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MONTHLY REPORT 2015 – 2016
January - June 2016



PORT STEPHENS
COUNCIL

The Six-Monthly Report January to June 2016 has been prepared in accordance with the requirements of Section 404(5) of the *Local Government Act 1993*:

"The general manager must ensure that regular progress reports are provided to the council reporting as to its progress with respect to the principal activities detailed in its delivery program. Progress reports must be provided at least every 6 months."

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General Manager's Report

Proposed mergers

As I reported in the first six monthly report to 31 December 2015, on 18 December 2015 the State government announced that it intended to pursue a process which could lead to the amalgamation of Port Stephens Council with the Newcastle City Council. This announcement was a complete surprise to our Councillors and staff as the government's own processes had led to a recommendation by the Independent Pricing and Regulatory Tribunal (IPART) to the government that Port Stephens Council was 'fit for the future' and should stand alone. This finding by IPART confirmed those of the NSW Treasury, the Independent Local Government Review Panel and the government itself. As a result of this announcement Council has been formally in a 'merger period' until a final determination has been made by the Minister for Local Government after review by the Boundaries Commission. This 'merger period' is in many respects similar to a 'caretaker mode' where only decisions that would not adversely impact the proposed merger may be taken.



Council's position remains that it should stand alone as a sustainable council. However should the Minister determine that a merger of Port Stephens Council should go ahead, we have actively pursued an alternative proposal, to merge with Dungog Shire Council.

Throughout the period Council's resources have been deployed in public information and engagement campaigns to seek the views of residents of Port Stephens and of Dungog. The formal merger process involved the appointed Delegate holding a series of public inquiries and writing a recommendation to the Minister via the Boundaries Commission. Notwithstanding that 93% of the public of Port Stephens were against the merger with Newcastle, and 18,000 people signed a petition to the Parliament to that effect, the Delegate supported the Minister's proposal for a merger with Newcastle City Council. The Minister for Local Government has put this proposed merger on hold pending the resolution of Council's alternate proposal of a merger with Dungog. The Chief Executive of the Office of Local Government appointed another Delegate, Peter Peppin to hold an inquiry into the Port Stephens/Dungog merger proposal. The Delegate's public inquiries concluded on 26 June 2016 and his report to the Boundaries Commission and subsequently referral to the Minister for decision.

There had already been considerable evidence of support from the Dungog community to join with Port Stephens and this was further consolidated during the public inquiry process. The proposed merger makes financial sense, is less costly than a merger with Newcastle and the communities of interest are demonstrably favourable to this merger. The full details of both of Council's submissions are available at the home page of Council's web site.

Whilst Council has been in the 'merger period' for more than six months, no new senior appointments can be made in any council; consequently we have had a number of staff acting in roles to enable the position of Group Manager Facilities & Services to continue to function and I thank those staff who have taken on additional responsibility.

Whilst there is considerable opposition to the Newcastle merger, the reality is that if it is announced that it is to go ahead the new entity would come into effect immediately. Unlike Dungog, the two councils are very different and this merger would be large and complex. I have been working with the Interim Chief Executive Officer of Newcastle Council and we have put together a team of staff to make plans for what is to happen on day one, week one etc should this outcome eventuate. This planning work is also available for a Dungog merger. Staff have undertaken this work in addition to their other duties and at a time of stress as the future has been uncertain now for a considerable period of time.

Aboriginal Place Declaration

After considerable representation from the Worimi Local Aboriginal Land Council and Port Stephens Council, the NSW Government has declared 5.9 hectares at Soldiers Point in Port Stephens an Aboriginal Place, recognising its special significance to the Worimi Aboriginal community. The declaration, at the beginning of NAIDOC Week, recognises the special cultural, spiritual, social and historic Aboriginal significance of Soldiers Point. The nomination received broad community support following extensive consultation.

An Aboriginal Place is afforded legal protection for its Aboriginal cultural heritage and this Declaration is also evidence of the Worimi people's traditional use of the area and the importance of the land and sea environments to Worimi culture.

Citizens

There were three citizenship ceremonies conducted in these six months, with 73 conferees welcomed as Australian citizens.

Financial

Council achieved revenue of \$121 million compared to the revised budget of \$113.5 million. This allowed for expenditure in addition to the budget of \$105.7 million. The graphs and table in the report which follows details the financial sustainability performance for the year. Many factors contributed to this positive result including Council's continued safety improvements that contained workers compensation premiums to \$660,000 compared to \$1.5 million three years ago.

The development and sale of 33 residential allotments in Salamander Bay also contributed with a profit back to Council of \$2.96 million.

In the last six months we have completed \$9,226,310 in capital works, focused predominantly on rehabilitation of our road network. This planned work was achieved in addition to dealing with damage from the January 2016 storm.

