

AMENDED ITEM



Item No: 3.6
Title: Exhibition of the Draft Operational Plan 2019-20
Department: Innovation and Futures

25 March 2019 Ordinary Council Meeting

Trim Reference: F2019/00464 - D13479140

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Summary

Council is required to undertake its planning and reporting activities in accordance with the *Local Government Act 1993* ("LG Act"), the *Local Government (General) Regulation 2005*, and the NSW Integrated Planning and Reporting (IP&R) framework for NSW Councils.

This report recommends the draft "Operational Plan 2019-20" (Attachment 1) be publicly exhibited and the subject of public consultation in accordance with the LG Act.

Recommendation

- 1** *That Council endorse the draft Operational Plan for the 2019-20 financial year ("Operational Plan 2019-20") for the purposes of public exhibition from Monday 1 April 2019 to Wednesday 1 May 2019 and invite public submissions in accordance with the Local Government Act 1993.*
- 2** *That Council give public notice of the draft Operational Plan 2019-20 in accordance with s.405(3) of the Local Government Act 1993, and publicly exhibit that draft Operational Plan 2019-20 in accordance with that public notice.*
- 3** *That Council resolve, for the purpose of s. 405(4) of the Local Government Act 1993, that maps showing the parts of the Central Coast local government area to which each category and sub-category of ordinary and special rates proposed in the draft Operational Plan 2019-20 be made available in Council's Gosford and Wyong Administration Offices.*
- 4** *That Council authorise the Chief Executive Officer to make appropriate amendments to the draft Operational Plan 2019-20 to correct numerical or typographical errors.*

5 That Council note that the Council will consider final adoption of the draft Operational Plan 2019-20 and making of rates and charges at a meeting of the Council on 11 June 2019.

Context

Council is required to develop an Operational Plan for the 2019-20 financial year and be publicly exhibited and adopted prior to 1 July 2019.

The Operational Plan 2019-20 is required to:

- Detail the principal activities as defined in the Delivery Program and the activities proposed to be carried out by Council during the 2019-20 financial year;
- Include a statement of Council's revenue policy during the 2019-20 financial year, which must include prescribed statements concerning the estimated income and expenditure of Council for the period, as well as prescribed statements concerning the rates, charges and fees that Council proposes to make and levy for that period;
- Be prepared in accordance with the relevant provisions of the *Integrated Planning and Reporting Guidelines for local government in NSW* published by the Office of Local Government in March 2013 ("IP&R Guidelines").

Council is required to do the following prior to adopting the Operational Plan for the 2019-20 financial year:

- Give public notice of the draft Operational Plan 2019-20, advising that submissions may be made to Council for a period of not less than 28 days: ss. 405(3) of the LG Act;
- Publicly exhibit the draft Operational Plan 2019-20 in accordance with that notice: ss. 405(3) of the LG Act;
- Make available for inspection at an office of the Council a map of the Central Coast Local Government Area that shows those parts of that area to which each category and sub-category of the ordinary rate and each special rate included in the draft Operational Plan applies: s. 405(4) of the LG Act; and
- Consider any submissions received by Council concerning the draft Operational Plan 2019-20: ss. 405(5) of the LG Act.

The purpose of these legislative provisions is to ensure that the community is informed of the proposed activities and revenue decisions that Council proposes to make, and provide an opportunity for the community to express their views on that draft Operational Plan 2019-20.

Current Status

Draft Operational Plan 2019-20

The draft Operational Plan 2019-20 is the second year of the Delivery Program (2018-19 – 2020-21) and includes the following:

- An Operational Plan that outlines the activities, programs, operational projects and capital works program that Council intends to carry out in the 2019-20 financial year. The Plan is linked to the priorities to be delivered during the Councillor's term and objectives of the Community Strategic Plan (CSP); and
- Financial information including the Long Term Financial Plan, operational and capital income and expenditure, Statement of Revenue, proposed rates, and the Fees and Charges planned for 2019-20.

