.

[How does this link to the Community Strategic Plan](#)

The Plan contains actions and projects that will deliver what the community has asked for as part of One Central Coast, the first ever Central Coast Community Strategic Plan. The Community Strategic Plan is our promise to the community - a plan that has been developed in partnership with the community and is being delivered with other state and government agencies to ensure we maintain our great lifestyle here on the coast as our region grows and prospers.

[How was the community consulted about the draft Operational Plan 2020-21](#)

The draft Operational Plan 2020-21 was publicly exhibited online from 31 March to 4 May 2020. 100 submissions were received during the exhibition period and the key items raised in those submissions include:

- Support for current projects or actions listed within the draft Operational Plan
- Request for additional projects or work to be carried out
- Comments on the proposed budget and allocation of funding
- Reduction to specific fees listed in the Fees and Charges

[What has changed since the public exhibition of the draft Operational Plan 2020-21](#)

Council has had to look at the 2020-21 Operational Plan with fresh eyes. The COVID-19 pandemic has had a huge impact on the way that we work, a huge impact on business, and Central Coast Council is no exception. Council has had to consider these financial impacts and forecast some impacts that are not yet fully understood to propose a revised budget that ensures a financially sustainable position for Council and enables delivery of essential services to the community under the Operational Plan. Council has had to also consider factors of continuing to respond to the pandemic and at the same time invest in the recovery phase, preparing for what may lay ahead.

[Do changes to the Plan require public exhibition](#)

The only changes to the Plan that will require public exhibition will be for new fees and charges where these have been increased. Other changes to the Plan have already been exhibited in accordance with the Local Government Act 1993.

[Why was consideration of the Operational Plan 2020-21 deferred to July](#)

The option for NSW Councils to finalise budgets for the new financial year before 30 July instead of the traditional 30 June cut-off date, was made permissible by the Minister for Local Government in April. It was due to the extenuating circumstances being faced during the COVID-19 pandemic emergency.

2. Budget Fast Facts

[What is the 2020-21 budget overview](#)

This budget maps a deliberate course, where every decision made has been made based on financial sustainability, community needs and navigating a way through these unprecedented times.

Central Coast Council's Operational Plan 2020-21 has budgeted \$564.3 million for the delivery of essential services and \$225 million for capital works.

Council's estimated operating income for the 2020-21 financial year is \$551 million leaving Council with an estimated budgeted operating deficit of \$13.3 million excluding capital grants and contributions. Council has an estimated operating surplus of \$26 million including capital grants and contributions.

[What are the focus areas for the Operational Plan 2020-21](#)

Projects will be delivered across the local government area and some of the highlights of the capital works program for 2020-21 financial year include:

\$17.4 million - Open space and recreation improvements across the suburbs

\$59.8 million - Roads, transport and drainage

\$80.8 million - Water supply and sewer infrastructure

\$8.5 million - Waste services and business development

\$2.7 million - Libraries, learning and education

\$5.3 million - Environmental management

\$1.2 million - Energy management

[How is funding in the Operational Plan distributed across the Coast](#)

Operational expenditure is allocated to the broad range of services which Council provides. Capital works projects are categorised as either multi-ward or based in a specific ward. A multi-ward project is one that provides benefit to the whole Central Coast Local Government Area and is not suburb specific. Multi-ward also includes water and sewer projects (whilst they are undertaken in individual suburbs, the works contribute to the overall running of the water and sewer network across the region) and roads, transport and drainage (the road network which the community and visitors use to navigate the Central Coast).

[What is the overview of changes from the draft publicly exhibited Operational Plan 2020-21](#)

The draft Operational Plan 2020-21 has been updated as follows:

- Reduction in the operating deficit before capital grants and contributions from \$32.5 million to \$13.3 million. Operational budget changes include:
 - Reduction in income for closed or reduce services – reflects income based on public health orders and assumptions on the utilisation of re-opened services
 - Reduction in interest income from overdue rates and annual charges
 - Increase in operating grant income to recognise the grant from the NSW Government to cover the increase in emergency services levy