We have been very successful this year in obtaining grant funding in excess of expectations, with an additional \$2.5 million for recreation assets works, and \$4.5 million additional funding for work on civil assets, notably the road network.

Council's risk management staff successfully negotiated insurance coverage with a significant saving in cost of \$150,000 p.a. and the inclusion of a new policy covering Environmental Impairment Liability.

Council owns and manages a commercial property portfolio in order to generate non-rate revenue. Council currently owns a number of commercial buildings across the Newcastle and Port Stephens local government areas, including four blue chip properties that have recently had the leases renewed on favourable terms.

Council's Holiday Parks continue to operate successfully with this year's financial performance exceeding budget forecasts. In addition to continuing business growth, the businesses have commenced a program of improvements that will realise cost efficiencies in areas such as procurement without affecting service levels.

Council registered another 997 bio-banking credits for its property at 100 Salamander Way, Salamander Bay. Council owns another site at Karuah and these bio-banking credits can be sold on the open market generating additional non-rate revenue for Council.

Awards

Port Stephens Council has been recognised once again by taking out the *Employer of the Year* title at the annual Career Development Association of Australia awards.

This national award acknowledges the implementation of a unique Career Development Program across the organisation. The program is part of Council's Talent Management Strategy and provides staff with a range of assessment tools and support to establish career directions. It is also designed to support Council to meet current and future workforce requirements, ensuring the organisation achieves its aim of having the right people in the right roles to maximise its overall performance.

The career development program is about creating an environment where continuous learning is valued. We realise that our ability to attract, engage, develop and retain key staff is critical to our ongoing success and we wanted a workplace that would foster those ideals. The program is also about empowering our staff to take ownership over their career development - helping them to identify their aspirations, recognise their strengths and develop plans to enable better performance and growth.

In April 2016 Council took out one of the top prizes at the NSW Local Government Excellence Awards. The annual awards celebrate outstanding achievement in local government, with a focus on innovation and excellence within the sector.

Port Stephens was recognised as the most outstanding nomination in the inaugural *Operational and Management Effectiveness Award*. The award recognises organisations taking an evidence-based approach to prioritise change, achieving overall business improvement. Council's Human Resource Information System (HRIS) Improvement Project identified software options to deliver better services and data reporting for the total employee lifecycle in an efficient, integrated and effective way. This has resulted in ongoing annual savings of \$275,000 pa.

Council is again a finalist in the Australian HR awards for its use of technology with the winner to be announced in September 2016.

Development and Economy

During the last six months Council processed development applications valued at \$184.4 million and approved 46 subdivisions. Staff also managed the construction certificate process for more than 500 applications.

The volume of planning and building advice given either face to face at the counter or over the phone/email has been steadily growing. The role of duty surveyor/planner has increased significantly due to the increased volume of enquiries.

Council staff issued in excess of 3,000 Section 149 certificates, an indicator of economic activity across the local government area.

A plethora of events ranging from action sports to music and heritage festivals had an estimated \$800,000 economic impact on the Port Stephens economy during May.

The area played host to events including the Colour Ya World Fun Run, Port to Port Mountain Bike Challenge, Port Stephens Triathlon, Guns and Hoses Surfing Competition, Karuah Lost Highway Bluegrass Music Festival and the King Street Heritage Festival.

Some of NSW's finest rising sports talent competed in the Knights Cup carnival for 13- to 15-year-old rugby league players, the NSW AFL State Combined High School Championships and NSW Soccer State Combined High School Championships.

Illegal Dumping

Residents have made representations through the customer satisfaction survey expressing annoyance at incidents of illegal dumping of waste across the local government area. Council has been active in investigating this menace and in the last quarter undertook 49 successful investigations, where the offenders were identified and held accountable, and the waste cleaned up at no cost to Council.

Plans and Planning

In May 2016 Council adopted the Ageing Strategy, and the Integrated Plans and Resource Strategy for 2016-2026.

Of the 185 actions in the Operational Plan 2015-2016, more than 97% were completed within budget and on time. This performance was against a target to

achieve >90%, which was set before the onset of the work associated with merger proposals and staff are to be congratulated for ensuring that what was agreed with the community was actually done.

I am also pleased to advise that seven of the 10 actions in the Crime Prevention Plan were funded and completed. Further, 43 of the 46 actions in the Disability Inclusion Action Plan were also completed, with the remaining three waiting for additional external funding.

Williamtown Contamination Investigation

There are concerns for the community affected by the contamination investigation ongoing for some time from the Williamtown RAAF base. The problem and resolution does not appear to be imminent. Council continues to work with the State and Federal governments to find a solution for affected residents.

Volunteers

Port Stephens Council is fortunate to have more than 770 volunteers who undertake a variety of works on Council's behalf – work which could not otherwise be resourced and which contributes significantly to the amenity of the local government area.