The draft Operational Plan 2019-20 is comprised of the following:

- Overview – this includes information about the Central Coast Local Government Area and about Central Coast Council
- Operational Plan 2019-20 – this includes the CSP framework, the priorities from the Delivery Program, the Operational Plan and the capital works program
- Financial Information – this include the financial overview for 2019-20, the operating and capital income and expenditure
- Long Term Financial Plan – this details scenarios and assumptions
- Statement of Revenue – this details the proposed rates and annual charges
- Fees and Charges – this details the proposed fees and charges

Overview

This provides information about the Operational Plan, information on the Central Coast region and on the organisation.

Operational Plan 2019-20

The Operational Plan details the actions to be undertaken for the 2019-20 financial year and has been set out based on the second year of the Delivery Program. It is aligned to the CSP Themes of Belonging, Smart, Green, Responsible and Liveable and links to the Focus Areas and Objectives.

Financial Information

During the 2019-20 financial year it is proposed that Council will receive operational revenue of \$560.1 million and spend \$567.8 million on essential services. This results in an operating deficit before capital grants and contributions of \$7.7 million and reflects Council's focus on continuing to align services including consolidation of information on one technology platform and some major changes to our operating income and expenditure including an

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increase in electricity costs due to a significant increase in wholesale electricity prices, an increase in fuel costs and an adjustment in annual charges and user charges in line with Council's Independent Pricing and Regulatory Tribunal (IPART) submission.

We will continue to review our operations to look for innovative ways to deliver services and take advantage of efficiencies to reduce the budgeted operating deficit.

The table below provides a summary of the proposed budget of Council for the 2019-20 financial year, with more detailed information available provided in the draft Operational Plan 2019-20.

Key Financial Information	2019-20 Budget \$M	2018-19 Q2 Budget \$M
Financial Performance		
Operating Income	560.1	562.2
Operating Expenditure	567.8	566.0
Net Operating Result (before Capital Grants and Contributions)	(7.7)	(3.8)
Capital Grants and Contributions	52.4	51.9
Operating Result	44.7	48.2
Capital Expenditure	223.2	215.4

Capital Works Program

Council proposes a budget of \$223.2 million on capital works in the 2019-20 financial year. The proposed capital plan is targeted at renewal and upgrade to existing assets, with over 82% (\$183.9 million) of the proposed capital spend focussed on renewal and upgrading of existing assets. This allocation allows Council to maintain and renew existing assets and to address the asset backlog. This also satisfies the obligations imposed as part of the determination of the Independent Pricing and Regulatory Tribunal ("IPART") to permit a Special Rate Variation ("SRV"), which required the former Wyong Council and now this Council to spend an average of \$10.0 million on capital upgrades over 10 years from the commencement of the SRV.

Council is also investing \$39.3 million in new and regionally significant assets.

Capital Works Program Summary by Expenditure Type	2019-20 Budget \$	% of Capital Works Program
Renew / Replace	\$130,938,830	58.7%
Upgrade Assets	\$42,616,423	19.1%
Special Rate Variation (former Wyong LGA only)	\$10,300,500	4.6%
New	\$28,900,957	12.9%
Regional, Income Generating and Strategic	\$10,420,804	4.7%
Total	\$223,177,513	100.0%

Proposed capital spending is concentrated in areas considered to be a high priority by the community, with 79% of the proposed capital spend allocated to community priorities.

Priority Areas	CSP Theme	2019-20 Budget
Roads Transport and Drainage [^]	Responsible	\$72,712,100
Water and Sewer [^]	Responsible	\$38,356,441
Waste Services and Business Development	Green	\$4,326,600
Open Space and Recreation	Liveable	\$21,773,916
Leisure and Lifestyle	Liveable	\$2,315,000
Waterways and Coastal Protection	Green	\$2,750,000
Natural and Environmental Assets	Green	\$3,057,650
Facilities and Asset Management	Liveable	\$16,299,150
Business Enterprises	Responsible	\$4,543,669
Economic Development and Project Delivery	Responsible	\$9,388,304
Learning and Education	Liveable	\$148,000
Libraries	Liveable	\$1,107,600
Total		\$176,778,430
% of Total Spend		79.2%

[^] Capital works program for water, sewer and drainage projects is in line with Council's pricing submission to IPART.