- Increase in other sources of income such as bio-certification scheme and proposed increases in some fees and charges which are outlined in attachment 6
- Reduction in employee costs as award increase was 1% less than originally forecasted
- Reduction in overtime expenditure
- Reduction in employee costs based on a considered approach prioritising recruitment of vacancies
- Reduction of excess leave
- Deferral of election costs to 2021-22 financial year as elections will be held in September 2021
- Reduction in operating expenditure to reflect the deferral of some operating projects into future years
- Reduction in the capital works program from \$248.3 million to \$225.0 million. Capital works program budget changes include:
 - Inclusion of projects delayed in 2019-20 FY
 - Removal of projects from 2020-21 FY where the projects were brought forward into 2019-20 FY for delivery
 - Review of projects to prioritise the delivery of projects which are grant funded, funded by developer contributions or other restricted funds
 - Review proposed projects and prioritise taking into consideration Council's risk management framework
 - Deferral or reduction in project costs to future financial years

3. Financial sustainability

How does the budgeted operating deficit impact Council's financial position

Council is in a strong financial position with our infrastructure, property, plant and equipment portfolio having a gross replacement cost of \$10.2 billion as at 30 June 2019.

Council's cash and investment portfolio totalled \$376.2 million at 31 May 2020. Council's investment portfolio of \$339.1 million is managed in accordance with our regulatory obligations, Ministerial Order and Council's adopted investment policy.

Source of Funds	Value (\$'000)
Investment Portfolio	\$339,134
Transactional accounts and cash in hand	\$37,029
Total	\$376,163

Whilst Council's financial position is solid, Council is taking action to reduce operating costs whilst trying to minimise impacts on delivery of essential services and find other sources of income to reduce the operating deficit.

Will Council staffing levels stabilise

For the last four years Council has had a focus on the alignment of services including consolidation of information to one technology platform. This has impacted staffing levels and resourcing adjustments will continue in the next financial year as benefits of these consolidation activities are realised. Council is taking action to reduce some operating costs through considered recruitment of any vacant roles, slowing down some projects to equal the resourcing level; reducing excess leave and seeking staff participation in the solution, such as the option for 4-day working weeks. Council is doing this to maintain a workforce for the long term sustainable future.

How long will Council be in this financial position

Council continues its path towards a healthy financial future following a planned period of consolidation, and now responding to the financial imperative of the impacts of the global pandemic. The long term financial plan means providing essential services at appropriate levels at reasonable costs to current and future ratepayers.

Will Council increase rates

Council is not considering any increase to rates above the IPART permitted rate peg at this stage. Council rates are difficult to compare between local government areas as there are different rating categories (residential, business, farmland and mining), land values and services being provided by councils.

What about any impact from rates harmonisation

Rates harmonisation does not change the amount of rating income that Council is able to levy to its ratepayers. Rates harmonisation will change how rates are levied to its ratepayers.

4. Understanding the Operational Plan and Budget (the Plan)

The Plan refers to an 'operating result' – what does this mean in the context of Council's Operational Plan and budgets?

There are two types of income and expenditure:

1. Operational – operational income and expenditure reflects the income and expenditure for the services which Council provides – simply day to day expenditure to run Council including maintenance of Council assets. Operational income includes rates, annual charges and user fees and charges.
2. Capital – capital income and expenditure reflects the income and expenditure for the renewal, upgrade and new assets. Capital income includes developer contributions and external grant funding for capital works. Capital expenditure is reflected in Council's capital works program.

There are two "operating result" totals provided as part of the financial reporting:

1. Operating Result *excluding* Capital Grants and Contributions:
2. Operating Result *including* Capital Grants and Contributions

Where operating income exceeds operating expenditure then we have a surplus or "profit".

Where operating expenditure exceeds operating income then we have a deficit or "loss".

Much like a personal budget, Council tries to ensure that the day to day costs of providing services to the community does not exceed operating income. However, where there are historical operating surpluses these can be used to offset operating deficits.

The Operating Result *excluding* Capital Grants and Contributions is simply Council's operating income less operating expenditure. The result lets us know if Council's operational activities are fully funded by operational income. This is why we report this operating result in Council reports and media releases.