Volunteers undertake management of cemeteries, community halls and sporting facilities; work on removal of noxious weeds and bushland regeneration; parks and gardens, beaches and foreshores; at libraries; and the Ngioka Horticultural Therapy Centre. Volunteers continue to be very much appreciated and on behalf of Council I thank them for their service to the community of Port Stephens.

I am immensely proud of the achievements during this period that has led to increased satisfaction with Council's services and facilities across our operations. Our overall satisfaction has risen to 86.5% from 79% in 2015 – these are exceptionally strong outcomes rarely achieved in the local government sector. To deliver on a large body of work and projects whilst operating in such uncertainty is a credit to the professionalism and dedication of our people.

Thank you to my Executive Team colleagues and all the staff of Port Stephens Council for dedication and teamwork to achieve so much in very difficult and unsettling times.





I would like to thank the Mayor and Councillors for their leadership and support in what has been a very challenging six months; and the people of Port Stephens for their strongly expressed support for Port Stephens Council and its achievements together with their confidence in the future.

Wayne Wallis
General Manager

Key Result Areas: A Snapshot

The table below is a snapshot of Council's performance against a set of measures agreed between the Council and the General Manager to be significant priorities for the period. Full details are provided in the section which follows this table.

Legend:

-  Target Exceeded
-  Target Achieved or on Track to be Achieved
-  Target Not Achieved
-  Data Not Available at Time of Report

Key Result Area	Status
1. Business Improvement Program	
2. Community Strategic Plan/Operational Plan Delivery	
3. Capital Works Delivery	
4. Financial Sustainability Program	
5. Workforce Strategy Implementation	
6. Infrastructure Planning	
7. Technology Improvement Program	
8. Land Use Strategy Development	
9. Flood and Drainage Study Implementation	
10. Integrated Risk Management Program	
11. Community Engagement and Customer Focus Initiatives	

1. Business Improvement Program

The Business Improvement Program of work is made up of 16 major projects, all of which are aimed at increasing organisational efficiencies through improved use of technology. In addition, the Business Improvement team supports organisation-wide process reviews using the PDSA methodology.

During the last six months of this financial year there have been some significant improvements to how we use SharePoint to automate our processes. This includes ensuring integration of our corporate systems to provide seamless use of data.

Council has a scheduled program of service reviews to ensure that every service:

- delivers what our customers require;
- is delivered at a level that customers need and are happy to pay for; and
- is delivered in the most effective way.

We have a four-year program that results in all 52 service packages being reviewed thoroughly. As of June 2016 the previous four-year program of work was completed and Council has finalised the program for 2016-2019.

2. Community Strategic Plan/Operational Plan Delivery

The target is to complete >90% of the actions due for completion in this six months. Actual = 97.84% of actions due to be completed by 30 June 2016.

3. Capital Works Delivery

(a) Capital Works – Roads – Completed Projects

Project Description	Cost
Foreshore Drive, Salamander Bay – Widening of Mambo Wetland outlet and shared path link	\$43,702
Shoal Bay Road – SEG 170, Nelson Bay Road. Pavement Rehabilitation from Dixon Drive to Gowrie Avenue	\$22,748
Daniel Crescent – Lemon Tree Passage Road to Gibbers Drive. Reconstruction including replacement of pipes and kerb and guttering	\$188,221
Bus Shelter Rehabilitation – The Summerhouse, Caswell Crescent, Tanilba Bay	\$23,214
Brandy Hill Drive – SEG 100, Brandy Hill Pavement Rehabilitation from Clarence Town Road to 102 Brandy Hill Drive	\$419,315
Fullerton Cove Road – SEG 90 to 130, Fullerton Cove. Pavement Rehabilitation	\$305,033

