

# More rate hikes on the way as Council deficits loom

## A Sea of Red Ink: Eight projected deficits in ten years without further rate hikes

### General Fund

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Operating Result	9,649,611	8,324,412	(26,314,374)	(29,475,507)	(36,437,833)	(36,805,309)	(41,138,113)	(76,012,849)	(86,225,647)	(89,200,173)
Capital Works	150,378,923	140,669,773	158,712,603	131,625,234	135,219,342	138,985,905	142,931,914	147,064,520	151,391,210	155,919,786
Cash and Investments	475,677,853	493,995,916	496,596,978	512,966,110	522,974,337	531,561,879	536,426,494	506,516,430	468,158,318	424,840,819
Unrestricted Cash	181,803,466	194,210,299	131,518,962	125,711,339	113,259,787	99,021,424	80,753,663	27,396,552	(34,731,680)	(102,150,988)

### Consolidated

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Operating Result	20,171,953	9,817,900	(22,776,227)	(25,400,596)	(32,222,743)	(32,625,969)	(36,758,332)	(71,539,567)	(81,521,713)	(84,427,836)
Capital Works	275,140,111	264,039,219	229,256,055	186,548,113	190,550,844	183,804,268	196,960,514	210,846,352	217,086,497	223,585,931
Cash and Investments	816,559,975	814,340,514	821,452,130	876,978,493	930,169,833	994,987,153	1,049,707,640	1,065,059,739	1,073,072,399	1,083,156,596
Unrestricted Cash	150,265,600	161,240,370	131,543,502	125,736,879	113,286,327	99,048,964	80,782,203	27,426,092	(34,701,140)	(102,119,448)

Source: Council agenda 28 November 2023 - item 2.5.



By Kevin Brooks, a former elected Council Leader from the UK. He is a retiree having worked in senior positions in the public and private sectors, including global banks

**IN ECONOMICS**, a bail out culture occurs when poorly performing organisations are kept afloat by large injections of public money.

Economist Thomas Sowell once quipped: "Bailouts are like potato chips: You can't stop with just one."

That's because the bail out, in averting a financial crisis, removes the incentive for immediate reform. And this makes another bail out inevitable.

This is where Central Coast Council finds itself.

After the 2021 financial crisis, Council was bailed out by ratepayers. In 2024/25, revenue from general rates and water rates is forecast to be \$465 Million – a massive increase of over 40% in just four years.

Despite this, Council's Long Term Financial Plan (LTFP) forecasts, on current settings, deficits in eight of the next ten years – an eye watering cumulative deficit of \$360 Million.

The LTFP provides three options to reduce this deficit, none of which involves any material reductions in expenditure. Indeed, in all options, employee costs are forecast to be \$301 Million by the end of

the LTFP period – 85% higher than in the Administrator's first budget in 2021/22.

This suggests Council has all but given up on productivity improvements.

Once again, ratepayers are expected to do the heavy lifting.

Two further special rate variations are planned.

In 3031/32, Council wants the current ten-year "temporary" special rate variation made permanent, even though it was only ever intended for short term emergency purposes.

A big portion of this "temporary" funding, \$10-\$15 Million per year, was to repay emergency loans within ten years.

There is no justification to continue charging ratepayers \$10 - \$15 Million a year for loan repayments after the loans have been repaid. Yet, that is what Council is planning to do.

Nor would there be any need for the rest of this "temporary" funding if Council had used the breathing space to put its own house in order.

The second (earlier) special rate variation is planned for 2026/27 when stormwater drainage costs transfer from water rates to general rates.

This may be reasonable if the 10% increase in general rates is matched by an equivalent decrease in water rates.

Sadly, that is unlikely as 2026/27 is also the first year of a new four-year IPART determination for water rates.

Given forecast future deficits in the water and sewer funds, it is possible Council will apply for an increase in water rates that wipes out any reduction from the stormwater transfer.

And the financial complexity of moving from one four-year IPART determination to another will provide ample cover for doing so.

The economic history of bail outs shows that throwing ever more money at poorly performing organisations rarely delivers improved performance.

Eventually, the vicious cycle must be broken by a fresh approach based on better management, performance, productivity, efficiency, prioritisation, and culture.

This September's Council elections may provide an opportunity for that, and the business community needs to be vigilant and ensure it is supporting the right candidates.

## 3 Steps to making better business decisions

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automatically that will help you get back on track.

This sort of real time advice is only available when you move your accounting system into the cloud and is another compelling reason to make that shift if you have not done so already.

The cloud is here to stay. If you want to get ahead, embrace the technology so that you have real time data to make real time decisions that will give your business the edge.

BY THE WAY, thank you to all the readers of my article last month on staffing with all of your questions. If definitely hit a nerve! Hot topic huh?

Again email me troy.m@advicco.com.au with any help you need.