The Operating Result *including* Capital Grants and Contributions is simply the Operating Result *excluding* Capital Grants and Contributions plus Capital Grants and Contributions income. The reason we don't focus on the Operating Result *including* Capital Grants and Contributions is because Capital Grants and Contributions are collected to fund capital expenditure (capital works program). Whilst the Capital Grants and Contributions are reflected in the Income Statement or "Profit and Loss" the Capital Works Program is not which can be misleading as we have capital income but not capital expenditure. The Capital Works Program is reported in the Statement of Financial Position as part of the Infrastructure, Property, Plant and Equipment totals.

Council's Operating Results are reported on an accruals basis. This means that all income billed or invoiced and all expenditure incurred by Council is reflected in the operating result. If Council issues an invoice to a customer and it is not paid by the end of the reporting period it is still reflected as income to Council and Council also reports that this amount is receivable by Council from the customer. Where Council receives an invoice from a supplier and it is not paid by the end of the reporting period it is still reported as expenditure of Council. Council will reflect this amount in accounts payable to suppliers.

The [Statement of Cash Flows](#) shows the movement in Council's cash balances – it reflects when payments are received from customers, payments are made to suppliers and employees and transactions for investment (when Council makes investments and investments mature) and financing purposes (loan repayments).

There are items within the Income Statement which are non-cash items, they are a calculation that does not impact Council's cash balances – i.e., depreciation and amortization, net losses on the disposal of assets, revaluation decrements and impairments to Infrastructure, Property, Plant and Equipment.

The Plan refers to Council's Long Term Financial Plan (LTFP)? How does this fit with this Operational Plan and what does this say about the future of Council's financial position?

The Long Term Financial Plan (LTFP) is a projection of Council's future income and expenditure for 10 years and is updated annually as part of the Operational Plan. The LTFP is a guide and enables Council to make informed decisions.

The Long-Term Financial Plan includes:

- projected income and expenditure, a balance sheet and cash flow statement
- planning assumptions that were used in the Plan's development
- a sensitivity analysis which highlights the factors and assumptions most likely to impact on the Plan
- financial modelling for at least three different scenarios, for example the planned scenario, an optimistic scenario and a conservative scenario
- methods of monitoring financial performance

The development of the LTFP is based on the base year budget information (2020-21) and as we project out to year 10 has decreasing levels of detail and relies on planning assumptions. The LTFP is updated each year to allow for changes in Council's operating environment which were not known in previous budgeting cycles.

The LTFP provides Council's with a snapshot of projected financial performance and position. This enables Council to develop or refine strategies to achieve the outcomes the community desires or identify where these outcomes may be difficult to achieve.

Council's LTFP for 2020-21 projects that Council will improve its performance against the performance indicators over the 10 year horizon with a review required for the infrastructure asset backlogs and restricted cash which is impacting the unrestricted cash ratio. Council is developing a strategy and plan for the restricted cash balances which are largely for developer contributions and unexpended grant funding. Council has proposed that \$145.4 million or 64.6% of Council's capital works program is targeted at renewal and upgrade projects to address the asset backlog.

Sometimes Council receives funds/cash which are for a specific purpose, i.e. grant funding for a specific capital project and developer contributions for infrastructure to support new development, Council restricts these funds/cash to ensure that the funds are not used for other purposes. Unrestricted cash can be used to provide services and invest in assets as required.

The Office of Local Government sets financial performance benchmarks for Councils. What are these used for and how does Council stack up against them?

The Office of Local Government (OLG) has set some financial performance indicators within the Local Government reporting framework. Ratios are a way in which the OLG and community can compare the performance of Central Coast Council to other Councils within NSW. They are a way of presenting financial information in a simplified manner to assist the community to understanding Council's liquidity, operating performance and debt. A ratio by itself without additional information can make it difficult to understand what the ratio actually means.

It is important to note that Central Coast Council provides additional services to the community that other Councils in NSW do not such as water, sewerage and stormwater drainage services. Providing these additional services will have an impact on some of our performance ratios in comparison to other NSW Councils.

For example, with the Rates and Annual Charges Outstanding Ratio for Central Coast Council this includes the annual charges for water, sewerage and stormwater drainage services which the majority of other NSW Councils will not have. In addition, the timing of when Council bills and collects the amounts payable for water, sewerage and stormwater drainage annual charges will impact the calculation of the ratio. Most other Councils will only have rates and domestic waste management annual charges to issue and collect.