Project Description	Cost
Blanch Street – SEG 60, Boat Harbour. Pavement Rehabilitation from 11 Blanch Street to 47 Blanch Street	\$225,207
East Seaham Road, East Seaham – Gravel road sealing STAGE 2	\$1,086,111
Government Road, Nelson Bay – Retaining Wall replacement from 32 Government Road to Nelson Street	\$61,865
Brandy Hill Drive, Brandy Hill – Warrigal Close to 33 Brandy Hill Drive. Guardrail Construction	\$803
Traffic Project – Raised Pedestrian crossing, Benjamin Lee Drive, Raymond Terrace	\$9,192
Future designs, planning and easements Tomaree, Tilligerry and Raymond Terrace	\$16,630
Clemenceau Crescent, Tanilba Bay. Pavement Reconstruction including kerb and guttering from Tanilba Avenue to Poilus Parade	\$103,108
Hinton Road, Hinton. Pavement Reconstruction from Shiraz Close to Swan Street	\$1,487,824
The Bucketts Way, Twelve Mile Creek. Pavement Rehabilitation from 4.05-4.72km from Pacific Highway	\$264,460
Clarence Town Road Upgrade, SEG 190 South of Timber Tops Road	\$80,805
Pedestrian crossing, Victoria Parade, Nelson Bay	\$396,784
Shoulder widening – Port Stephens Drive, Taylor's Beach	\$300,562
Raised pedestrian crossing, Soldiers Point Road, Salamander Bay	\$167,200
Raised Pedestrian Crossing, Irrawang Street, Raymond Terrace	\$79,838
Shoulder widening, Masonite Road, Tomago	\$274,766
Shoulder widening and Intersection upgrade, Fairlands Road, Mallabula	\$215,078
Gan Gan Road, Anna Bay – North of Frost Road- Design Only	\$46,382
Shoulder widening, Butterwick Road, Woodville	\$608,247
Traffic Signals, Shoal Bay Road and Government Road, Shoal Bay	\$191,590
Shoal Bay public domain plan (including pedestrian crossing design)	\$52,013
Shared path behavioural signage – various across the LGA	\$22,531
Sandy Point Road, Corlette Headland shared path design	\$21,981

(b) Community & Recreation – Completed Projects

Project Description	Cost
Shoal Bay Foreshore – Boat Ramp Precinct and Path to Wharf	\$125,298
Barry Park – Fingal Bay – Public Amenities	\$150,000
Fingal Foreshore – Dog Fence	\$15,000
Medowie Dog Fence	\$12,000
Boomerang Park Playground	\$273,002
Fern Bay Playground	\$80,000
Tanilba Bay Playground	\$120,000
The Deck – Insurance repairs	\$76,000
Wallalong Child Care – Insurance repairs	\$60,000
Raymond Terrace Netball Club – Insurance repairs	\$30,000
Tanilba Bay Foreshore Revetment	\$380,000
Hinton Pontoon Replacement	\$125,000
Karuah Wharf Repairs	\$91,000
Raymond Terrace Community Centre – replace roof access	\$20,000
Nelson Bay Skate Park Upgrade	\$108,800
Salt Ash Playground	\$80,000
Raymond Terrace Library Insurance Repairs	\$170,000
Raymond Terrace Library – Replace Box Gutters	\$35,000
Raymond Terrace Library – Compliance Works	\$50,000
Raymond Terrace Community Care Centre Roof Access	\$20,000
Corlette Point Park Playground	\$150,000
Tomaree Library and Community Centre - Energy Efficiency Upgrade	\$110,000
Lakeside Leisure Centre - 50m pool re grout and expansion joints	\$130,000
Tilligerry Aquatic Centre - Pool liner repair	\$55,000
Tilligerry Aquatic Centre - Solar Hot Water	\$20,000

Project Description	Cost
Tomaree Aquatic Centre - Program pool liner replacement	\$25,000

(c) Capital Works – Roads – Projects Commenced

Project Description	Estimated Cost
Paterson Road, Woodville	\$32,932
Elizabeth Street - Hinton Road to end	\$49,844
Hinton Road guardrail	\$57,400
Bus Stops – Anna Bay	\$23,951

(d) Community & Recreation – Projects Commenced

Project Description	Estimated Cost
Fern Bay Hall Replacement	\$800,000
Lemon Tree Passage Aquatic Infrastructure Upgrade	\$1,300,000
Medowie Sports Club	\$3,800,000
Raymond Terrace Men's Shed	\$748,000
Karuah Hall Footing Repairs and Roof Reglaze	\$65,000
Lakeside Irrigation Upgrade	\$100,000
Seaham Boat Ramp Upgrade	\$300,000
One Mile Lifeguard Facilities	\$600,000

4. Financial Sustainability Program

Please note that the financial information presented in this 6 monthly report is unaudited and revised budget does not take into account funds received late in the year from NSW Roads and Maritime Services, although actual revenue includes these funds for works which were expended in June 2016.