The following table provides a summary of proposed capital spend across the 5 wards. A region wide project is one that provides benefit to the whole Central Coast local government area and is not suburb specific. Region wide 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). Works on assets such as Central Coast Stadium, Adcock Park, waste management facilities, Council's

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administration buildings are also classified as region wide projects as the works undertaken provides a benefit to the Community.

Capital Works Program Summary by Ward/Region	2019-20 Budget \$	% of Capital Works Program	% of Local Ward Based Projects
Region Wide	\$ 186,886,749	83.7%	
Local/Ward Based Projects			
Budgewoi	\$ 7,355,590	3.3%	20.3%
Gosford East	\$ 7,031,345	3.2%	19.4%
Gosford West	\$ 8,859,074	4.0%	24.4%
The Entrance	\$ 7,315,566	3.3%	20.2%
Wyong	\$ 5,729,189	2.6%	15.8%
Sub-total Local Ward Based Projects	\$ 36,290,764	16.3%	100.0%
Total	\$ 223,177,513	100.0%	

Council has \$20.6 million in additional capital works projects which are a combination of projects pending external grant funding confirmation or the projects are gated projects where funding will be released once the project meets set criteria to continue.

As Council receives confirmation that external grant funding has been approved the appropriate grant funding revenue will be recognised, in accordance with the grant funding agreement, via the Quarterly Budget Review process and work can commence on the project. Depending when Council received confirmation of grant funding an assessment of how much of the project will be able to be delivered in the 2019-20 financial year will be determined.

Should Council receive confirmation of external grant funding for all projects and all gated projects meet the project criteria to release the gated project funding, the proposed capital works program would total \$243.7 million.

Highlights of projects listed within the capital works program for 2019-20 financial year include:

- \$72.7 million in Roads, Transport and Drainage projects
- \$38.4 million in Water and Sewerage projects
- \$4.3 million for an upgrade to the air handling system at Peninsula Leisure Centre
- \$3.8 million for redevelopment of Adcock Park
- \$3.0 million for improvements to Central Coast Stadium
- \$2.0 million for the construction of the intersection and access road for to the Colongra Sports Field
- \$1.9 million for investigations and designs for the Lake Munmorah District Skate Park
- \$1.5 million to rebuild Don Small Oval clubhouse and refurbishment of the amenities/change rooms

To ensure Council is spending in accordance with community priorities identified in the CSP, it is proposed that 85% of operating and capital expenditure will be invested in the following priority areas:

Priority Areas	CSP Theme	Operational Expenditure* \$M	Capital Expenditure \$M	Total Spend \$M	% of Total Spend
Roads Transport and Drainage	Responsible	113.74	72.71	186.45	23.6%
Water and Sewer	Responsible	167.09	38.36	205.45	26.0%
Waste Services and Business Development	Green	85.39	4.33	89.72	11.3%
Open Space and Recreation	Liveable	28.32	21.77	50.09	6.3%
Leisure and Lifestyle	Liveable	18.40	2.32	20.72	2.6%
Waterways and Coastal Protection	Green	12.35	2.75	15.10	1.9%
Natural and Environmental Assets	Green	19.01	3.06	22.07	2.8%
Facilities and Asset Management	Liveable	10.64	16.30	26.94	3.4%
Business Enterprises	Smart	16.68	4.54	21.22	2.7%
Economic Development and Project Delivery	Responsible	1.73	9.39	11.12	1.4%
Learning and Education	Liveable	10.57	0.15	10.72	1.4%
Libraries	Liveable	11.23	1.11	12.34	1.6%
Total		495.16	176.78	671.94	85.0%
% of Total Spend		87.2%	79.2%	85.0%	

* includes corporate overheads allocated for support services

Council's spending is focussed on maintaining and for some services improving service levels in areas important to the community and on improving asset management. The plan also invests in the continued transformation of Council to improve customer service, automation, measurement and efficiency. Savings arising from the resulting efficiencies will be reinvested into improving service levels.