The ratios are calculated based on a specific point in time and will change from year to year and during the year.

For example, the Rates and Annual Charges Outstanding Ratio will be impacted based on when rates and water notices are issued and when payments are received from customers. If the amount is outstanding at the end of the reporting period i.e. 30 June it is included in the ratio. However, the payment could come in on the first day of the next reporting period i.e. 1 July and the amount outstanding would be removed from the ratio calculation.

COVID-19 impact – Whilst rates and annual charges is billed to ratepayers and customers during the financial year, Council is forecasting a reduction in payments received due to the impact of COVID-19 for local businesses and households. During the last quarter of 2019-20 financial year payments received for rates and annual charges have decreased compared to prior years. It is anticipated that this trend will continue during 2020-21 financial year with uncertainty around the continuation and application of government financial support and financial relief and hardship provision by banks and other financial institutions.

This means that Council is unlikely to achieve the Rates and Annual Charges Outstanding Ratio in the short term.

The building and infrastructure renewals ratio is calculated based on when the capital projects are completed and the Work in Progress is cleared to capitalise or recognise assets in Council's asset registers. The timing of when the project costs are capitalised will impact the ratio which means when Councils have projects which span a number of financial years the ratio will report in peaks and troughs depending on when the project information is capitalized. For example, an asset renewal project could span 2 financial years and costs \$1.2 million. In the 1st financial year Council

spends \$800,000 and in the 2nd financial year Council spends \$400,000 to complete the project including asset capitalisation. In the 1st financial year the \$800,000 cannot be included in the calculation of the building and infrastructure renewals ratio. In the 2nd year Council includes the \$1.2 million in the calculation of the building and infrastructure renewals ratio.

[Council's Rates and Annual Charges Outstanding Ratio is above the Office of Local Government benchmark of 5%. What is Council doing to address this?](#)

Council's Rates and Annual Charges Outstanding Ratio is above the Office of Local Government's benchmark for metro Councils of 5%. This is because Central Coast Council has Water Supply Authority functions (water, sewerage and stormwater drainage) which the majority of other NSW Councils do not. Council's water notices contain a portion of the annual charges for water and sewerage (the annual charge for water and sewerage is split over the billing frequency – bi-annual or quarterly) as well as usage charges for water and sewer where applicable.

This impacts Council's ratio as the water, sewerage and stormwater drainage annual charges are included in this ratio calculation and impacted by the water meter reading and billing schedules. The ratio takes the rates and annual charges outstanding (as at year end being 30 June) and divides this by the rates and annual charges collectable for the year.

Council's annual rates notices are issued in July in accordance with the Local Government Act 1993 with the option to pay quarterly in August, November, February and May. This means that the ratio calculation reflects the amounts overdue as the rates should be paid in full by the end of May.

Council's water meters are read on a rolling schedule as part of our water meter reading program. Council issues water notices after the water meter has been read. Payment terms for water notices are 30 days. Outstanding in this ratio calculation does not mean overdue which means the timing of when water notices are issued and when the amounts are due is important for the calculation of this ratio. If the water notices are issued in June then they are not due for payment until July (next reporting period) and most customers do not pay their bills before they are due. Which means the majority of the annual charges billed in June under the water notices will be included in the ratio calculation although they are not overdue.

Water meter reading and billing schedules have been brought forward marginally to enable Council to issue water notices with due dates prior to 30 June where possible.

In addition Council has harmonised its payment arrangement guidelines and customer engagement process for those in arrears. The result of these efforts is to promote sustainable customer payment arrangements that result in a reduction to customer arrears and minimisation of legal action. We are proud of the limited legal action taken historically compared to our Local Government peers.

Whilst these actions have been undertaken the financial impacts of COVID-19 on business and families has resulted in a slow down in payments received from customers for their rates and water accounts. This means the amounts outstanding at 30 June (when the ratio is calculated) will be higher than previously forecasted (prior to COVID-19 pandemic) resulting in the Rates and Annual Charges Outstanding Ratio being higher than the OLG benchmark of 5%.