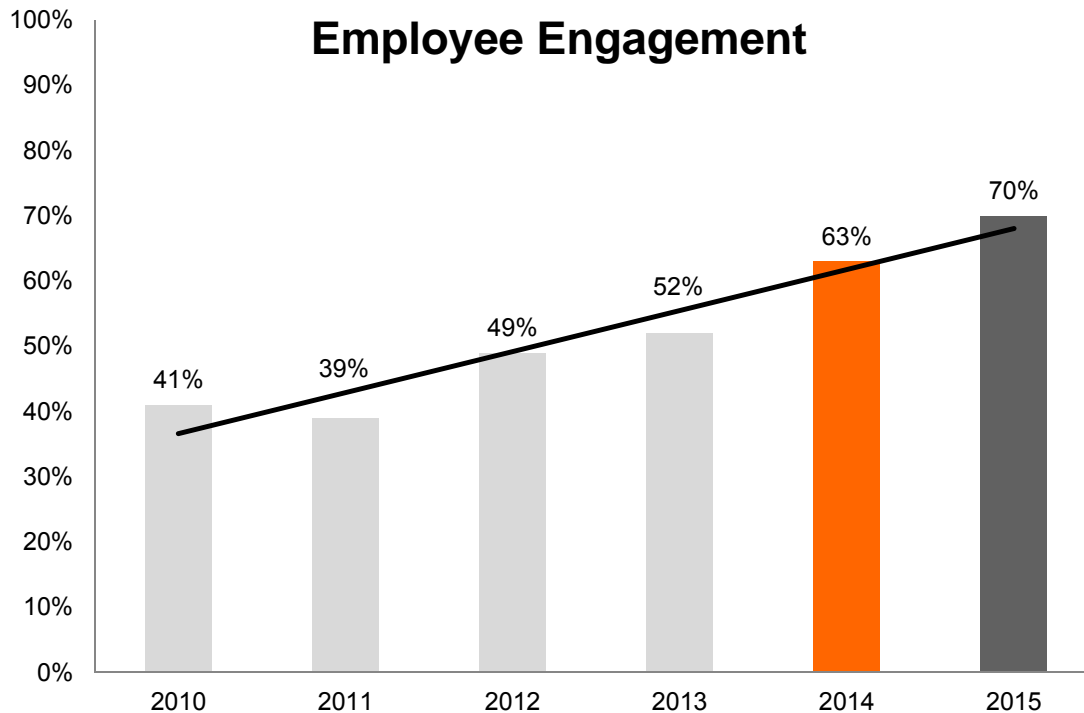
These figures are preliminary and may differ from the final, audited financial statements that will be provided in Council's annual report.

Figures in the table below exclude Newcastle Airport.

	Annual Revised Budget	2016 Actual
Operating Revenues		
Rates & Annual Charges	51,553,000	51,749,285
User Charges & Fees	27,846,000	29,984,028
Interest and investment revenue	1,285,000	795,878
Grants & Contributions - Operating	13,027,000	13,729,850
Grants & Contributions - Capital	8,876,000	8,588,443
Other revenue	9,200,000	13,458,377
Gain/(Loss) on Disposal of Property	1,500,000	(236,124)
Gain/(Loss) on Disposal of Real Estate Assets Held	-	2,679,240
Gain/(Loss) on Disposal of Plant & Equipment	250,000	464,310
Total Revenue	113,537,000	121,213,287
Operating Expenses		
Employee Costs	34,993,000	38,157,819
Borrowing costs expensed	565,000	577,888
Materials and contracts	40,119,000	47,117,769
Other expenses from continuing operations	12,202,000	7,016,761
Depreciation, amortisation and impairment	13,503,000	12,901,891
Total Expenditure	101,382,000	105,772,128
Net Profit	12,155,000	15,441,159

5. Workforce Strategy Implementation

Staff engagement **target** = >65%. Actual (August 2015) = **70%**



6. Infrastructure Planning

A detailed Strategic Asset Management Plan was developed to include long term infrastructure planning. This Plan was adopted by Council at its meeting on 24 May 2016.

7. Technology Improvement Program

The Information Communication Technology (ICT) Program of Work is made up of 14 projects and associated tasks aimed at improving the security, accessibility, connectivity and asset management of our ICT systems, hardware and infrastructure. These are all progressing well. This includes the Asset Management requirements now being included in the organisation's Strategic Asset Management Plan; a security strategy has been implemented; Council's ICT systems have been tested during a number of planned and unplanned outages and have proved stable; and all ICT processes have been mapped.

The Records Management Program of Work is aimed at improving the way Council manages its records. It is made up of nine key improvement projects and tasks. This includes a significant body of work to reduce and manage physical records as well as a number of activities to improve electronic records management. Processes are also being reviewed and updated accordingly. In recent months Council has

upgraded its records management system to Records Manager 8.2. This will provide a much stronger platform for integration of records management with core corporate systems.

8. Land Use Strategy Development

During the last six months:

- the Raymond Terrace Heatherbrae Strategy was completed.
- the Draft Medowie Strategy exhibition period was completed in April 2016. The finalised strategy will be completed by late 2016.
- the Draft Rural Residential Strategy was endorsed by Council and the public exhibition completed. The finalised strategy will be completed by late 2016.

9. Flood and Drainage Study Implementation

The drainage and flood studies for Paterson River and Nelson Bay, and Port Stephens Flood Risk Management Study are in progress. The Paterson River study is being managed by Maitland Council and is progressing. The Nelson Bay and Port Stephens Risk Management Study is managed by Great Lakes Council, though the funding has been withdrawn with other priorities taking its place.