Financial Performance and Asset Management Ratios

The Office of Local Government (OLG) has set financial performance benchmarks and Council is forecasted to meet the majority of these benchmarks in 2019-20 financial year. For details on future financial years please refer to the Long Term Financial Plan included in the draft Operational Plan 2019-20.

Operating Performance Ratio is just under the Office of Local Government (OLG) benchmark > 0.0% for 2018-19 to 2020-21 financial years. Council's focus on continuing to align services including consolidation of information on one technology platform to improve service delivery and customer service requires additional temporary resourcing to ensure that service delivery is not impacted. The additional resources will cease in the 2020-21 financial year. Council will continue to apply for additional operational grant funding to assist with the cost of delivering services. Council will continue to review its operations to look for innovative ways to deliver services and take advantage of efficiencies to achieve the OLG benchmark.

Unrestricted Current Ratio is below the OLG benchmark of >1.5. This is largely due to the significant restricted developer contributions balances. Council has received over \$39 million in developer contributions for the last 2 financial years (reporting periods ended 30 June 2017 and 30 June 2018) and during that time period has not delivered capital works funded by developer contributions to the same level which leads to the increase in the restricted developer contributions balances. Council is developing a strategy and plans to deliver the capital works projects that developer contributions are being collected for. Council will

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continue to monitor cash and investment balances and restrictions to ensure that Council has sufficient funds available to meet short term obligations.

Rates and Annual Charges Outstanding Ratio is above the OLG benchmark of 5% in the 2018-19 to 2021-22 financial years, however Council is working on reducing this ratio responsibly by working with ratepayers to reduce their outstanding debts. The Policy for Debt Recovery and Hardship is in place and is a socially responsible framework for debt collection balancing between hardship and collecting the outstanding debts. Recently there have been structural changes to Council's operations with positive results and if this continues Council is likely to achieve the OLG benchmark earlier than 2021-22 financial year.

NSW Government Ratio	NSW Government Benchmark	2017-18 (Actual)	2018-19	2019-20
Positive Operating Performance				
Operating Performance Ratio	> 0	2.91% ✓	(0.40%) ✗	(1.65%) ✗
Own Source Operating Revenue	> 60%	79.49% ✓	85.01% ✓	83.99% ✓
Strong Liquidity				
Unrestricted Current Ratio	> 1.5	1.55 ✓	1.40 ✗	0.88 ✗
Cash Expense Coverage Ratio	3	12.03 ✓	10.97 ✓	9.26 ✓
Rates and Annual Charges Outstanding Percentage	5.00%	7.82% ✗	6.25% ✗	5.79% ✗

Infrastructure Backlog Ratio – strategies are in place to reduce the backlog which includes increased renewal funding and alternative intervention methods. The capital works program for water, sewer and drainage assets is in line with Council's pricing submission lodged with the Independent Pricing and Regulatory Tribunal (IPART) in September 2018. Costs of renewal and maintenance for water, sewer and drainage cannot be confirmed until this exercise is completed. Council will make adjustments to the operational budget and capital works program once IPART has made a determination. IPART will issue the final report and determination in May 2019. The capital expenditure planning for future years is maintained

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at the current levels of expenditure. For further details in relation to the Infrastructure and Service Management Ratios please refer to the Asset Management Strategy.

NSW Government Ratio	NSW Government Benchmark	2017-18 (Actual)	2018-19	2019-20
Infrastructure and Service Management				
Infrastructure Backlog Ratio	<2% (.02)	2.42%	2.76%	2.91%
		✘	✘	✘
Asset Maintenance Ratio	100% (1)	91%	101%	100%
		✘	✔	✔
Building and Infrastructure Renewals Ratio	1	72.26%	101%	100%
		✘	✔	✔
Debt Management				
Debt Service Cover Ratio	> 2.0	3.95	2.80	2.32
		✔	✔	✔

Long Term Financial Plan

The Long Term Financial Plan contains the 10 year forecast, sensitivity analysis and details on the financial performance measures.

Statement of Revenue

The total amount of rates and annual charges which Council can levy is defined by legislation. Part 3 of the draft 2019-20 Operational Plan contains Council's Statement of Revenue which includes information on rates and annual charges.

Rates

Rates - Maximum permissible income

Under the *Local Government Act 1993*, there is a rate path freeze for merged councils which includes Central Coast Council. This means that Council is required to maintain the rate path that was last applied by the former Gosford City and Wyong Shire Councils. The former Council rate paths will apply until 30 June 2020. From 1 July 2020 Central Coast Council will be able to make changes to the rate paths.

The freeze in the rate paths is not a freeze on the amount Council can levy by way of rates. The Independent Pricing and Regulatory Tribunal (IPART) has approved an annual "rate peg" increase, which means that Council's permissible rates income for 2019-20 is the sum of the rates income for each of the former local government areas within Central Coast Council's local government area, as if the amalgamation had not occurred, plus the allowable rate peg set by IPART. For 2019-20 IPART approved a rate peg of 2.7% as the allowable increase in Council's permissible rates income.

Council must use the most current unimproved land values when calculating ordinary and special rates. These values are provided by the NSW Valuer General (VG), the independent statutory authority responsible for determining land values in NSW. The latest values provided by the VG and being used for levying rates in 2019-20 have a base date of 1 July 2016.

Annual Charges

Water, Sewer and Drainage Service Charges

Council's water, sewerage and drainage services and a number of associated ancillary services are declared monopoly services under s. 4 of the *Independent Pricing and Regulatory Tribunal Act 1992*. Council's prices must therefore be set in accordance with any Independent Pricing and Regulatory (IPART) determined methodologies and/or maximum prices, and are subject to approval by the relevant Minister.

Council's pricing submission to IPART was lodged on 7 September 2018 and covers a forecast of future operating costs, capital investment and price proposals. The submission takes into account efficiencies gained from the amalgamation of the former Gosford City and Wyong Shire Councils, and additional revenue received from government grants for key capital investment.

Council's overall aim is to provide customers with consistent charges for the water, sewerage and stormwater drainage services across the Coast. This submission is the first time IPART will set prices for the Council as a merged entity, and IPART will consider Council's submission to align prices between the former Gosford and Wyong local government areas and will come into effect from 1 July 2019.

All prices for water, sewerage, drainage and ancillary services for 2019-20 are in accordance with Council's submission to IPART adjusted for the estimated CPI adjustment at 2.4% as the submission made was in 2018-19 dollars (\$2018-19).

Domestic Waste Management Charge

Central Coast Council provides domestic waste management services including weekly domestic waste (red) bin collection, alternate fortnightly recycling (yellow) and vegetation (green) bin collection and six free kerbside collections per annum.

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Any amounts charged to residents for the domestic waste management service is “restricted for purpose”, which means Council can only recover the cost of providing the service from residents without any profit. Any unspent funds must be restricted and used only to pay for the costs of providing domestic waste management services.

Typical Residential Ratepayer

Former Gosford Local Government Area

Based on 2016 Land Value of \$330,180	Annual Amount	Quarterly Instalment
Ordinary Residential Rates	\$972	
Domestic Waste Management Charge* Three bin waste and recycling collection services with 6 bulk kerbside collections. *\$502 Eastern area waste service or \$445 Western area waste service which excludes the garden vegetation bin service	\$502	
Water Authority Charges# Water, sewerage and drainage services as detailed in the table below	\$781	
Total Annual Rates and Charges	\$2,255	\$564

Former Wyong Local Government Area

Based on 2016 Land Value of \$257,000	Annual Amount	Quarterly Instalment
Ordinary Residential Rates	\$1,192	
Domestic Waste Management Charge* Three bin waste and recycling collection services with 6 bulk kerbside collections. *\$502 Eastern area waste service or \$445 Western area waste service which excludes the garden vegetation bin service	\$502	
Water Authority Charges# (water, sewerage and drainage services as detailed in the table below)	\$781	
Total Annual Rates and Charges	\$2,475	\$619

Water Authority Charges - Central Coast Local Government Area

2019-20 proposed prices are in accordance with Council's submission to IPART adjusted for the estimated CPI adjustment at 2.4% as the submission made was in 2018-19 dollars (\$2018-19).