The Assets Section was tasked with providing drainage/flooding investigation, planning and design services for Council's capital works program. The 2016 works program is now documented and shows all proposed future works and studies for drainage and flooding studies. Given the recent storms and newly identified problem areas, the volume of works has grown. While most of these works are being undertaken under general maintenance/minor works, the capital works projects have also grown substantially.

10. Integrated Risk Management Program



Risk Maturity Score¹ **Target: >65%. Actual = 74%.**

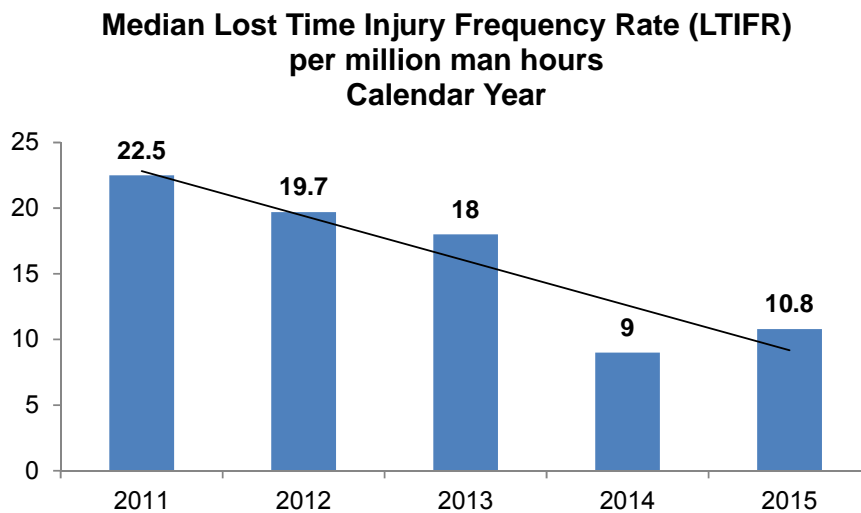
Implementation of our Integrated Risk Management Framework has resulted in a significant decrease in the level of risk across Council. In 2015-2016 there were no risks assessed as extreme due to the implementation of a number of controls. This indicates a higher level of attention is being given to implementing controls by the due date. The Corporate Risk Register and all Group Risk Registers are being reviewed on a quarterly basis.

¹ Risk Maturity Score is assessed independently by an expert panel against AS/NZS ISO 31000:2009 *Risk Management*.

Workplace Health & Safety

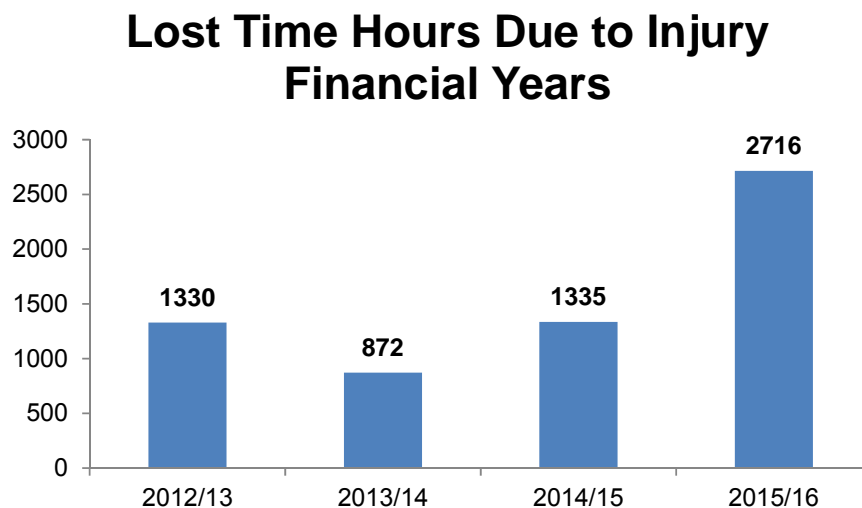
Lost Time Injury Frequency Rate:

The graph below compares the lost time injury frequency rate for workers compensation injuries. The rate is expressed as a median of the calendar months in each calendar year to December 2015.



Lost Time Hours Due to Injury:

The graph below provides a comparison of the total lost time hours as a result of workers compensation injuries. Overall there has been a 50% increase in the hours lost for 2015-2016 compared to last year. This is consistent with the nature and severity of injuries sustained as there were several significant and complex claims.

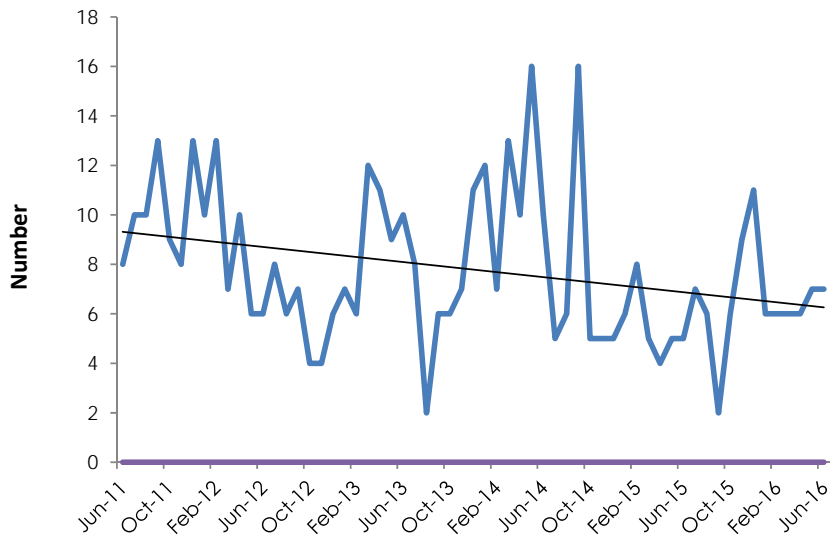


Other Risk Categories:

Motor Vehicle Incidents:

The total of motor vehicle incidents for 2015-2016 was 75, only two (2) less than 2014-2015. This is disappointing given the reduction in the overall number of vehicles in the fleet.

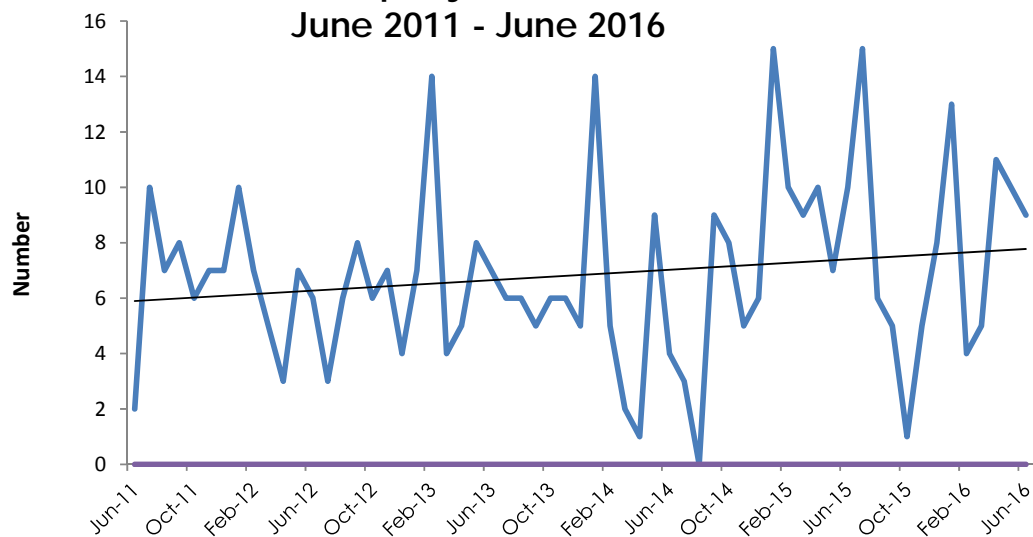
**Motor Vehicle Incidents
June 2011 - June 2016**



Property Incidents:

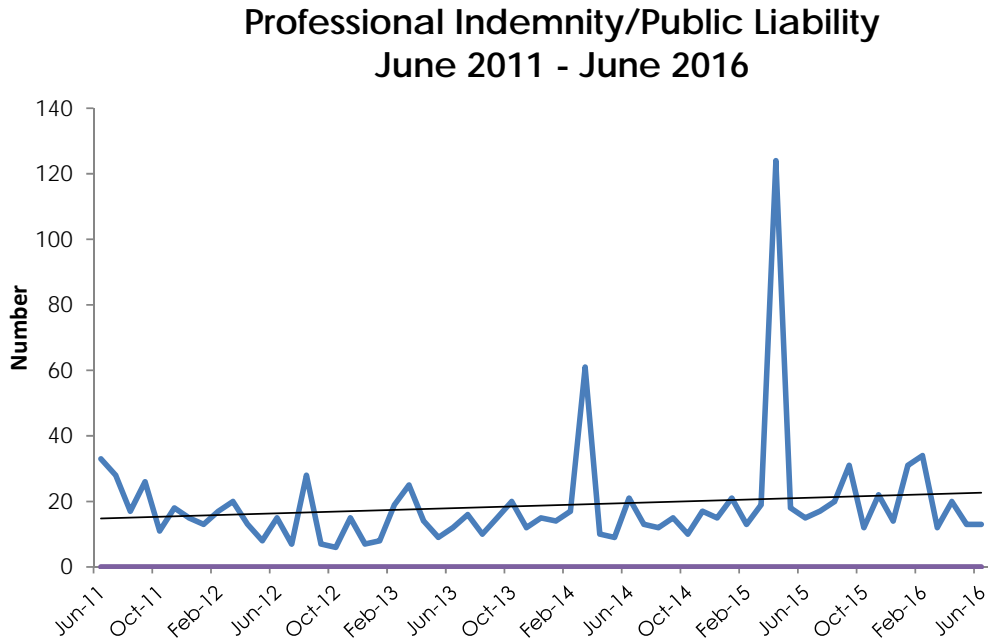
The total of reported property incidents for 2015-2016 is 92, the same number as 2014-2015 but an increase over 2013-2014 and 2012-2013.