Single Residential Dwelling	Annual Amount	Quarterly Instalment
Water Service Charge For the availability of water supply service - (separate, user pays, charges apply for water usage)	\$116	
Sewer Service Charge For the availability of sewer services	\$552	
Drainage Service Charge Provides funds to maintain and improve Council's drainage network	\$113	
Total Service Charges (excluding water usage @ \$2.25 per kL)	\$781	\$195

Fees and Charges

Water and Sewer Usage Charges

Water and Sewer Usage Charges for 2019-20 are based on Council's IPART pricing submission. IPART will issue the Final Report and Determination in May 2019. The prices set

out in the determination will apply from 1 July 2019. For further information on Council's IPART pricing submission please refer to the Statement of Revenue.

Council will make appropriate adjustments to the Operational Plan 2019-20 including budgets when the final report and determination is issued.

Other Fees and charges

Other fees and charges are subject to either competitive forces or legislated charges.

Council sets other fees and charges based on partial (subsidised) cost recovery, full cost recovery or subject to market forces. Pricing categories are disclosed against each fee in the Fees and Charges schedule appearing in Part 4 of attachment 1 to this report

Consultation

This report sets out the mandatory requirements for community consultation.

Financial Impact

Council will spend \$567.8 million on essential services and a further \$223.2 million on assets for the 2019-20 financial year. Council's estimated operating income for the 2019-20 financial year is \$560.1 million which results in an operating deficit of \$7.7 million before capital grants and contributions. This reflects Council's focus on continuing to align services including consolidation of information on one technology platform and some major changes to our operating income and expenditure including an increase in electricity costs due to a significant increase in wholesale electricity prices, an increase in fuel costs and an adjustment in annual charges and user charges in line with Council's Independent Pricing and Regulatory Tribunal (IPART) submission.

Council has budgeted to invest \$223.2 million on assets in 2019-20 to improve and add to Council's asset portfolio, which has a gross replacement cost of over \$10.2 billion.

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 2018 and investment portfolio which is managed to ensure that Council has sufficient funds to deliver services to the community.

As at February 2019 Council has an investment portfolio of \$495.7 million which is managed in accordance with our regulatory obligations, Ministerial Order and Council's adopted investment policy.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Risk Management

The draft Operational Plan 2019-20 will be on public exhibition from Monday 1 April 2019 to Wednesday 1 May 2019. Submissions will be progressively reviewed to ensure legislative timeframes are adhered to and consideration of public submissions to adopt the draft Operational Plan 2019-20 is carried out at the Ordinary Meeting of Council on 11 June 2019.

Critical Dates or Timeframes

The draft Operational Plan 2019-20 will be on public exhibition from Monday 1 April 2019 to Wednesday 1 May 2019, at Council's libraries and service centres at Gosford and Wyong administration buildings, as well as online at www.yourvoiceourcoast.com.au.

During that time, members of the community may make a submission by writing in person to:

Post: PO Box 21, Gosford NSW 2250; or
PO Box 20, Wyong NSW 2259

Email: ask@centralcoast.nsw.gov.au

Online at: www.yourvoiceourcoast.com

Council is required to consider all submissions it receives prior to adopting the Operational Plan 2019-20. Council expects to consider those submissions and whether to adopt the Operational Plan 2019-20 at the Ordinary Meeting of Council on 11 June 2019.

Attachments

1 Draft Operational Plan 2019-20 Enclosure D13495773