**Property Incidents
June 2011 - June 2016**



Professional Indemnity and Public Liability Incidents:

There was a total of 238 reported incidents for 2015-2016. This total is less than 2014-2015, due largely to the April 2015 storm, but is higher than 2013-2014 and 2012-2013.



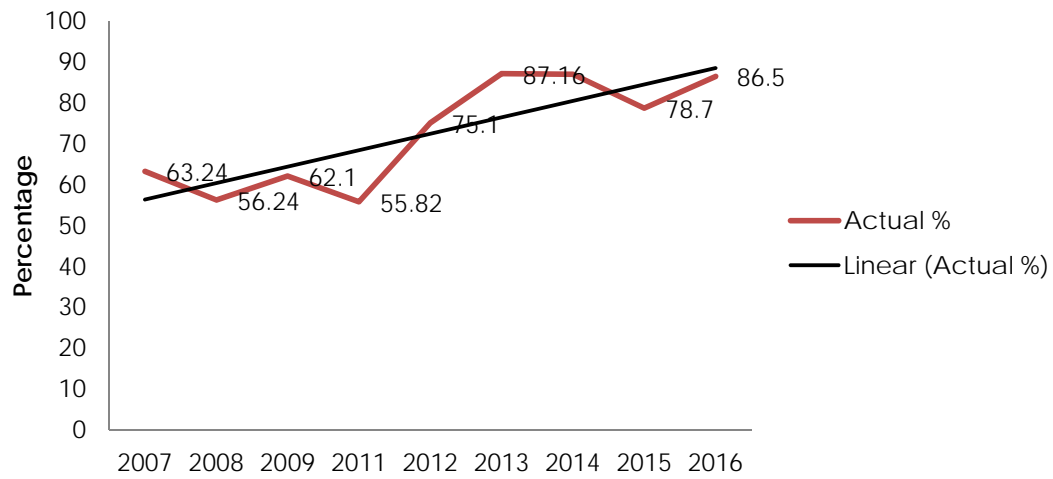
11. Community Engagement and Customer Focus Initiatives

A large part of the engagement and customer focus in the last six months has been delivered through the Communications Section's coordination of Council's response to the State Government's local government reforms and Port Stephens' status as the proposed merger partner with Newcastle and subsequently Dungog.

Since 18 December 2015 the Section has organised petitions, surveys and public rallies; and internally all staff emails, posters and intranet posts. The community of Port Stephens overwhelmingly rejected the proposed Newcastle merger (93% against) and more than 18,000 people signed a petition to State Parliament reflecting the community's views against the merger.

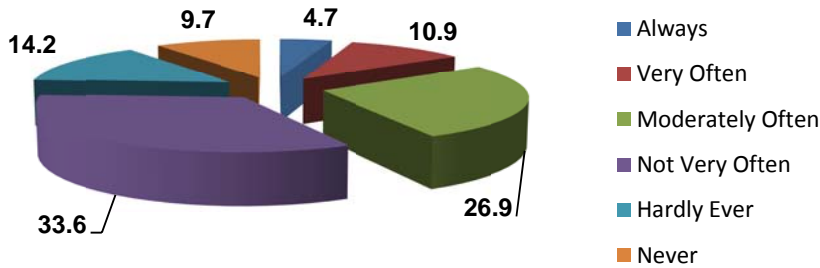
In April and May 2016 Council conducted its annual customer satisfaction survey, and a report is scheduled to be provided to the Council's 9 August 2016 meeting. The satisfaction level was recorded at 86.5% – a very high figure for a local government entity and above the target of 75% satisfaction.

Overall Satisfaction Trend



As part of the survey Council sought feedback from the community on their perceptions of inputs to decision making at Council. The result showed a marked improvement in engagement over 2015 as measured by the question:

Do you feel you have opportunities to have genuine input to Council's decision-making?



The survey also demonstrated that there has been an improvement in responsiveness to customers' questions and issues:

