



**PORT STEPHENS**  
C O U N C I L

**ATTACHMENTS UNDER SEPARATE COVER**

ORDINARY COUNCIL MEETING  
9 JUNE 2015



## INDEX

Item No	Attach. No	Attachment Title	Page No
4	1	ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL	3



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL****ATTACHMENT 1      Port Stephens Council Draft Improvement Proposal****Council Resolution**

At its ordinary meeting on 9 June 2015 Port Stephens Council endorsed this submission (Minute #).

**Executive Summary**

Port Stephens Council has been deemed to have the scale and capacity to remain an independent entity through the findings of Treasury Corporation and the Independent Review Panel. Accordingly Council is completing its improvement proposal under Template 2.

Council currently meets five of the seven Fit for the Future Criteria; by 2020 it will meet all seven. In Section 3 Council nominates strategies to meet or exceed all seven criteria

Council's Long Term Financial Plan 2015-2025 takes a relatively conservative view of its financial performance but notes revenue streams that when realised, will maintain Council's Scale and Capacity. To address the asset maintenance ratio, from 2016-2017 year Council will adjust its Long Term Financial Plan 2016-2026 to provide an additional \$1.1 million per annum for asset maintenance.

On 26 May 2015 Council adopted a four-year Operational Plan to 2019 in line with its Delivery Program which sets out actions that address the strengths, weaknesses, opportunities and threats identified in part 2.3 of this proposal. In addition, actions identified under Section 3.4 of this Improvement Proposal have been incorporated in to the Integrated Plans.

Prior to the storm event of 21 April 2015 the most significant challenges facing Port Stephens Council and its LGA were:

- increasing population as many people sea change/tree change and retire to this area close to Sydney;
- reduced rateable land – 58% of the LGA does not produce revenue from rates;
- increasing community expectations for services;
- reduction in asset backlog;
- damage to tourism – nationally and internationally as tourism is a major economic driver of the LGA's economy.

Now the most significant challenge is dealing with the aftermath of the storm which led to widespread damage to the LGA and Council's assets and infrastructure. Damage to Council's assets has been initially assessed at approximately \$11 million; with assistance from other levels of government and insurance, the impact on the budget will be no more than \$50,000. The final damage clean-up bill is estimated to be \$2.9 million of which Council's share is \$1.6 million. This will be funded by \$1.4 million from our own reserves, leaving an impact on the budget of approximately \$200,000 for 2014-2015.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

As suggested in the Independent Local Government Review Panel's final report councils were encouraged to have conversations with their neighbours about possible future boundary changes that were mutually beneficial. Council agreed at its meeting on 24 April 2015 to enter into preliminary discussions with Maitland, Newcastle, Dungog and Great Lakes Councils. Discussions have now been concluded with these councils and the consensus was that there is no appetite for boundary changes. (See section 3.5 below).

Within Council we will continue our Sustainability Review (Business Improvement) rolling four-year program in consultation with our community through our enhanced capacity for engagement. This program ensures that we are providing efficient and effective services and facilities that are continually reviewed and monitored.

Port Stephens Council has been a member of Hunter Councils since its inception. We have encouraged Hunter Councils and joined in its pilot of the Joint Organisation concept and believe that we will benefit from lifting to regional level such things as transport planning and economic development. In the case of shared services, Council will continue to participate where Hunter Councils delivers the best value for the Port Stephens community.

## **1.2    Fit for the Future – Scale and Capacity**

The Independent Local Government Review Panel (ILGRP) found:

*Port Stephens council appears likely to remain sustainable in its present form well into the future, and there are no pressing boundary issues.<sup>1</sup>*

The NSW Government Response to the ILGRP final report indicated at Recommendation 33 that it supported the assessment of 'no change' for Port Stephens Council LGA.

### **1.2.1    Key Elements of Strategic Capacity**

- ***More robust revenue base and increased discretionary spending:***

The graph below demonstrates that Council has put its finances on a firm footing. From the 2010 Sustainability Review – which set in place a new expenditure paradigm – Council set about increasing its revenue from non-rates sources. Initiatives such as sand extraction, bio-banking and the restructure of Newcastle Airport have lead and will lead to an increase in non-rates revenue that augments that of our commercial enterprises (holiday parks, commercial property portfolio).

TCorp's assessment of Council was:<sup>2</sup>

*Council has been effectively managed over the review period based on the following observations:*

- *Council's underlying cash result (measured using EBITDA) has been improving over the three year period*
- *Council has developed a number of commercial operations such as the Newcastle Airport that provide reliable cash flows to support their activities*

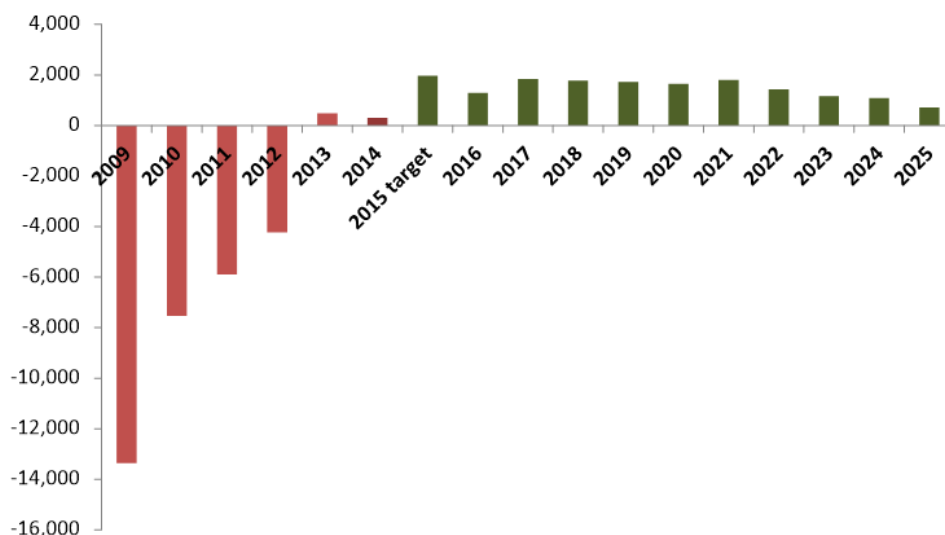
<sup>1</sup> ILGRP Final Report p.109

<sup>2</sup> NSW Treasury Corporation, 2012, Financial Assessment and Benchmarking – Port Stephens Council, p.4

ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

- *Approximately 82.0% of the Council's revenue base is derived from own sourced revenue (annual charges, and user charges and fees). Council can rely upon these revenue streams for financial flexibility ..."*

### Underlying Operating Result



*Underlying Operating Result is the result before capital grants and Newcastle Airport Pty Ltd less any abnormalities.*

#### Long Term Financial Plan

Management of Port Stephens Council (the Council) requested a review of the Long Term Financial Plan (LTFP) as part of the 2016 budgeting process. PKF Lawler Partners were engaged during January 2015 to complete the agreed upon procedures. The LTFP articulates the various financial strategies available to Council as part of fulfilling its overall objectives including (but not limited to):

- Maintaining the existing standard of service provision to the community;
- Achieving long term financial sustainability;
- Ability to re-invest into asset renewal and capital works; and
- Being *Fit for the Future*.

Covering a ten year horizon, the Plan is underwritten by a series of modelling and associated analyses (e.g. *Fit for Future* ratios), which take into account known events at the time of its preparation, but also make assumptions with respect to future events. This engagement was also completed concurrently with a review of the Asset Management Plan, which also forms part of Council's *Fit for the Future* submission to the New South Wales (NSW) State Government via IPART.

Accordingly, the review focussed on achieving the following objectives:

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- Analyse spreadsheet preparation and accuracy to ensure all model inputs have been accurately entered and cross referenced into the LTFP document;
- Review modelling with respect to current known events which have a future impact.
- Challenge the quality of assumptions made with respect to future events.
- Review detailed modelling underwriting the Strategic Asset Management Plan (SAMP);
- Having regard with Lawler Partners knowledge of Council, consider internal and external matters which may have an impact on Council, that have not been contemplated in the existing LTFP;
- Internally benchmark assumptions made by Management against like reviews Lawler Partners have performed for other councils.

The outcome of the review supported Council's chosen strategy, found no mathematical errors within the model, supported the assumptions used and recommended no change to the Long Term Financial Plan.

***• Scope to undertake new functions and major projects***

Council's rigorous fiscal discipline allows for a modest surplus going forward which Council has determined would be applied to reduction in the asset backlog (with consequent reduction in the asset maintenance required over time). This will be achieved without the need to apply for a special variation to rates. Under this fiscally conservative Long Term Financial Plan to 2025 Council has the scope to undertake new projects provided that there is alignment with the Community Strategic Plan; and value to the community and Council that outweighs other priorities. Alternatively Council will have a cushion to absorb unplanned events that negatively impact on its budget – the April 2015 storm is an example, where the net effect on the bottom line is estimated to be <\$250,000.

***• Ability to employ a wider range of skilled staff***

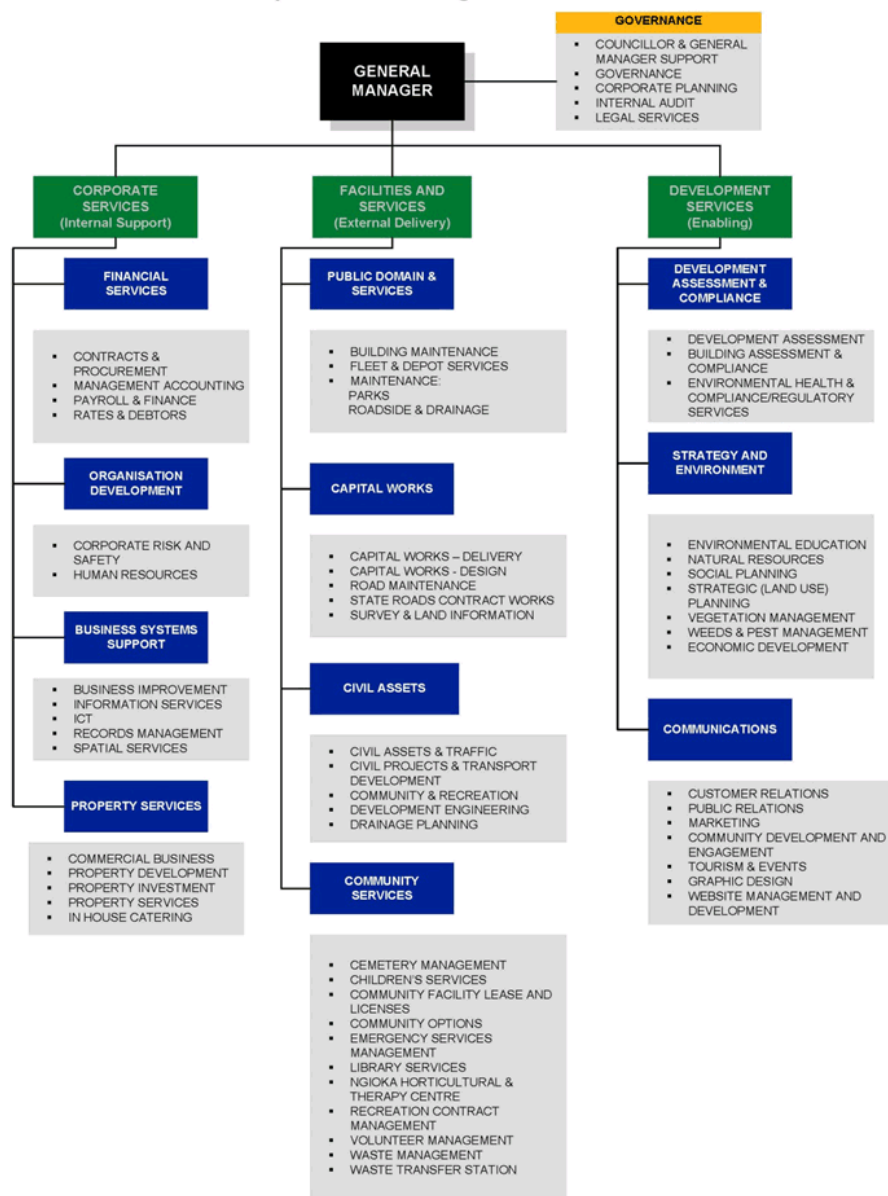
Council continuously reviews its organisation structure based on outcomes from Sustainability Reviews of service packages across Council. This ensures that we have the right people doing the right things the right way – that is our staff's skill sets are aligned to the functions of Council. (Note that we do not have a water/sewage business – that service is supplied by Hunter Water Corporation – so specific skill sets in that business type are not required).



ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

The organisation structure diagram below demonstrates the breadth of the skill sets in Port Stephens Council.<sup>3</sup>

Port Stephens Council Organisation Structure



October 2014

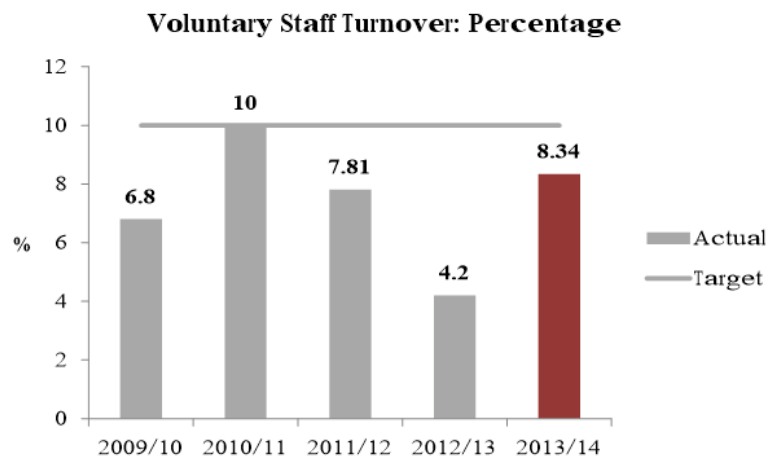
Structure October 2014.vsd

<sup>3</sup> October 2014

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

In 2008 and again in 2011 Council negotiated an award-winning Enterprise Agreement that has been successful in ensuring that when a position is vacant the number of applicants is above industry standards in all cases. Council cannot always compete for skilled employees with industries that have larger budgets so the approach is to provide reasonable financial return for that skilled labour and a level of flexibility of employment conditions that is not always available to industry to provide.

Not all the flexibility initiatives contained in the Enterprise Agreement cost a lot of money, but they do require planning to ensure that service delivery is maintained. Council's Enterprise Agreement is affordable because it is partly funded by the productivity gains achieved and through the rigorous application of the principles of its Business Excellence framework and the implementation of continuous improvement processes across all its operations. Reductions in staff turnover also provide significant costs savings to help fund the flexible initiatives of the Agreement.



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- *Knowledge, creativity and innovation*

Since the mid-1990s Port Stephens Council has been a leading practitioner of the Business Excellence Framework and is a founding member of the Australia-wide Local Government Business Excellence Network. The Framework is based on nine principles and seven categories (see diagram below – © SAI Global) and every two years Council is assessed on its performance against both the principles and the categories.



The key result measures – financial performance, staff engagement and customer satisfaction – indicate that diligent application of the principles through the categories with continuous improvement the mantra has worked for Port Stephens Council.

- *Advanced skills in strategic planning and policy development*

Policy development across Port Stephens Council is undertaken in accordance with a documented process, which involves wide consultation with affected communities (within or outside Council). Policy development is overseen by the Executive Leadership Team, which comprises the General Manager, three Group Managers, Financial Services Manager, Business Systems Support Manager, Capital Works Manager and Communications Manager. Stewardship of the policy development process is vested in the Governance & Legal Services Manager. All policies are placed on public exhibition for 28 days, and considered during briefings with Councillors prior to formal Council adoption. Policies are reviewed every year or two years depending on the nature of the policy.

Reflecting the importance of Integrated Planning and Reporting to the health of Council, the Corporate Strategy & Planning (CS&P) function is located in the General Manager's Unit. CS&P is headed by a manager with a higher degree and 30+ years of executive experience in strategic and corporate planning.

In 2014 Council established a dedicated Community Development & Engagement Unit headed by an expert in community engagement to enhance the relationship between Council and the community.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- *Effective Regional Collaboration*

Port Stephens Council is a founding member of Hunter Councils Inc, which is the former Hunter Regional Organisation of Councils (HROC). Council is also on the Board of Hunter Councils Pty Ltd, which is the arm of the organisation that provides services that can be accessed and shared by member councils and others across the State. Services include procurement, environmental, legal, document safe storage and training; this Council accesses all services except the document storage facility.

During the process from Destination 2036 to *Fit for the Future*, Port Stephens Council is working collaboratively with Hunter Councils; joined and supported the bid for the organisation to be a pilot study for a Joint Organisation model. The Charter for the Joint Organisation is at <http://huntercouncils.com.au/wp-content/uploads/2015/05/Hunter-Pilot-Joint-Organisation-Charter-adopted-6-February-2015.pdf>

The governing organisation is the Council of Mayors, of which Port Stephens Council's Mayor is a member. The Council of Mayors is supported by the General Managers' Advisory Group of which Council's General Manager is a member. There is a number of Special Interest Groups (SIGs) auspiced by Hunter Councils that collaborate to share expertise:

- Community & Cultural Development
- Community Planning & Development
- Customer Service
- Economic Development & Infrastructure
- Environment Directors Forum
- Human Resources & Training
- Information Hunter (IT)
- Joint Purchasing/Procurement Group
- Records Management
- Regional Waste Educators Group
- Regional Waste Group
- Regional Weeds Managers Committee
- Sports & Recreation Committee
- Workplace Health & Safety

Port Stephens Council staff participate in all of these Special Interest Groups. More widely, Council staff collaborate in risk management outside the region as well as inside and Port Stephens is recognised for its expertise: recent collaborations and knowledge sharing include with Singleton, Muswellbrook, Greater Taree, Tamworth, Wamingah and Gwydir Councils.

The Lower Hunter Emergency Management Coordinating Committee (LHEMCC) comprises representatives from Cessnock, Dungog, Maitland and Port Stephens Councils, representatives from the combat agencies (Police, Rural Fire Service, State Emergency Service, etc) and the Regional Emergency Management Officer for the Lower Hunter. The role of the LHEMCC is to co-ordinate emergency management across the four Council areas.

Other regional collaborations include but are not limited to:

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- Council won the National Award for Local Government 2013 for its role as leader in collaboration with Maitland City Council and Dungog Shire Council to address issues related to motorbikes on local roads.
  - Until recently Council provided ranger services to Dungog Shire Council as the latter had limited need to employ a full time ranger.
  - Council has had an on-going and profitable 50/50 partnership with Newcastle City Council in ownership of the Newcastle Airport, which is of great strategic significance to the region's economy.
  - Council construction crews from Council's Capital Works unit undertook a variety of clean-up works in and around the devastated Clarence Town community in the neighbouring shire of Dungog, including the restoration of two pipe culverts and a length of roadway near Lions Park in Clarence Town.
  - Leading a group from within Hunter Councils to pilot and test, and subsequently implement an effective workplace drug and alcohol testing regime.
  - Information sharing with other councils and with Statecover (our insurer) to grow the knowledge base in risk management, and especially in workplace health and safety.
- *Credibility for more effective advocacy*

In 2005 Council established the Port Stephens Interagency which brought together service providers from government and non-government agencies to more effectively and collaboratively deliver services into the LGA.

<http://www.portstephens.nsw.gov.au/community-portstephens/council-networks-portstephens/1143623-pt-stephens-interagency-pt-stephens>

Subsequently Council has established a Youth Interagency with stakeholders including schools, youth services such as PCYC, State agencies and the Council's Youth Advisory Panel of young people. <http://www.portstephens.nsw.gov.au/community-portstephens/council-networks-portstephens/1144351-youth-interagency>

Council has also established the Cultural Interagency providing a forum for all community organisations and/or community members and State agencies interested in the arts to meet together to network, share knowledge and/or experience, information and resources, build and maintain relationships, discuss cultural development and trends, collectively identify and pursue appropriate local opportunities pertaining to arts and culture. The Cultural Interagency is an initiative of Port Stephens Council.

<http://www.portstephens.nsw.gov.au/community-portstephens/council-networks-portstephens/1144354-cultural-interagency>

An example of our capability is our initiative to form the Education and Employment Interagency with partners including local high schools, TAFE NSW, local businesses and employment agencies. The aim is to grow education and employment opportunities in the Port Stephens LGA>

These Interagencies are convened quarterly by Council.

Council also convenes a bi-annual transport forum with State and local transport providers and planners to address the issues related to regional transport at a practical level, such as planning for increased traffic, bus shelters etc.



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

In 2004 Council formed the Aboriginal Strategic Committee under Section 355c of the Local Government Act 1993. Its purposes are to promote opportunities to celebrate Aboriginal culture and local cultural diversity; and to provide cultural consultation forums to strengthen the development and delivery of cultural services and infrastructure.

Therefore Council has credible and well established pathways for effective advocacy. Its support of the Fit for the Future Joint Organisation proposal involving Hunter Councils Inc illustrates a commitment to advocacy with State and Federal agencies on a regional level.

- *Capable partner for State and Federal agencies*

In recent times Council has collaborated on projects or completed services for the following State and Federal agencies:<sup>4</sup>

- NSW Department of Family & Community Services
- NSW Department of Premier & Cabinet, including the Office of Local Government
- NSW Department of Public Works
- NSW Department of Sport and Recreation
- NSW Department of Trade & Investment, Regional Infrastructure & Services
- NSW Department of Education and Training
- NSW Department of Planning and Environment
- Australian Government – Department of Education, Employment & Workplace Relations
- NSW Department of Attorney General and Justice
- Australian Government – Attorney-General's Department (Emergency Management Australia)
- Australian Government – Department of Infrastructure, Federal Transport, Regional Development & Local Government
- Australian Government - Department of Health & Ageing
- The State Library of NSW
- NSW Office of Environment and Heritage
- NSW Department of Health
- State Emergency Management Committee
- NSW Department of Trade and Investment, Crown Land.
- NSW Roads & Maritime Services
- NSW Department of Transport
- NSW Department of Agriculture, Fisheries and Forestry
- Australian Government - Department of Innovation, Industry, Science and Research
- NSW Maritime Authority
- NSW Ministry for Police and Emergency Services
- NSW Department of Human Services – Ageing, Disability & Home Care
- NSW Department of Human Services – Community Services
- Australian Sports Commission
- Destination NSW
- TAFE NSW

We believe that this amply demonstrates our capability as a partner for other levels of government.

<sup>4</sup> Port Stephens Council Annual Report 2013-2014 Volume 1

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- *Resources to cope with complex and unexpected change*

(a) Operational

The best example of Council's ability to cope with complex and unexpected change is the devastation caused by the weather event in April 2015, which resulted in extensive damage to Council and community infrastructure with flooding, gale force winds and loss of power across the LGA. Port Stephens Council staff focused on a variety of tasks including inspecting damage to the road network, clearing roads of fallen trees and debris, receiving green waste, clearing a backlog of regular household waste collections, and responding to an average of 650 calls to Council's switchboard each day. Council crews also inspected and cleared drainage pits in preparation for further heavy rainfall toward the end of the next week. Council's holiday parks provided pillows and blankets to the Disaster Recovery Centres when the relevant State agency could not do so.

Since the storm hit the region, a total of ten Council crews involving 70 staff operated around the clock to clear debris and close affected roads for the safety of motorists, while rangers worked to clear livestock from roads and reunite domestic pets with their owners.

On the Friday, in addition to the work required for safety and recovery, crews were deployed to ensure venues for Anzac Day services were safe, while 20 staff were dedicated to ensuring services ran smoothly on Saturday at Raymond Terrace, Nelson Bay, Tanilba Bay, Lemon Tree Passage, Medowie and Karuah.

Port Stephens residents made 1,300 free green waste drop offs at Council's four facilities on the Sunday alone, with Salamander Waste Transfer Station receiving in excess of 600 loads in one day.

Green waste drop off facilities were set up at Lakeside Sports Complex, Raymond Terrace, Grahamstown Sailing & Aquatic Club, Ferodale, and Lemon Tree Passage Tip – all free to residents.

Council's Raymond Terrace Senior Citizens Hall was established as the Disaster Recovery Centre which acted as a focus for the community seeking assistance during the crisis.

Port Stephens Council sent crews to help Dungog Shire and our Manager Communications was seconded by the Regional Recovery Coordinator, Retired Brigadier Darren Naumann.

Council received outstanding positive feedback from the Local Emergency Operations Controller in terms of how this Council responded to the event.

(b) Financial

This extreme weather event is estimated to cost approximately \$11 million in damage to assets; and \$2.9 million in clean-up costs. However with its own resources added to eligible grants from other levels of government together with insurances, the cost to the budget of the natural disaster will be less than \$250,000 in 2014-2015.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL****(c) Governance**

Council's Business Continuity Plan and its Emergency Management Plan were activated and worked to ensure that the Council itself only closed for one day – due to lack of power. The Council's Recovery Centre became operational with Council's leadership and communications teams.

Council has the expertise, resources (leadership, staff with the right skill sets and financial resources) and the resilience to cope with complex and unexpected change.

- *High quality political and managerial leadership*

**The Council**

In 2008 a referendum was held which led to the agreement of the community to transition Port Stephens Council from four to three Councillors per Ward (from 12 to nine); and agreed to a popularly elected Mayor. In 2012 at the local government elections the first popularly elected Mayor – Bruce Mackenzie – was installed for a four-year term.

Council has a well-established Code of Meeting Practice and a program of two-way conversations each Tuesday with Councillors on a variety of topics that will or may come before Council. Council meets as a Committee of the Whole prior to the Ordinary Meeting of Council. Public Access is held on the second and fourth Tuesday of each month prior to the Council meeting, in the Council Chambers. Public Access provides a forum for members of the public to speak directly to the Mayor and Councillors about local or Council issues.

Mayor MacKenzie was first elected to Port Stephens Council in 1968, serving until 2000. During that time he served as Shire President four times, from 1979 to 1981 and from 1989 to 1991. He made a return to Council in 2008, serving as Mayor for two year-long terms between 30 September 2008 and 14 September 2010. In 2012 he was elected to a four-year term as our first popularly elected Mayor.

In 2012 the community elected three Councillors to their first term – one from each Ward; the other six Councillors have thirteen terms on Council between them. Councillors' experience reflects their community: some actively in business, teaching, successfully self-employed or retired. Council had developed over time an interactive online Councillor Development Program which is refreshed annually.

**The Executive**

The General Manager is **Wayne Wallis**, who has worked in senior and executive positions in local government for more than 35 years in Victoria, Queensland and at Port Stephens Council.

Wayne has a Bachelor of Business (Local Government) from RMIT and a Victorian Municipal Clerk's Certificate. He also has a Diploma from the Australian Institute of Company Directors. Wayne is also an Australian Business Excellence Facilitator and is a member of LG Professionals Australia NSW.



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**Carmel Foster** was appointed Group Manager Corporate Services, succeeding Wayne Wallis when he became General Manager in 2014. Ms Foster has worked at Council for eight years, in charge of Council's commercial property and commercial enterprises. Prior to working in local government, Carmel worked with a private firm for five years as a Property Valuer, and previous to that role worked in a State government land management/development role for seven years.

Carmel is a registered Valuer with a post graduate degree in Urban Estate Management and a Master's Degree in Planning and Property Development. Carmel has also completed a Company Directors Course through the Australian Institute of Company Directors

**Jason Linnane** is Group Manager Facilities & Services. Jason has worked in local government for over twenty years. He has worked previously at Dubbo City Council and Newcastle City Council. Jason has an Applied Science degree, post graduate qualifications in Management and a Masters of Commerce.

Jason's background experiences are very diverse and include, amongst other things, public land management, community engagement, service delivery and asset planning/management. With the wide variety of services provided by the Facilities & Services Group and its 250 staff, he has developed a very deep understanding of the complexities of local government and its interactions with stakeholders.

**Mike McIntosh** commenced work at Council as Group Manager Development Services in July 2012. Mike worked in senior management positions for 16 years at the City of Port Phillip and Moreland City Council in Melbourne in a range of roles including planning, economic development, tourism and compliance. Mike has a Bachelor of Planning and Design and is currently completing a Master of Business Administration.

All of Council's senior leadership participate in a mandatory Senior Leadership coaching program that is ongoing, with external facilitation to bring the most up-to-date leadership expertise to Council's executive leaders and all managers across Council.

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

### 2.1 About Port Stephens LGA

Port Stephens is the land of the Worimi nation, and its LGA boundaries correspond to those of the Worimi traditional lands.

Port Stephens Council is in the Hunter Region of New South Wales. The LGA is 168km north northeast of Sydney and 25.8km north of Newcastle. The total area is 979 km<sup>2</sup>.

The area contains prime agricultural land, valuable natural ecosystems and a high level of species diversity. Its waterway system lies at the junction of the Myall River lakes system, Karuah River and the Pacific Ocean. The western half of the area is geographically dominated by the confluence of the Paterson and Williams rivers with the Hunter River. The eastern portion of the LGA contains the Stockton Bight dune system, which extends for 32km.

The Council area is bisected and serviced by the Pacific Highway. Port Stephens enjoys a temperate year round climate without the high humidity and seasonal temperature extremes experienced by many other regions.

Port Stephens is a thriving community with great diversity. Although often perceived as a wealthy tourist and retirement destination, the area has a broad range of residents from different socio-economic backgrounds. Residents and tourists alike are attracted to Port Stephens because of its natural beauty, magnificent waterways and rural character.

Region:	Hunter/Mid North Coast, NSW
Area:	979 square kilometres
Waterways:	More than 100 square kilometres
Population:	67,200 – estimated to rise to more than 88,900 by 2031 (Planning NSW)
Median age:	42
Population density:	78.1 persons per square kilometer
Labour force:	28,377
Unemployment:	5.4%
Relative Disadvantage (SEIFA Index 2011)	Score 980 Decile 6
Climate:	Mild temperate
Mean rainfall:	1328mm
Major population Centres:	Tomaree Peninsula, Tilligerry Peninsula, Medowie, Raymond Terrace

Port Stephens has a rapidly growing population base supporting a range of industries and businesses, all just a two-hour drive north of Sydney. Newcastle Airport and Williamstown RAAF Base are key economic drivers for Port Stephens and the wider Hunter Valley. Other major employment industries include tourism, government, transport and logistics, manufacturing, construction and retail. The business community is vibrant and supportive with business associations and networking opportunities open to both aspiring and established entrepreneurs. Residents enjoy lifestyle options without the high cost of city living including a

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

number of sporting, cultural and community organisations. And big city attractions are still within easy reach: Newcastle and its major shopping centres, national sporting teams and university are a mere 25 minutes away.

Key challenges relate to climate change as Port Stephens has significant coastal and estuary exposure to sea level rise; and more than 90% of the area of the LGA is bushfire prone. In addition, increasing population will put additional pressure on the natural environment, which is one of the major attractions of the area. Port Stephens attracts tourists for most of the year due to its environment, natural attractions and temperate climate. In summer months the population, especially in the Tomaree Peninsula trebles, putting additional strain on Council infrastructure and services such as rubbish collection, libraries and beaches/reserves. Council's Integrated Plans support management of these challenges.

### 2.2 Key Challenges and Opportunities

At its regular annual Integrated Planning workshop held in October 2014 the Council's combined leadership team assessed the key challenges and opportunities that Port Stephens Council face. The tables below set out the Strengths, Weaknesses, Opportunities and Threats that Port Stephens Council has identified and details the strategy area/actions that are in place or planned to manage the challenges and capitalise on the opportunities. Numbers in the table refer to numbering in the Integrated Plans.

Strengths/Areas to be maintained	Strategies and Actions, including Delivery Program/Operational Plans 2015-2019
<ul style="list-style-type: none"> <li>Business Excellence/Continuous Improvement Program/Innovation</li> </ul>	15.1.5.5 Facilitate the rolling Sustainability Review of Council's processes and services.
<ul style="list-style-type: none"> <li>Sustainability Review process</li> </ul>	15.1.5.5 Facilitate the four-year rolling Sustainability Review of Council's processes and services.
<ul style="list-style-type: none"> <li>Financial sustainability/property and commercial portfolio</li> </ul>	15.1.2.3 Manage and expand Council's commercial property portfolio to meet or exceed industry standards.
<ul style="list-style-type: none"> <li>Enterprise Agreement/industrial stability</li> </ul>	The next iteration of the Port Stephens Enterprise Agreement will be implemented from 1 July 2015. There has never been a strike at Port Stephens Council; all unions have a seat at the negotiating table, removing the adversarial nature of most negotiations. When first implemented in 2008 unplanned leave decreased substantially and staff engagement continues to increase.
<ul style="list-style-type: none"> <li>Risk Management system/Work Health and Safety culture</li> </ul>	15.1.3.1 Continue the integration of the Work Health & Safety, Corporate Risk and Environmental Management Systems into the Integrated Risk Management System 15.1.3.2 Review and continuously improve Integrated Risk Management System 15.1.3.4 Provide insurance coverage to manage risks 15.1.3.5 Identify, monitor and manage controls to address extreme and high risks across Council
<ul style="list-style-type: none"> <li>Leadership/open access to senior management</li> </ul>	<ul style="list-style-type: none"> <li>All personnel in a supervisory capacity are required to meet one-on-one in a face-to-face meeting with every direct report at least every fortnight;</li> <li>The Executive Team led by the General Manager holds an open microphone session with staff every month;</li> <li>The Executive Team schedules to be at remote locations at least five hours per week each;</li> <li>The General Manager has a continually operating open door policy where staff can turn up to speak to him in private at any time (unless he is otherwise in a meeting etc).</li> </ul>
<ul style="list-style-type: none"> <li>Staff engagement</li> </ul>	15.1.4.2 Provide all staff with a learning and development

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

Strengths/Areas to be maintained	Strategies and Actions, including Delivery Program/Operational Plans 2015-2019
	plan that includes access to statutory skills training and development opportunities 15.1.4.3 Provide a career coaching program that empowers staff to take charge and build their careers 15.1.4.8 Conduct an employee engagement survey
<ul style="list-style-type: none"> <li>Community satisfaction</li> </ul>	17.1.1.17 Conduct a customer satisfaction survey
<ul style="list-style-type: none"> <li>Business Operating System/one council approach</li> </ul>	Council has an operating manual that covers all aspects of working at Port Stephens Council, rules, policies, IP&R – a handbook/reference so that all staff know what to do and what is expected in their working situations.
<ul style="list-style-type: none"> <li>Financial management</li> </ul>	In 2012 Council adopted the 'treasury model' of financial management down to Section level; reviewed and streamlined its financial processes and set in place Financial Business Rules that set out the parameters for expenditure across Council.
<ul style="list-style-type: none"> <li>Newcastle Airport Pty Ltd</li> </ul>	Port Stephens Council shares with Newcastle City Council ownership of the Newcastle Airport. In accordance with the Local Government Code of Accounting Practice and Financial Reporting the financial accounts of the Newcastle Airport have been brought into Council's audited annual financial accounts. Whilst the Airport's loans to fund its expansion impact this Council's ratios, the Long Term Financial Plan includes future earnings to Council in the order of \$1,000,000 per annum.
<ul style="list-style-type: none"> <li>Brand and reputation</li> </ul>	19.1.1.2 Manage Council's customer services and monitor performance across Council 19.1.1.4 Continue to manage Council's employer brand
<ul style="list-style-type: none"> <li>Workforce strategy/staff stability/career management/learning and development program</li> </ul>	15.1.4.1 Implement succession plans for critical workforce segments and positions to team leader level 15.1.4.9 Implement the actions in the Workforce Strategy 2013-2017
<ul style="list-style-type: none"> <li>Working Together &amp; Provision of Information Policy</li> </ul>	Councillors and staff have an agreement that spells out the relationships and how to work together productively. <a href="http://www.portstephens.nsw.gov.au/council/policies/1156068-working-together-and-provision-of-information">http://www.portstephens.nsw.gov.au/council/policies/1156068-working-together-and-provision-of-information</a>
<ul style="list-style-type: none"> <li>Organisation structure</li> </ul>	Port Stephens Council continuously reviews its organisational structure as part of the ongoing Sustainability Review process. The structure overall has been aligned to the business: Development Services enables service delivery; Facilities & Services deliver the services; Corporate Services supports the delivery of services; the General Manager's unit provides executive leadership and support for the Mayor and Councillors.
<ul style="list-style-type: none"> <li>Volunteers</li> </ul>	More than 600 volunteers work to support services that otherwise Council could not afford, through 53 Committees of Council. 6.1.1.2 Work with Council's volunteer 355c committees to plan and prioritise capital works.

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

<b>Weaknesses/Areas for Improvement</b>	<b>Improvements – planned or in progress</b>
<ul style="list-style-type: none"> <li>Variability of asset management</li> </ul>	<p>(a) Lawler Partners were commissioned to audit asset management models in November 2014 and have reported on improvements to be made before preparation of the FY 2014/15 Special Schedule 7.</p> <p>(b) Morrison Low consultants were commissioned in October 2014 to undertake an extensive review of asset management practices and processes; and to assess the appropriateness of the resources (right people, right skills etc). As a consequence a restructure of the Civil Assets Section and parts of the Public Domain &amp; Services Section will be implemented from 1 July 2015.</p>
<ul style="list-style-type: none"> <li>Dated technology</li> </ul>	<p>15.1.5.4 Review, coordinate and deliver Information Communication Technology improvement projects – when completed will place Council in front of industry standards; with maturity of ICT infrastructure there will be a commensurate decrease in staff costs as well as a decrease in recurrent costs (for example, moving to a more generic platform such as the SQL server will save \$100,000 without any loss of customer service).</p> <p>15.1.5.6 Review, coordinate and deliver the spatial services program of work.</p>
<ul style="list-style-type: none"> <li>Web site</li> </ul>	<p>A new website is being designed for Council in-house to be fully operational in 2015-2016.</p>
<ul style="list-style-type: none"> <li>Understanding of IP&amp;R not widespread across Council</li> </ul>	<p>An in-house course was developed and delivered in 2014. A 'simple to use' IP&amp;R manual is being prepared for general staff use.</p>
<ul style="list-style-type: none"> <li>Age of Administration Building and Depots</li> </ul>	<p>15.1.5.9 Strategically plan for and actively promote the efficient utilisation and design of office accommodation and public space, facilities and building services at the Raymond Terrace Administration Building.</p> <p>Stage 1 of the project to replace the Raymond Terrace depot has commenced in 2014 with identification of some suitable sites.</p>
<ul style="list-style-type: none"> <li>Community engagement</li> </ul>	<p>In 2014 Council appointed an experienced officer to a newly created position – Community Development and Engagement Coordinator, and a Community Engagement Officer to work with sections of Council on enhanced engagement with our community, including the use of social media-based tools.</p> <p>18.1.1.2 Implement a community engagement strategy for the Community Strategic Plan 2016-2026</p> <p>5.1.1.1 Convene and support the Port Stephens Youth networks</p> <p>18.1.1.4 Convene the Port Stephens Council Residents' Panel</p> <p>6.1.1.3 Convene the Port Stephens Interagencies.</p>
<p>Imbalance of women in senior positions</p>	<p>Council reconstituted its Workplace Equity &amp; Diversity Committee early in 2015. One of its seven target groups for action in coming years is Women. (Workforce Strategy 2013-2017 p.80) Council will continue however to recruit on merit for 100% fitness for the role. The Workforce Strategy appendix D contains the actions to be taken – 15.1.5/16.1.1</p>
<p>Ageing workforce</p>	<p>The Workforce Strategy 2013-2017 provides at page</p>

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

<b>Weaknesses/Areas for Improvement</b>	<b>Improvements – planned or in progress</b>
	58 detailed analysis of what this means for Council and potential impacts. Appendix D sets out strategies and actions for addressing this issue.
Contractor Management	<p>Council has taken the following actions in late 2014 and early 2015 to improve its contractor management:</p> <ul style="list-style-type: none"> <li>• A review of WHS for contractors, leading to revised/improved processes;</li> <li>• Revised management directives in support of new processes;</li> <li>• Introduction of a new PSC Contractor Verification Card.</li> </ul> <p>In addition to WHS issues, contractors and potential contractors are made aware through induction training of their rights and obligations, including under the Code of Conduct and the Statement of Business Ethics Policy.</p>

<b>Opportunities/Areas to Exploit</b>	<b>Strategies and Actions, including Delivery Program/Operational Plans 2015-2019</b>
<ul style="list-style-type: none"> <li>• Joint Organisation Model (Hunter)</li> </ul>	<ul style="list-style-type: none"> <li>• Relations with other levels of government – participation will give PSC a stronger voice</li> <li>• Opportunities for staff</li> <li>• Opportunities for resource sharing</li> </ul>
<ul style="list-style-type: none"> <li>• Economic development</li> </ul>	<p>Planning at regional and potentially State level with PSC priorities included; allows PSC ED to focus on improving internal economic development opportunities.</p> <p>Hunter Valley Research Foundation's February 2015 report - identifies positives emerging within the local economy. <a href="http://www.hvf.com.au/news-events/published-articles">http://www.hvf.com.au/news-events/published-articles</a></p>
<ul style="list-style-type: none"> <li>• Attractive area to live, work, play</li> </ul>	Change your Outlook promotion to continue: has been successful in attracting quality applicants for positions; and generally to increase the recruitment pool numbers
<ul style="list-style-type: none"> <li>• Conferences and events</li> </ul>	12.1.1.4 Sponsor major events that deliver economic benefit to the Port Stephens community.
<ul style="list-style-type: none"> <li>• Expansion of commercial activities</li> </ul>	Port Stephens Council has a high-performing commercial property portfolio which it is seeking to expand. 15.1.2.3 Manage and expand Council's commercial property portfolio to meet or exceed industry standards
<ul style="list-style-type: none"> <li>• Local Government Relationship Manager</li> </ul>	Advocate to OLG that this position be retained after Fit for the Future as it is a good conduit to the government; and, relationship development allows the LGR M to gain in-depth insight into the councils in his/her domain.
<ul style="list-style-type: none"> <li>• Pacific Highway traverses Port Stephens LGA</li> </ul>	Large traffic volumes provide opportunities to promote the amenity of Port Stephens; economic driver for the LGA.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

Threats/	Actions to Mitigate Impact
<ul style="list-style-type: none"> <li>Future skills shortages</li> </ul>	Council has developed a Talent Management Strategy as part of its Workforce Strategy and has annual workforce planning sessions across Sections to identify trends and incorporate strategies to ensure future skills shortages are mitigated. <i>Port Stephens Council Workforce Strategy 2013-2017 pp.53-67</i>
<ul style="list-style-type: none"> <li>Climate change</li> </ul>	Council has in place a Climate Change Adaption Strategy.
<ul style="list-style-type: none"> <li>Natural disasters</li> </ul>	1.1.1.7 Convene the Local Emergency Management Committee.
<ul style="list-style-type: none"> <li>Economic conditions</li> </ul>	1.1.1.8 Provide buildings and funding support for Rural Fire Service and State Emergency Services.
<ul style="list-style-type: none"> <li>Increase in population</li> </ul>	1.1.1.9 Maintain and upgrade Asset Protection Zones and Fire Trails.
<ul style="list-style-type: none"> <li>Ageing population and workforce</li> </ul>	2.1.1.1 Implement Council's Ageing Strategy. Council's workforce largely mirrors the NSW average for local government by age group ( <i>Port Stephens Council Workforce Strategy p35</i> ). Strategies to address the ageing workforce include Best Employer Strategy; Health, Safety and Wellbeing Strategy; Information and Communication Asset Management Strategy; Talent Management Strategy; Fit for Work and Transition to Other Roles. ( <i>Port Stephens Council Workforce Strategy Appendix D</i> )
<ul style="list-style-type: none"> <li>Nelson Bay Road – only road into/out of Tomaree Peninsula</li> </ul>	13.1.1.4 Fingal Bay Link Road: Stage 1 – Agreement with landholders for acquisition of land.
<ul style="list-style-type: none"> <li>Changing relations with vendors (ICT) (hostage or leg up)</li> </ul>	Mitigation strategies in place: <ul style="list-style-type: none"> <li>Diversify internal skills</li> <li>More generic platforms e.g. SQL server</li> </ul>

Strategies and actions were developed and/or documented as part of the Integrated Planning process and incorporated into the Operational Plans 2015-2019 that were adopted by Council on 26 May 2015 after a period of public exhibition in April 2015. Achievement of the Operational Plan actions forms part of the improvement proposal strategies outlined in Section 3.

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**2.3 Performance against the Fit for the Future Benchmarks**

Description	Current Performance	Future Performance	Benchmark	Comment
Operating Performance Result	0.0010  3 year average from 2012-2014	0.035  3 year average from 2015-2017	Greater or equal to break-even average over 3 years	The current performance ratio is based on a 3 year average between 2012 and 2014. The ratio was affected by the non-payment of the 2014 4th quarter Federal Assistance Grant. Had Council received this operating grant the ratio would have been 0.010 instead of 0.0010.
Own Source Revenue	77.9%  3 year average from 2012-2014	81.21%  3 year average from 2015-2017	60.0%	Council has strong revenue streams outside of grants which include commercial income from our investment portfolio, commercial property portfolio, holiday parks and Newcastle Airport.
Building and Infrastructure Asset Renewal	85.4%  3 year average from 2012-2014	103.71%  3 year average from 2015-2017	>100% average over 3 years	Council has slowly been growing its capital budget in order to reinvest into its building and infrastructure. In 2014 Council achieved a 114% renewal rate with plans to continue at this rate.
Infrastructure Backlog	5.57%  As at 30 June 2014	2.27%  As at 30 June 2017	<2%	Refer to section 3.1 for comments on Council's Infrastructure backlog.
Asset Maintenance	50.7%  3 year average from 2012-2014	98.2%  3 year average from 2015-2017	>100%	Refer to section 3.1 for comments on Council's Asset maintenance.
Debt Service Ratio	8.19%  3 year average from 2012-2014	4.62%  3 year average from 2015-2017	>0% and <20%	Council's debt and cash ratios remain steady and within the benchmark limits.
Real Operating Expenditure per capita	Decrease from 1.33 in 2011/12 to 1.23 in 2013/14	Decrease from 1.24 in 2015 to 1.13 in 2017.	Decreases over time	Decrease achieved despite average population growth of 1.2% -1.4% p.a.



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

Drivers for Port Stephens Council's performance against the Fit for the Future benchmarks include:

- **Population**

The LGA's population is set to increase from 67,000 in 2013 to 88,900 in 2031, according to Planning NSW. The projected profile shows that people 65+ years old will increase from 19.0 to 27.0% of the total population.

At the same time the population of children (0-14 years) declines slightly from 22.3% to 20.0% of total population.

Population density is driven by a number of factors:

1. Port Stephens LGA has at least 13 constraints that restrict the availability of settlement – only 42% of the LGA is rateable; for example the rest is national parks/reserves and SEPP 14 wetlands; Hunter Water catchments; SEPP 71 coastal protection zones; flood prone or bushfire prone land; aircraft noise-affected land; and more than 100 square kilometres of waterways.
2. Settlement preference: Port Stephens is both a sea change and tree change destination, leading to higher density closer to the coast and around the transport hub of Nelson Bay Road/Newcastle Airport.

The growth and change in the profile of the population will influence Council's options in the future as the nature of community expectation changes: for example there is an anticipated increased demand for services and facilities for an ageing population; but the services and facilities for children would remain at current levels – Council does not intend to invest in new child care centres for example.

- **Historical Context**

In the 1990s an earlier Council had taken decisions to invest in land and commercial property. This decision has resulted in Council being less reliant on rates and grants income. Council has partnered with Newcastle City Council in the Newcastle Airport and this entity pays a yearly dividend of between \$750,000 and \$1 million to each of the partners.

Since 2011 Council has been actively containing its expenditure through a series of rolling Sustainability Reviews which has resulted in cash saving of \$2.5 million p.a. and a more efficient organisation across all its service packages. This program is scheduled to continue indefinitely, on a rolling four-year basis.

At the same time Council has moved to increase revenue from non-rates sources, including royalties from sand extraction and bio-banking. Over the next ten years Council will realise a further \$1.5 million from land sales.

In the past Council has applied for special variations to rates to fund economic development; environmental works; and re-development of the Nelson Bay town centre. Historically Council has applied the normal annual rates increase allowed by the Office

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

of Local Government and later IPART and will continue to do so. However in the interests of our community it is not anticipated that Council would seek any special variations to rates for the foreseeable future.<sup>5</sup>

- **Workforce**

The proximity of Port Stephens LGA to the large population centre of Newcastle/Lake Macquarie provides opportunities for recruitment from a relatively large pool of skilled workers. Its proximity to the University of Newcastle provides a source of graduates in areas requiring tertiary qualifications e.g. engineers. In practice we attract staff from across the State and from other parts of Australia.

In fact, Port Stephens Council has little trouble attracting and retaining staff. Council's Award-winning Enterprise Agreement recognises and rewards the whole person; it does not have just a monetary focus. We offer the broadest range of flexible work practices in local government in NSW e.g. career break leave, grandparents leave, carer's leave, maternity/paternity leave, part-time, job share, four day weeks, nine day fortnights, flexitime and Rostered Days Off. These are complemented by a market-based remuneration system. Work life balance is a reality at Port Stephens. Our well-developed learning and development program focuses on skill development for now and the future, supports tertiary education and provides opportunities for acting in other roles, often for extended periods. We see this as integral to managing our organisational skill needs and providing career progression for our people. Our High Performance Leadership Coaching program has been implemented for 110+ staff in the Combined Leadership Team, and is supported with annual maintenance days and one-to-one coaching. Individual Work and Development Plans are in place for every staff member and reviewed at least every six months: these are goal-oriented with outcomes linked to the Community Strategic Plan. We have implemented our Talent Management Strategy which seeks to ensure Council has the right people in the right roles now and into the future. Grievance numbers are extremely low, there has never been a strike at Council, and the turnover rate is currently 3.5%.

We have developed and implemented a successful employer brand strategy – Change your Outlook – which has meant that all critical workforce positions are filled. This campaign uses the stories of real staff and demonstrates the value and opportunity of a career in local government.

In terms of staff engagement over 63% of staff are engaged, and in one section engaged staff accounted for 98% of the section's staff.

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<sup>5</sup> Port Stephens Council Long Term Financial Plan 2015-2025

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- **Policies of Council related to Financial Management**

**(a) Rates**

Council each year levies and collects ordinary land rates under four categories: residential, business, farmland and mining.

In 2006 the annual review of rates revealed that the average residential rate remained above the State average and the average business rate remained below the State average. The farmland rate, as a result of the 2004 revaluation, was reduced further below the State average. For 2006-2007 the farmland rate increased at the same level as other land categories. Council's goal was to bring the average rates for all land categories below the State average and to achieve this it had to continue to increase the business rate in particular, so that the residential rate could be reduced.

The attempt to have all categories remain below the State average was abandoned due to the successful application for special rate variations – in 2006 to replace expiring rate variations; and in 2008 to increase the business rate to provide new economic services. It was thus impossible to continue to pursue a position of remaining below the State average in all land categories.

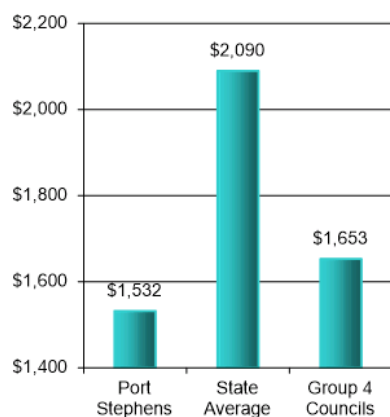
From the Comparative Data 2012-2013<sup>6</sup> **Port Stephens Council rates relative to the State average are:**



<sup>6</sup> NSW Office of Local Government

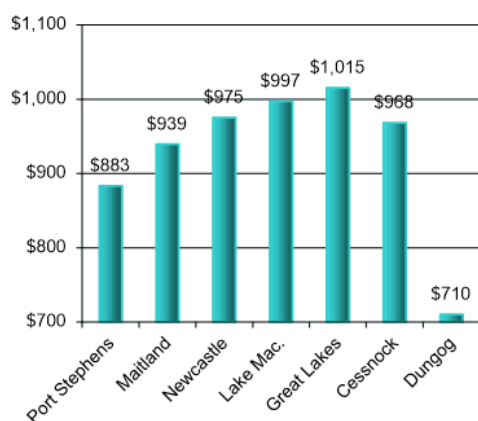
ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

Farmland Rates (Average)

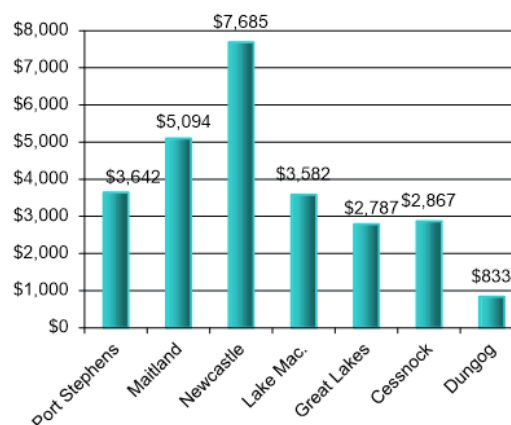


The tables below show Port Stephens Council's rates compared to its neighbours.

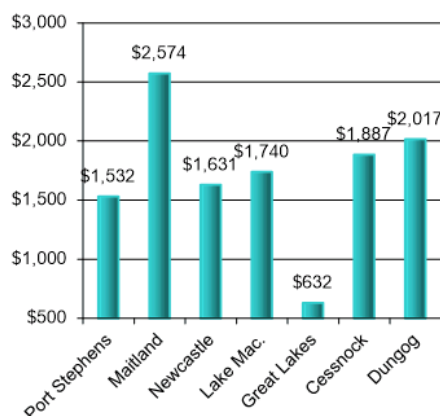
Residential Rates (Average)



Business Rates (Average)



Farmland Rates (Average)



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL****(b)      Other Financial Policies**▪ *Budget Control & Authorization Policy*

The objective of this policy is to ensure that all Council expenditure is legally authorised and that effective systems of budgetary control are in place to monitor and report on actual income and expenditure compared with budgeted income and expenditure.

▪ *Cash Investment Policy*

The purpose of this Policy is to guide Council's cash investment process and specifically:

- Establish Council's investment philosophy;
- Establish investment risk management guidelines;
- Prescribe requirements to be followed in investing surplus funds that are not immediately required for any other purpose;
- Identify the duties of those involved in the investment process;
- Prescribe internal control, investment monitoring and reporting procedures.

▪ *Debt Recovery & Hardship Policy*

The objectives of this policy are to ensure:

- efficient and effective processes for collection of outstanding debts;
- provision of a decision making framework for assessment of financial hardship applications;
- statutory requirements are met for recovery of rates, charges, fees and other debts; and
- debts are recorded in Council's accounting system.

▪ *Pricing Policy*

The objectives of this policy are

- To provide a decision-making framework for the determination of fees and charges;
- To enable determination of fees and charges that is equitable, consistent, timely and accountable;
- To provide opportunities for cost recovery whilst meeting Council's community service obligations;
- To meet Council's statutory requirements under the Local Government Act, 1993 and other relevant legislation in relation to setting fees and charges;
- To assist Council staff, when reviewing existing fees and charges and/or considering new fees and charges.

▪ *Procurement Policy*

The objectives of this Policy are to:

- State Council's policy on procurement matters;
- Provide clear direction to Council officials (Councillors, staff and delegates of Council) making procurement decisions.

This policy is also supported by a Sustainable Procurement Policy to give guidelines on minimizing the social, environmental and economic impacts of our procurement processes and outcomes.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL****(c)      Borrowing**

Council does not have, and has not had any policy that prohibits borrowing. However Council has limited its borrowings to the levels set by the Minister for Local Government from time to time.

Historically, Council's policy regarding the use of loan funding has been that loan funding is only available where the proposed expenditure will result in a future revenue stream that will fund the loan repayments. As a result, the majority of Council's existing debt portfolio relates to its commercially focused activities being the Holiday Parks, Newcastle Airport and its commercial property portfolio.

With the move to an underlying surplus as at 30 June 2013 and projected surplus increases in future years, a review of borrowing was undertaken. As a result Council has participated in three rounds of the Local Infrastructure Renewal Scheme (LIRS) and has received approved in two of the rounds for loans of \$1 million and \$2 million respectively.

**(d)      Council's Financial Business Operating System**

Supplementing the Council's Long Term Financial Plan and financial policies, Council has introduced the Financial Business Operating System – a document that sets out in considerable detail the do's and don'ts related to all matters financial so that across Council all staff operate from the same set of rules related to budgeting, expenditure etc.

**(e)      Financial Governance**

Until February 2014 Council had three internal financial oversight teams established to develop the financial accountability and improve financial operations across Council. These were the Financial Analysis Team, the Capital Works Analysis Team and the Section 94 Analysis Team. The Teams had members of the Executive as sponsors and included a cross-section of senior staff as well as the Manager Financial Services. The first two Teams were reviewed at it was deemed that their work was substantially completed and they were discontinued. The Section 94 Analysis Team was also reviewed and it was felt that its work was not yet completed but a sunset clause was adopted providing for continuance of that Team for a year and then a further review would be undertaken. This was largely because Council had difficulty sourcing an s94 planner and had decided to develop an existing staff member in the role – a decision which would require in the short term continued oversight of the process.

Now that robust systems and procedures are in place for financial management and capital expenditure management, the Executive Team oversees the financial management of Council and ensures that Councillors are aware of all financial management matters through the quarterly budget review process, and the quarterly Audit Committee process.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- **Susceptibility to Natural Disasters**

Port Stephens Council has a Local Emergency Management Committee (LEMC) that oversees the development, implementation and review of the Local Disaster Plan.

The goals of the LEMC are to:

- Prevent or reduce the impact of emergencies,
- Ensure the preparedness of the community,
- Provide an effective and coordinated response to an emergency, and
- Provide for the recovery of the community.

The LEMC consists of a General Manager; the Local Emergency Operations Controller (LEOCon) which is the NSW Police Local Area Commander; the Local Emergency Management Coordinator (Jason Linnane, Group Manager Facilities & Services, Port Stephens Council); and senior representatives from combat and functional area supporting agencies.

Combat agencies represented include:

- NSW Police Service & LEOCon,
- NSW Ambulance,
- Fire & Rescue NSW,
- State Emergency Service (SES),
- Rural Fire Service (RFS),
- District Emergency Management Officer (DEMO) where required, and
- Assistance from the Local government (Council) and the LEMO.

Functional Area support agencies represented include:

- Agriculture and Animal Services,
- Communication Services,
- Engineering Services,
- Environmental Services,
- Health Services,
- Public Information Services,
- Transport Services,
- Energy and Utility Services, and
- Representatives from major industries (for example, Tomago Aluminium, Newcastle Airport, Marine Rescue).

In the event of an emergency, the Local Emergency Management Committee will, as required, provide assistance with a multi-agency response to the respective combat agency.

In addition there is the Lower Hunter Emergency Management Coordinating Committee (LHEMCC). The LHEMCC comprises representatives from Cessnock, Dungog, Maitland and Port Stephens Councils, representatives from the combat agencies (Police, Rural Fire Service, State Emergency Service, etc) and the Regional Emergency Management Officer for the Lower Hunter. The role of the LHEMCC is to co-ordinate emergency management across the four Council areas.

During 2007 the LHEMCC prepared an **Emergency Risk Management Report** identifying the following hazards as posing an extreme risk to people:

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- Bush fire,
- Grass fire,
- Flood,
- Extreme Heat,
- Industrial Accident,
- Mine Accident,
- Transport Accident Road, and
- Communicable Disease Affecting Humans.

**Lower Hunter Emergency Management Coordinating Committee (LHEMCC)  
Displan**

The Displan (Disaster Plan) is the key document for identifying roles, responsibilities, control and co-ordination of emergency operations at a local level. This document links with District and State Level Disaster Plans should the scale of the disaster / emergency require resources not available within the local community. A collaborative approach between Cessnock, Dungog, Maitland and Port Stephens Council was taken in preparing the Displan for the four (4) local government areas. This document was prepared through the Lower Hunter Emergency Management Co-ordinating Committee (LHEMCC) to ensure that, in the event of an emergency, combat and supporting agencies would all be working under the same plan regardless of the location of the event.

The State government, through the Ministry of Police and Emergency Services has recently released the template for the Local Emergency Management Committee to prepare new emergency management plans. These will replace the current LHEMCC Displan.

**1.      Flooding**

**Please refer to the Storm section 2 below for events related to week of 20 April 2015.**

Whilst drought is not thought to be a threat to the Port Stephens LGA, the possibility of floods is always present. Port Stephens LGA lays at the confluence of the Paterson, Williams and Hunter Rivers and its northern border is in part the Karuah River. Tilligerry and Windeyer Creeks run through the area. The actual flood affected area, based on the best practice method of including all flood affected lands up to the probable maximum flood means that up to 44.32% of the LGA is flood affected in some way.

The extent of flood susceptibility is shown in the five maps of the LGA held by the State government:

<http://www.legislation.nsw.gov.au/mapindex?type=epi&year=2013&no=755#FLD>

Major levee banks are situated along the Williams River. These structures are owned and maintained by NSW Office of Environment and Heritage, and Port Stephens Council contributes to their annual maintenance. There is a large number of small levee banks which are privately owned and maintained, largely to manage tidal or localized flooding.

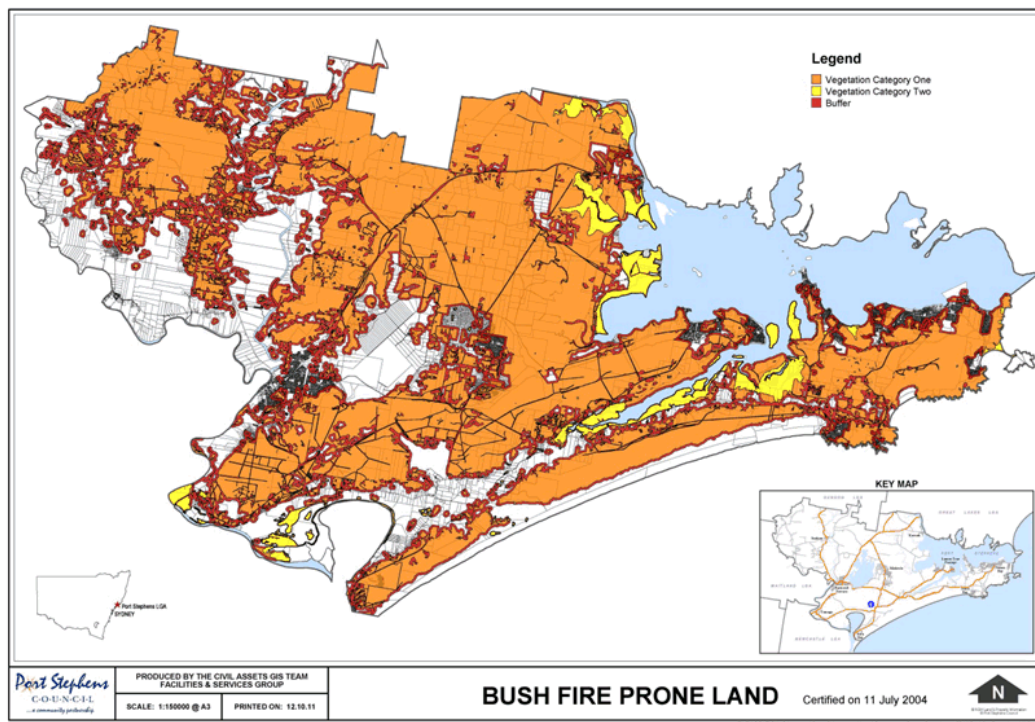


**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

Council has undertaken or is undertaking significant flood studies as referenced in the Integrated Plans 3.1.1.4 – 3.1.1.7. In recognition of the LGA's significant coast and estuary exposure to inundation due to climate change, Council has developed and is implementing its Adaptation Action Plan.

**2. Bushfires**

More than 87% of the Port Stephens LGA is zoned as bushfire prone land and more than 90% of that bushfire prone land is in Category 1: highly fire prone. During late 2014 and early 2015 Council carried out an exercise to 'ground truth' these statistics.

**Storms**

The Bureau of Meteorology has documented historic severe thunder storms up to 2007 including Port Stephens.

<http://www.bom.gov.au/nsw/sevwx/significant.shtml>

In March 2014 a mini-cyclone hit Port Stephens Council LGA directly and caused significant damage to property – both private and Council-owned. On Saturday 1 November 2014 a fast moving storm killed one person; and on 23 November 2014 a severe storm caused damage and power outages across the LGA. This pattern has been repeated in the years between 2007 and 2014.

On 21 April 2015 Port Stephens along with other Hunter Region council areas was devastated by the effects of an east coast low pressure system that battered the

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

LGA with high winds in excess of 135 km/hour at times; and heavy rain estimated in some areas to be greater than 418 millimetres in two days. The damaging winds also created havoc with the electricity grid; and the loss of power created hardship for residents and businesses and economic damage to tourism infrastructure.

Given the exposure of the LGA to flooding and its position in an area prone to east coast low pressure systems, it is anticipated that periodically the LGA will experience similar catastrophic events.

- **Population Pressure**

Port Stephens LGA is a popular holiday destination with a long holiday season due to the sea water temperature and its mild climate. At least 1.4 million additional people come to the LGA annually.

Additional costs for peak holiday seasons is about \$120,000, which covers additional cleaning of amenities, beaches, BBQ's, fish bins and general clean up around the town. Additional waste services are estimated at \$50,000. The extra costs for waste are mainly around additional servicing of litter bins. Litter bins are serviced daily over the holiday period and the ones in Nelson Bay CBD are serviced twice a day. Waste volumes collected rise by about 30% for the holiday period.

Whilst Ranger services do not incur increased costs, the focus of activities is more aligned to illegal activities, and fines average around \$30,000 per annum revenue.

All associated costs are incorporated into planned expenditure budgets and reflected in Council's overall financial position.

The population in 2011 was \$64,807 (ABS 2011 Census) and is now estimated by the Australian Bureau of Statistics as 69,728 as at 2014.<sup>7</sup> Overall population in the LGA is anticipated to grow by 1.2% per annum to reach 88,900 in 2031 (Planning NSW 2014). Parts of the Port Stephens Council area are expected to increase in population to 2016, with the largest gains expected in the areas of Fern Bay, Fullerton Cove, Raymond Terrace – Heatherbrae, Kings Hill and Nelson Bay. The population increases are based on household growth, which in turn relates to new residential opportunities, most notably in the areas experiencing significant greenfield development, as well as others with moderate infill and medium density development.

High rates of population and tourism visitor growth coupled with increasing rates of mobility through transport improvements, namely road construction and rising levels of car ownership are placing increasing pressure for land use change across the LGA. Future settlements in Medowie and Kings Hill are expected to divert housing pressures from the Tomaree Peninsula and secure the economic growth of Raymond Terrace as a regional centre.

Council has developed the Port Stephens Planning Strategy (PSPS). The primary purpose of the PSPS is to guide land use planning and decision making for development and environmental outcomes. The PSPS provides the framework for the broad strategic base to manage growth and is supplemented by sub-strategies to provide an additional level of

<sup>7</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3218.02013-14?OpenDocument>

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

detail for specific areas or issues. These sub-strategies facilitate the release of urban lands supported by timely infrastructure provision such as the new release areas of Kings Hill (North Raymond Terrace), Anna Bay and Medowie, the emerging Heatherbrae Enterprise Corridor, and Defence and Airport Related Employment Zone Business Park, and the continued development of Raymond Terrace as the major regional centre.

<http://www.portstephens.nsw.gov.au/planning-and-building-portstephens/planning-strategies-portstephens/1140722-port-stephens-planning-strategy-2011>

- **Increases in costs**

Through its ongoing Sustainability Review program, Council monitors its expenditure and makes efficiency gains as well as cash savings. (In December 2012 at the end of the first iteration of the program, Council achieved ongoing annual cash savings in excess of \$2.5 million p.a. from one 18 month review across all operations and service packages).

Rigorous financial control of expenditure and innovative own source revenue strategies reduced Council's underlying deficit from \$5 million in 2010 to a surplus of \$313,000 in 2013; A surplus in the order of \$1.5 million is anticipated to be achieved by 30 June 2015.

The Long Term Financial Plan 2015-2025 developed three scenarios, and in adopting the "Improved Scenario" management of costs is addressed (*Port Stephens Council Long Term Financial Plan 2015-2025 p3*):

- The entire rate peg of 2.4% is applied to rating income
- An inflation forecast of 2.5% is applied to most sources of income
- \$1,500,000 of land sales have been included
- A dividend from the Newcastle Airport Partnership of \$1,000,000 has been included

Council recently engaged the services of PKF Lawler Partners to review the calculations and assumptions used within the 2015-2025 Long Term Financial Plan. The final report did not identify any significant issues with Council's financial planning and recommended no change to the model.

#### **Staff**

Specific issues related to staff costs are:

- Compulsory superannuation guarantee rate increase:  
The impact of the Federal government's changes has been factored in:

<b>Year</b>	<b>Rate</b>
2015-16	9.50%
2016-17	9.50%
2017-18	9.50%
2018-19	9.50%
2019-20	9.50%
2020-21	9.50%
2021-22	10.00%
2022-23	10.50%
2023-24	11.00%
2024-25	11.50%

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- **Vested Sick Leave:**  
A provision for vested sick leave of \$4 million has been included as a liability in the Balance Sheet. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.
- **Long Service Leave Liability:**  
Long Service Leave entitlements are governed primarily by the Long Service Leave Act 1955 and by conditions in the Port Stephens Council Enterprise Agreement 2015. A provision of \$6.5 million has been included as a liability in the Balance Sheet of the Long Term Financial Plan. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.
- **Learning and Development:**  
Council provides extensive learning and development opportunities; there are education and training opportunities for people of all ages. A yearly expenditure on learning and development of \$360,890 has been included in the salaries and wages expense in the Income Statement of the Long Term Financial Plan.
- **Port Stephens Council Enterprise Agreement 2015:**  
At the time of preparation of this report the Enterprise Agreement is being renegotiated under the Chairmanship of Deputy President Harrison of the NSW Industrial Relations Commission. Wage increases are yet to be determined however for the purposes of the Long Term Financial Plan increases of 2.6%, 2.7% and 2.8% have been factored into the forecasts in line with the NSW state award.

**Other Expenditure**

As noted above an inflation forecast of 2.5% p.a. has been factored into the Long Term Financial Plan for each scenario. This assumption has been made in contrast to the experience of the Local Government Cost Index issued by the Independent Pricing and Regulatory Tribunal (IPART) which came out below the official Consumer Price Index figure for 2014-2015 in setting the rate peg amount.

**Service Levels**

As Council's financial position continues to improve it is intended primarily to use the additional financial capacity to reduce the asset backlog, which in turn will reduce the asset maintenance requirements. However it is also anticipated that Council will work with its community to increase service levels in some areas. In 2011-2012 the consultation with the community identified across a number of service packages that people would prefer increased service levels; however there was no appetite to trade off existing services or to increase rates and charges – the existing service levels were deemed adequate in the circumstances.

**2.4 Water Utility Performance**

Port Stephens Council does not provide water and sewerage services and thus has no assets in these categories. Those services are provided to the LGA by Hunter Water Corporation.

# ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

## 3.1 Improvement Strategies & Outcomes

### Sustainability

#### Operating Performance Ratio – Current Situation **2012-2014**

(IPART assessment methodology requires that councils Must meet the benchmark within five years)

Meets the FTFF Benchmark:

**YES**

BENCHMARK AND RESULT				
Benchmark:- Greater or equal to break-even average over 3 years				
	2011-12	2012-13	2013-14	Average over 3 years
Result	-0.029	0.040	-0.011	0.001
Benchmark	0	0	0	0

#### Operating Performance Ratio – Future State

#### Strategy

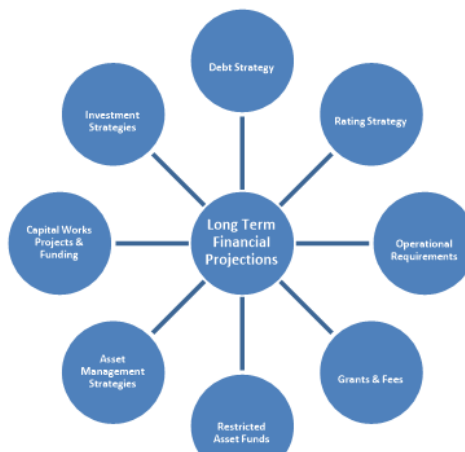
Council will maintain its underlying financial performance to budget at breakeven or better.  
(Council's Delivery Program 2013-2017: 15.1.1)

#### Intended Outcomes- Summary

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
0.020	0.040	0.046	0.046	0.047	0.047

#### Approach

Council, through its Long Term Financial Plan (LTFP) presents a comprehensive approach to documenting and integrating the various financial strategies of Council. The development of the long term financial projections represents the output of several strategy areas, that when combined, produce the financial direction of Council as shown below:



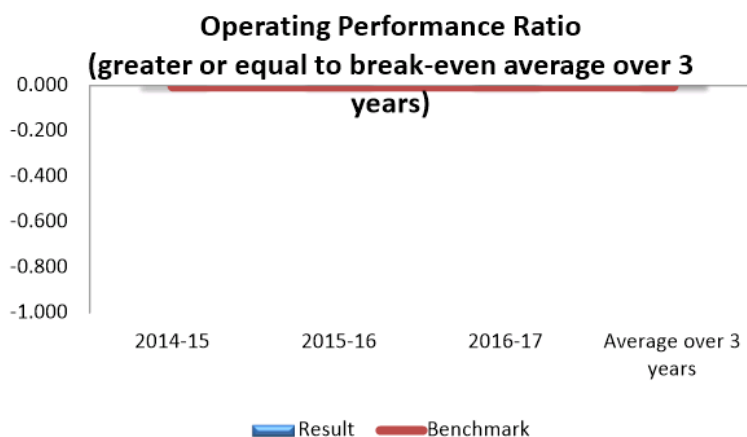
# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

Operating Performance Ratio – Future Performance **2015-2017**

Meets the FTFF Benchmark: **YES**

BENCHMARK AND RESULT					
Benchmark:- <i>Greater or equal to break-even average over 3 years</i>					
	2014-15		2015-16	2016-17	Average over 3 years
Result		0.020	0.040	0.046	0.035
Benchmark		0	0	0	0
<i>This is how we calculated the council's result.....</i>					
<i>(Figures are in \$000)</i>					
<i>Total continuing operating revenue (exc. capital grants and contributions) less operating expenses</i>					
<i>Total continuing operating revenue (exc. capital grants and contributions)</i>					
2014-15	(120813-12032-1150-0-0-0-0-0)- (105495-0-0-0)		=	2,136	= 0.020
	120813-12032-1150-0-0-0-0-0			107,631	
2015-16	(119412-9200-1750-0-0-0-597-0)- (103580-0-0-0)		=	4,285	= 0.040
	119412-9200-1750-0-0-0-597-0			107,865	
2016-17	(121305-9430-250-0-0-0-615-0)- (105874-0-0-0)		=	5,136	= 0.046
	121305-9430-250-0-0-0-615-0			111,010	
<i>Note: Both numerator and denominator in this calculation exclude fair value adjustments, reversal of revaluation decrements, net gain/losses on sale of assets and net share/loss of interests in joint ventures accounted for using equity method.</i>					





# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

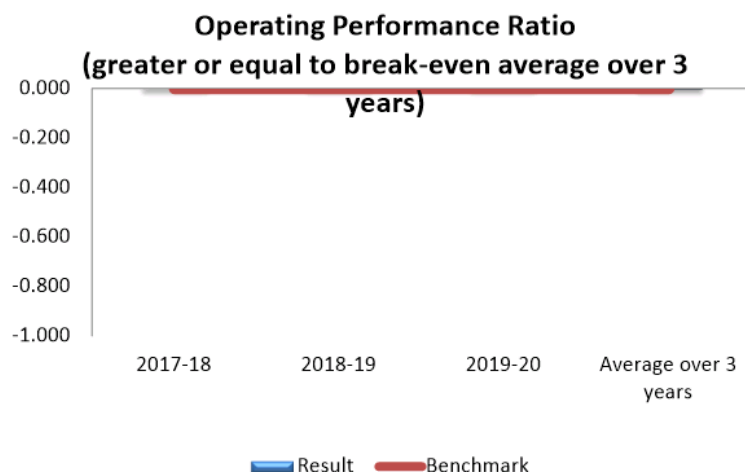
## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

### Operating Performance Ratio – Future Performance 2018-2020

Meets the FTFF Benchmark:

**YES**

BENCHMARK AND RESULT							
Benchmark:- <i>Greater or equal to break-even average over 3 years</i>							
		2017-18	2018-19	2019-20	Average over 3 years		
Result		0.046	0.047	0.047	0.045		
<i>This is how we calculated the council's result.....</i>							
<i>(Figures are in \$000)</i>							
<i>Total continuing operating revenue (exc. capital grants and contributions) less operating expenses</i>							
<i>Total continuing operating revenue (exc. capital grants and contributions)</i>							
2017-18	(123316-9666-250-0-0-0-634-0)-(107730-0-0-0)			=	5,036	=	0.045
	123316-9666-250-0-0-0-634-0				112,766		
2018-19	(126590-9908-250-0-0-0-653-0)-(110465-0-0-0)			=	5,314	=	0.046
	126590-9908-250-0-0-0-653-0				115,779		
2019-20	(129969-10156-250-0-0-0-672-0)-(113465-0-0-0)			=	5426	=	0.046
	129969-10156-250-0-0-0-672-0				118,891		
<i>Note: Both numerator and denominator in this calculation exclude fair value adjustments, reversal of revaluation decrements, net gain/losses on sale of assets and net share/loss of interests in joint ventures accounted for using equity method.</i>							



**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**Own Source Revenue – Current Situation 2012-2014**

(IPART assessment methodology requires that councils Must meet the benchmark within five years)

**Meets the FFTF Benchmark      YES**

**Own Source Revenue – Future State**

***Strategy***

Council will increase its revenue from non-rates sources. (Delivery Program 2013-2017: 15.1.2)

***Intended Outcomes- Summary***

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Result</b>	<b>80.1%</b>	<b>81.7%</b>	<b>81.8%</b>	<b>81.8%</b>	<b>81.9%</b>	<b>81.9%</b>
<b>Benchmark</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>

***Approach***

Council's Own Source Revenue comprises:

- Rates and annual charges
- User fees and charges
- Other revenues including Newcastle Airport partnership
- Interest on investments
- Commercial operations (holiday parks, commercial property portfolio, bio-banking).

In constructing its Long Term Financial Plan Council has adopted a conservative approach by applying the following assumptions to its projections:

- a rate peg of 2.4% is applied to rating income;
- An inflation forecast of 2.5% is applied to most sources of revenue;
- A dividend from the Newcastle Airport partnership of \$1 million p.a. has been included (underlying surplus calculations).



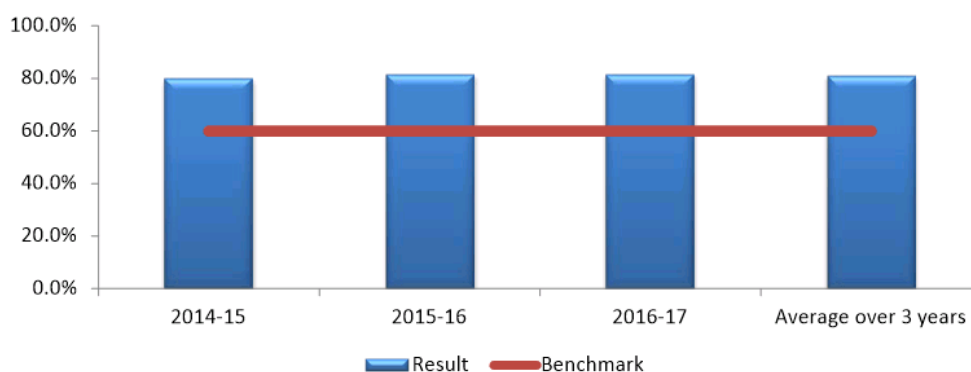
**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**Own Source Revenue – Future Performance 2015-2017**

**Meets the FFTF Benchmark YES**

BENCHMARK AND RESULT						
		2014-15	2015-16	2016-17	Average over 3 years	
Result		80.1%	81.6%	81.6%	81.1%	
Benchmark		60%	60%	60%	60%	
This is how we calculated the council's result.....						
(Figures are in \$000)						
Total continuing operating revenue less all grants and contributions						
Total continuing operating revenue inclusive of capital grants and contributions						
2014-15	120813-11789-12032-1150-0-0-0-0-0	=	95,842	=	80.1%	
	120813-1150-0-0-0-0-0		119,663			
2015-16	119412-12182-9200-1750-0-0-0-597-0	=	95,683	=	81.7%	
	119412-1750-0-0-0-597-0		117,065			
2016-17	121305-12487-9430-250-0-0-0-615-0	=	98,523	=	81.8%	
	121305-250-0-0-0-615-0		120,440			
Note: Both numerator and denominator in this calculation exclude fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures accounted for using equity method.						

**Own Source Revenue Ratio  
(greater than 60% average over 3 years)**



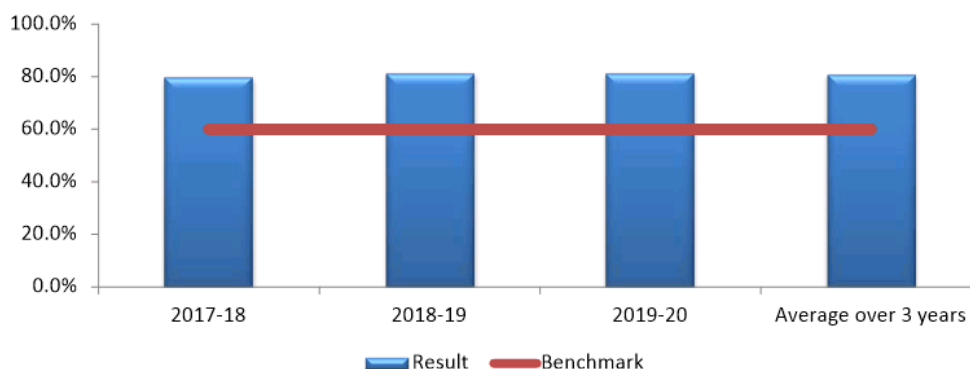
ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

Own Source Revenue – Future Performance 2018-2020

Meets the FFTF Benchmark **YES**

BENCHMARK AND RESULT						
Benchmark:- Greater than 60% average over 3 years						
	2017-18	2018-19	2019-20	Average over 3 years		
Result	81.8%	81.9%	81.9%	81.9%		
Benchmark	60%	60%	60%	60%		
This is how we calculated the council's result....						
(Figures are in \$000)						
Total continuing operating revenue less all grants and contributions						
Total continuing operating revenue inclusive of capital grants and contributions						
2017-18	124485-12799-9666-250-0-0-0-0-0	=	101,136	=	81.8%	
	124485-250-0-0-0-0-0		123,601			
2018-19	127788-13119-9908-250-0-0-0-653-0	=	103,858	=	81.9%	
	127788-250-0-0-0-653-0		126,885			
2019-20	131198-13447-10156-250-0-0-0-672-0	=	106,673	=	81.9%	
	131198-250-0-0-0-672-0		130,276			
Note: Both numerator and denominator in this calculation exclude fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures accounted for using equity method.						

Own Source Revenue Ratio  
(greater than 60% average over 3 years)



## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

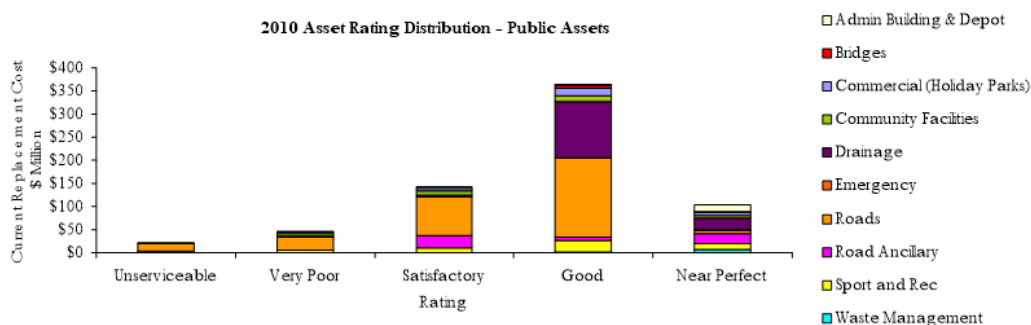
### Building and Infrastructure Renewal – Current Situation

(IPART assessment methodology requires that councils Must meet OR Improve against the benchmark within five years)

Meets the FFTF Benchmark **NO**

	2011-12	2012-13	2013-14	Average over 3 years
<b>Result</b>	68.1%	74.5%	114.2%	<b>85.4%</b>
<b>Benchmark</b>	100%	100%	100%	<b>100%</b>

The last condition rating in 2010 showed that Council's assets are in a "satisfactory" or better condition.<sup>8</sup>



Removing roads and drainage from this graph moves the distribution skew from Good to Near Perfect. One reason for this healthy skew is that the age of the asset infrastructure is still quite young compared to other councils.<sup>9</sup>

Additional funding has resulted in earlier maintenance and renewal of assets than previously undertaken at Council. Early maintenance and renewal of an asset prevents the asset from deteriorating so much that it no longer provides the intended or acceptable service to the community, or it becomes a hazard to the asset user and a risk to Council. Successfully maintaining an asset is a constant process. Earlier maintenance and renewal is also a more cost effective way to manage the asset over the life of the asset, hence reducing the future financial burden on the Council and on generations to come.

This change in focus has been achieved through:

- Improving our organisations maturity through linking our financial and our asset position,
- Shifting our Capital Works funds towards renewal instead of new assets especially the last several years

<sup>8</sup> Port Stephens Council Strategic Asset Management Plan 2015-2025, p12

<sup>9</sup> ibid. p13

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- Taking advantage of the State Government initiatives such as the "Local Infrastructure Renewal Scheme"
- Borrowing money to renew assets to reduce asset lifecycle costs
- Improving internal Council efficiencies through Sustainability Reviews freeing up funds for asset renewal
- Understanding the condition of our assets and prioritising our monies
- Discussions with user groups and community about asset services to closer align spending with expectations
- A better understanding of our asset conditions has been achieved with the centralisation of asset management through an organisation restructure in 2013
- The continuous improvement in the Capital Works and Maintenance processes to drive efficiencies and reduce costs. This in turn resulted in savings made to return into the renewal of assets

Despite Council's recent emphasis on funding our existing maintenance and renewal, there is still an infrastructure backlog.

***Approach***

Council has developed an Asset Funding Strategy: the statement of intent for the Asset Funding Strategy is to prioritise funds towards the renewal and maintenance of assets. This Asset Funding Strategy is cognisant of the Council's duties and responsibilities outside of asset management and not all monies can be diverted to the funding of assets. There are also other documented policies, such as the Acquisition and Divestment of Land Policy that already allocates sale of lands profits to other functions and services of Council.

The sources of funds included in the Asset Funding Strategy are:

- sales of commercial or Council operational lands
- savings made from commercial arm of Council
- borrowings
- operational savings
- sustainability reviews savings
- grants
- contributions from other organisations and committees
- continue to shift funds in the Capital Works Program from new assets to renewal

These additional funds can be used as seed and matching monies to improve Council's position in gaining additional grants and Section 94 to further reduce Council infrastructure backlog. While the additional monies are not guaranteed, when funds are available they are to be prioritised towards the renewal and maintenance of existing assets.

The average over three years is >100% which allows for a reduction in the infrastructure backlog.

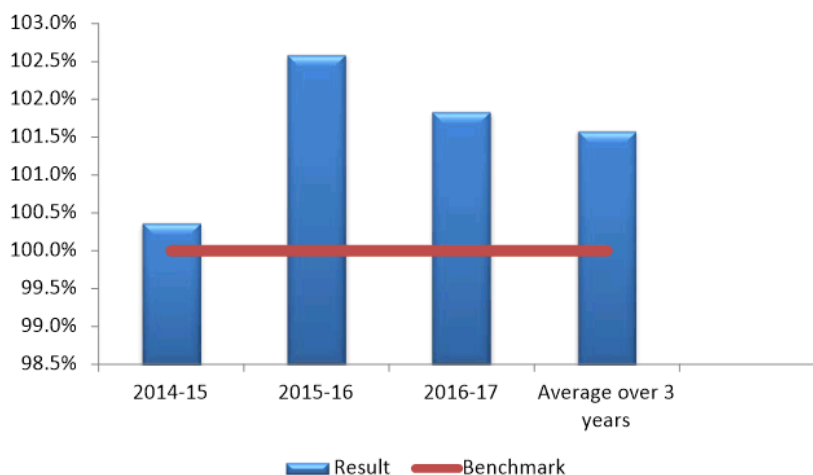
ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

Building and Infrastructure Renewal – Future Performance 2015-2017

Meets the FFTF Benchmark **YES**

	2014-15	2015-16	2016-17
<b>Result</b>	100.4%	102.6%	101.8%
<b>Benchmark</b>	100%	100%	100%
<i>This is how we calculated the council's result.....</i>			
<i>(Figures are in \$000)</i>			
<i>Asset renewals (building and infrastructure)</i>			
2014-15	17,000	=	100.4%
	16,936		
2015-16	17,000	=	102.6%
	16,571		
2016-17	17,000	=	101.8%
	16,731		

**Building and Infrastructure Asset Renewal Ratio  
(greater than 100% average over 3 years)**



ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

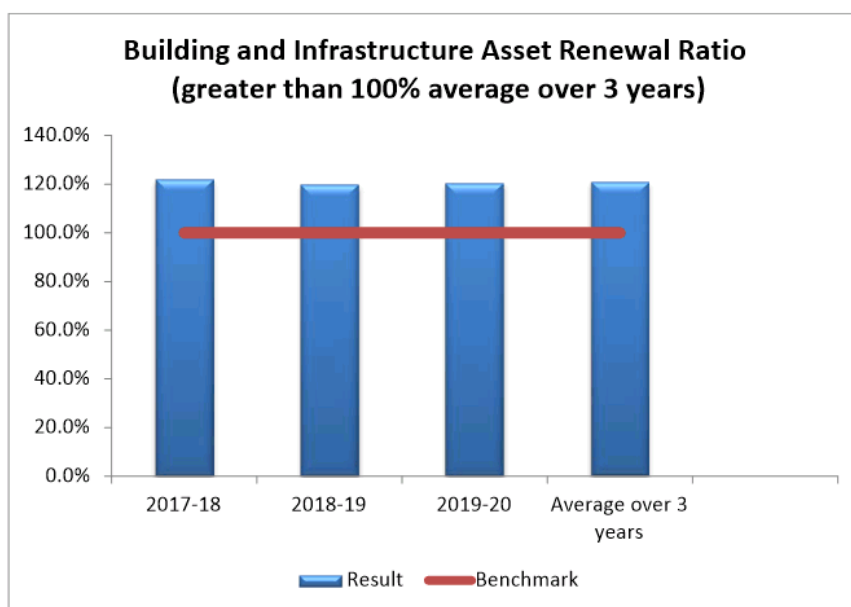
Building and Infrastructure Renewal – Future Performance 2018-2020

Meets the FFTF Benchmark **YES**

	2017-18	2018-19	2019-20
<b>Result</b>	117.3%	115.1%	113.2%
<b>Benchmark</b>	100%	100%	100%

*This is how we calculated the council's result.....*  
(Figures are in \$000)

<b>2017-18</b>	20,000	=	<b>117.3%</b>
	17,055		
<b>2018-19</b>	20,000	=	<b>115.1%</b>
	17,369		
<b>2019-20</b>	20,000	=	<b>113.2%</b>
	17,672		



# ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

## 3.1 Improvement Strategies & Outcomes

### Infrastructure & Service Management

#### Infrastructure Backlog – Current Situation 2012-2014

(IPART assessment methodology requires that councils Must meet the benchmark within five years)

Meets the FFIF Benchmark **NO**

Council has changed its focus to one of:

- Improving our organisation's maturity through linking our financial and our asset position;
- Shifting our Capital Works funds towards renewal instead of new assets especially the last several years;
- Taking advantage of the State Government initiatives such as the "Local Infrastructure Renewal Scheme";
- Borrowing money to renew assets to reduce asset lifecycle costs;
- Improving internal Council efficiencies through Sustainability Reviews freeing up funds for asset renewal;
- Understanding the condition of our assets and prioritising our monies;
- Discussions with user groups and community about asset services to closer align spending with expectations;
- A better understanding of our asset conditions has been achieved with the centralisation of asset management through an organisation restructure in 2013;
- The continuous improvement in the Capital Works and Maintenance processes to drive efficiencies and reduce costs. This in turn resulted in savings made to return into the renewal of assets.

BENCHMARK AND RESULT						
<b>Benchmark:- Less than 2%</b>						
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-2019</b>	<b>2019-2020</b>
<b>Result</b>	<b>2.43%</b>	<b>2.38</b>	<b>2.27</b>	<b>2.16</b>	<b>2.06</b>	<b>1.96</b>
<b>Benchmark</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<i>This is how we calculated the council's result.....</i>						
<i>(Figures are in \$000)</i>						
<i>Estimated cost to bring assets to a satisfactory condition</i>						
<i>Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets</i>						
<b>2014-15</b>		<b>18,489,830</b>	<b>=</b>	<b>2.43%</b>		
		<b>760,557,420</b>				
<b>2015-16</b>		<b>18,089,786</b>	<b>=</b>	<b>2.38%</b>		
		<b>760,557,420</b>				
<b>2016-17</b>		<b>17,689,742</b>	<b>=</b>	<b>2.27%</b>		

# ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

		779,571,356			
2017-18		17,289,698	=	2.16%	
		799,060,639			
2018-2019		16,889,654	=	2.06%	
		819,037,155			
2019-2020		16,489,610	=	1.96%	
		839,513,084			

## Infrastructure Backlog – Future Performance 2015-2017

Meets the FTF Benchmark **NO**

### *Approach*

There are two aspects to the approach which we have taken that will achieve the benchmark in 2019-2020, making steady progress in the meantime.

#### (a) Technical

Port Stephens Council has a challenge in meeting asset renewal requirements on an annual basis and the current gap, inclusive of the infrastructure backlog of works which has grown by \$3 million since 2012 to \$29 million, is an issue that can only be addressed over a long period. **The figure of \$29 million is used for the calculations in this self-improvement proposal figure shown in Port Stephens Council Annual Report 2013-2014 Volume 2 Special Schedule 7.**

For over a decade the annual maintenance gap has been material yet this gap has had no impact on the infrastructure gap. This showed a disconnect between the two models. Therefore when preparing for this self-improvement proposal, Council contracted PKF Lawler Partners to verify and/or recommend improvements in the methodology for calculation of the infrastructure backlog. Whilst the outcome of their recommendations – based on actual condition ratings and risk assessments, coupled with the revaluation of major asset categories in 2015, has not been audited it appears that the asset backlog of \$29 million is significantly overstated and that the real backlog is of the order of \$19 million. Because this new figure is unaudited until the annual report for financial years 2015 and 2016, the calculations in this proposal are based on the figure published in 2013-2014 Special Schedule 7 of \$29 million.

#### (b) Social/Cultural

It is vital to state the importance of meeting community needs both now and in the future in terms of operational services. Council could achieve financial sustainability very readily by ignoring this need and placing all of its emphasis on asset management. Future community service needs are frequently not documented in such a compelling manner as infrastructure requirements and need to be considered in conjunction with asset management strategies.



ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

BENCHMARK AND RESULT	
Benchmark:-	Less than 2%
	2016-17
Result	2.27%
Benchmark	2%

<i>This is how we calculated the council's result.....</i>				
<i>(Figures are in \$000)</i>				
<i>Estimated cost to bring assets to a satisfactory condition</i>				
<i>Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets</i>				
2016-17	17,689	=	2.27%	
	779,571			

Infrastructure Backlog – Future Performance **2018-2020**

Meets the FFIF Benchmark **YES**

Council will meet the requirement to improve within 5 years.

BENCHMARK AND RESULT	
Benchmark:-	Less than 2%
	2019-20
Result	1.96%
Benchmark	2%

*This is how we calculated the council's result.....*

*(Figures are in \$000)*

*Estimated cost to bring assets to a satisfactory condition*

*Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets*

2019-20	16,489	=	1.96%
	839,513		

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**Asset Maintenance – Current Situation 2012-2014**

(IPART assessment methodology requires that councils Must meet OR Improve against the benchmark within five years)

**Meets the FFTF Benchmark** **NO**

Whilst Council acknowledges that historically there has been insufficient focus on asset maintenance in successive budgets, there has been a re-focus in recent years as the Integrated Planning and Reporting regime became fully implemented. Whilst Council does not currently meet this benchmark, the implementation of its proposed improvement proposal approach will see that benchmark figure rise to 98.2% in 2019 and met the criteria in 2020 of 100%. It will be maintained at or around that level in future years. Council subscribes to the views of IPART in this regard:

*"Should a council continuously exceed the Asset Maintenance target by spending more on maintenance than is required (ie, the ratio is >100%), this may also indicate the council is not efficiently managing its assets".<sup>10</sup>* In this context Council will have significantly improved its performance and may be said to be compliant by 2019.

	2011-12	2012-13	2013-14	Average over 3 years
<b>Result</b>	57.0%	39.0%	55.3%	<b>50.7%</b>
<b>Benchmark</b>	100%	100%	100%	100%

<i>Actual asset maintenance</i>			
<i>Required asset maintenance</i>			
<b>2011-12</b>		<b>11,290</b>	<b>=</b>
		<b>19,790</b>	
<b>2012-13</b>		<b>7,659</b>	<b>=</b>
		<b>19,648</b>	
<b>2013-14</b>		<b>12,250</b>	<b>=</b>
		<b>22,158</b>	

<sup>10</sup> Independent Pricing and Regulatory Tribunal, April 2015, *Methodology for Assessment of Council Fit for the Future Proposals – Discussion Paper*, p.31

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL****Asset Maintenance – Future Performance 2015-2017****Meets the FFTF Benchmark****NO*****Approach***

Council has recently changed its focus towards a risk assessment/management approach to asset maintenance based on condition and fitness for purpose.

Over the last several years there has been at Port Stephens Council change in funding the maintenance and renewal of existing assets to reduce the backlog. This change has, and will continue to have an impact on the financial sustainability of the organisation and gives an increased ability to provide services to the community through assets.

Each of the above challenges has been addressed through the Long Term Financial Plan 2015-2025. The LTFP is based on achieving the following outcomes:

- Progressively increasing the underlying operating surplus;
- Reducing the infrastructure gap;
- Starting to bridge the asset maintenance funding gap to ensure Council infrastructure is maintained at a satisfactory level;
- Achieving a financial structure where new assets or existing asset renewal needs are met from the base operating income of Council;
- The retention of service provision at present levels.

**Financial:**

Council intends to reduce the maintenance gap by 51.0% in the period to 2020. Council has focused its funding towards renewal of assets rather than building new ones until the backlog is addressed so that adding to its considerable pool of assets is not going to be an issue in the short to medium term.

To eliminate the maintenance gap entirely (i.e. meet the benchmark 100%) requires an estimated \$1.1 million additional expenditure per annum. Council intends to apply a combination of the following:

1. An additional \$500,000 p.a. directed to asset maintenance of sand extraction royalties, which are in the planning stage as at 2015 – to be put into the Long Term Financial Plan from 2016-2017;
2. Divert proceeds from land sales from general operations to asset maintenance;
3. Proactively re-assess actual condition of assets to refine required maintenance figures;
4. Increase borrowings, if available at low interest (e.g. LIRS) – Council currently has achieved success in two rounds, approved loans of \$1 million and \$2 million respectively. Council's debt service ratio is healthy across the period – see below;
5. Divestment of some vacant operational land, subject to market conditions being positive for a sale.

**Operational:**

Council has engaged JRA – experts in asset management in Australia – for the asset fair value re-evaluation for our civil assets (road reserve assets). JRA will:

- provide asset life spans (cycles) for all asset categories;

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

- provide deterioration models for all assets;
- assess Current Replacement Value (CRC).

The deterioration models will also resolve if components of a road base are to be capitalised; that is should a road seal be capitalised for every seal or should it be considered maintenance. The report from JRA is due after this Improvement Proposal is due to government on 30 June 2015.

BENCHMARK AND RESULT					
Benchmark:- Greater than 100% average over 3 years					
		2014-15	2015-16	2016-17	Average over 3 years
Result		92.0%	102.4%	102.1%	98.9%
Benchmark		100%	100%	100%	100%
This is how we calculated the council's result.....					
(Figures are in \$000)					
Actual asset maintenance					
Required asset maintenance					
2014-15		9,747	=	92.0%	
		10,595			
2015-16		11,092	=	102.4%	
		10,831			
2016-17		11,340	=	102.1%	
		11,102			

**Asset Maintenance – Future Performance 2018-2020**

**MEETS THE FFTF BENCHMARK** **YES<sup>11</sup>**

BENCHMARK AND RESULT				
<b>Benchmark:- Greater than 100% average over 3 years</b>				
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Average over 3 years</b>
<b>Result</b>	101.1%	100.9%	100.7%	<b>101.7%</b>
<b>Benchmark</b>	100%	100%	100%	100%
<i>This is how we calculated the council's result.....</i>				
<i>(Figures are in \$000)</i>				
<i>Actual asset maintenance</i>				
<i>Required asset maintenance</i>				
<b>2017-18</b>		<b>11,596</b>	<b>=</b>	<b>101.9%</b>

<sup>11</sup> It is IPART's view that >100% is not necessarily a good thing in terms of this criterion.

# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

		11,379		
2018-19		11,859	=	101.7%
		11,664		
2019-20		12,128	=	101.4%
		11,955		

### Debt Service Ratio – Current Situation 2012-2014

(IPART assessment methodology requires that councils Must meet the benchmark within five years)

Meets the FFTF Benchmark **YES**

BENCHMARK AND RESULT						
Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years						
	2011-12	2012-13	2013-14	Average over 3 years		
Result	8.22%	7.00%	9.42%	8.19%		
Benchmark 1	>0%	>0%	>0%	>0%		
Benchmark 2	<20%	<20%	<20%	<20%		
This is how we calculated the council's result....						
(Figures are in \$000)						
Cost of debt service (interest expense & principal repayments)						
Total continuing operating revenue (exc. Capital grants and contributions)						
2011-12	5630+2199		=	7,829	=	8.22%
	110655-14745-381-0-0-294			95,235		
2012-13	5766+1408		=	7,174	=	7.00%
	111831-8079-1148-0-0-80			102,524		
2013-14	7995+1238		=	9,233	=	9.42%
	113130-13387-841-0-0-840			98,062		
Note: The denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures accounted for using equity method.						

### Debt Service Ratio – Future Performance 2015-2017

Meets the FFTF Benchmark **YES**

BENCHMARK AND RESULT				
Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years				
	2014-15	2015-16	2016-17	Average over 3 years

# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

Result	5.21%	4.55%	4.13%	4.65%
Benchmark 1	>0%	>0%	>0%	>0%
Benchmark 2	<20%	<20%	<20%	<20%

<i>This is how we calculated the council's result.....</i>					
<i>(Figures are in \$000)</i>					
<b>Cost of debt service (interest expense &amp; principal repayments)</b>					
<b>Total continuing operating revenue (exc. Capital grants and contributions)</b>					
<b>2014-15</b>	5075+529	=	<b>5,604</b>	=	<b>5.21%</b>
	120813-12032-1150-0-0-0-0		<b>107,631</b>		
<b>2015-16</b>	4335+569	=	<b>4,904</b>	=	<b>4.55%</b>
	119412-9200-1750-0-0-0-597		<b>107,865</b>		
<b>2016-17</b>	4094+488	=	<b>4,582</b>	=	<b>4.13%</b>
	121305-9430-250-0-0-0-615		<b>111,010</b>		
<i><b>Note:</b> The denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures accounted for using equity method.</i>					

### Debt Service Ratio – Future Performance 2015-2017

Meets the FFIF Benchmark **YES**

<b>BENCHMARK AND RESULT</b>				
<b>Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years</b>				
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Average over 3 years</b>
Result	3.32%	3.13%	2.45%	2.99%
Benchmark 1	>0%	>0%	>0%	>0%
Benchmark 2	<20%	<20%	<20%	<20%
<i>This is how we calculated the council's result.....</i>				
<i>(Figures are in \$000)</i>				
<b>Cost of debt service (interest expense &amp; principal repayments)</b>				
<b>Total continuing operating revenue (exc. Capital grants and contributions)</b>				
2017-18	3405+372	=	3,777	=
	124485-9666-250-0-0-0-634		113,935	
2018-19	3389+267	=	3,656	=
	127788-9908-250-0-0-0-653		116,977	
2019-20	2750+189	=	2,939	=

ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

	131198-10156-250-0-0-0-672		120,120		
<i>Note: The denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures accounted for using equity method.</i>					

### 3.1 Improvement Strategies & Outcomes

#### Efficiency

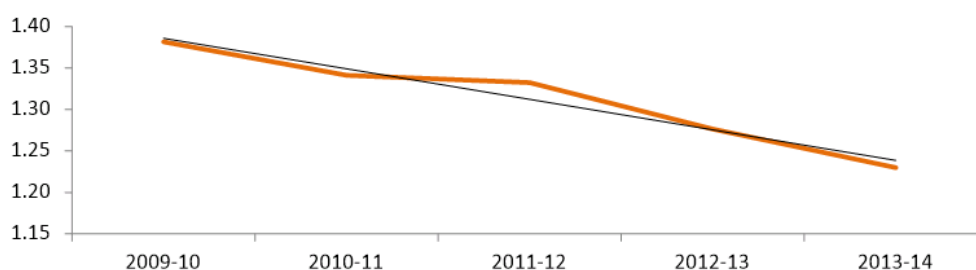
#### Real Operating Expenditure per Capita – Current Situation

(IPART assessment methodology requires that councils Must meet OR Improve against the benchmark within five years)

Meets the FFTF Benchmark **YES**

BENCHMARK AND RESULT					
<b>Benchmark:- A decrease in Real Operating Expenditure per capita over time</b>					
	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Result</b>	<b>1.38</b>	<b>1.34</b>	<b>1.33</b>	<b>1.28</b>	<b>1.23</b>

#### Real Operating Expenditure per Capita over Time



# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

This is how we calculated the council's result.....							
(Figures are in \$000)							
Expenditure deflated by:	CPI:-	2009-10	2010-11	LGCI:-	2011-12	2012-13	2013-14
		2.3%	3%		3.0%	3.4%	3.7%
2009-10	93552-186-0-57x(1-.023)		=	91,163	=	1.38	
	65984			65984			
2010-11	95072-0-0-492x(1-.023)x(1-.03)		=	89,633	=	1.34	
	66830.5			66,831			
2011-12	98104-0-0-73x(1-.023)x(1-.03)x(1-.03)		=	90,116	=	1.33	
	67628			67,628			
2012-13	102139-0-0-3698x(1-.023)x(1-.03)x(1-.03)x(1-.034)		=	87,416	=	1.28	
	68488.5			68,489			
2013-14	99262-0-0-106x(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)		=	84,793	=	1.23	
	68935			68,935			
Note: The numerator in this calculation excludes revaluation decrements, net loss from disposal of assets and net loss of interests in joint ventures accounted for using equity method.							



**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**Real Operating Expenditure per Capita – Future Performance 2015-2017**

Meets the FFTF Benchmark **YES**

BENCHMARK AND RESULT					
Benchmark:- A decrease in Real Operating Expenditure per capita over time					
	2012-13	2013-14	2014-15	2015-16	2016-17
Result	1.28	1.23	1.24	1.15	1.13

***Approach***

In 2010, Port Stephens Council publicly acknowledged that Council's business model required fundamental change. To this end, Council undertook a comprehensive Sustainability Review process. After the initial success (\$2.5 million p.a. in savings) Council agreed that this process of Sustainability Review would be undertaken on a four-year rolling basis. This Sustainability Review (known also as the Business Improvement Program) process involved analysing our services so that we are clear about *what our services are and how we deliver them*. The purpose is to ensure that Council's services are a reflection of the local community needs and expectations, both in terms of quality and cost.

The five-stage process that was used in 2010-2011 will be continued into the future with each service package being scheduled for rigorous review every four years. The process is:

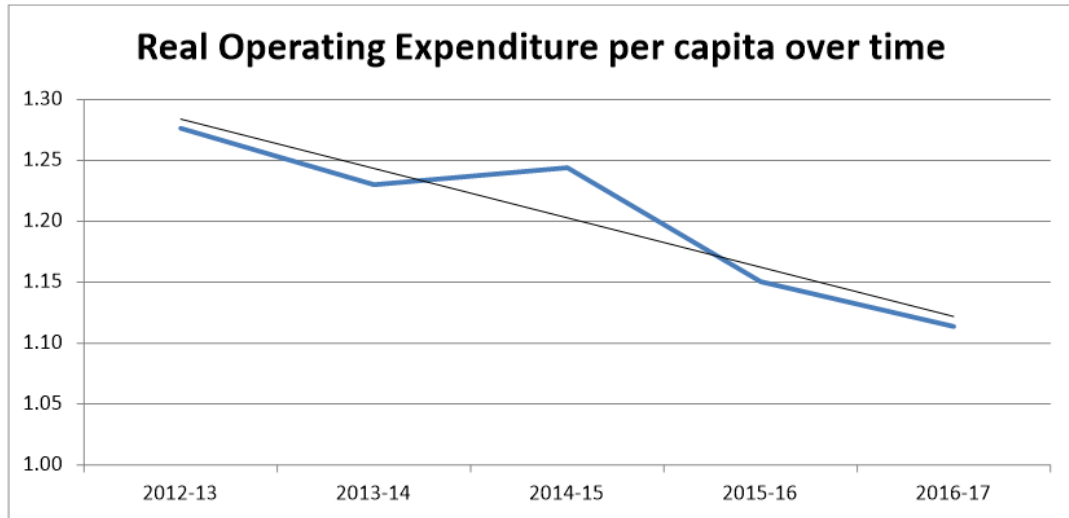
- *Stage 1* involves each Section of Council clarifying exactly the services they provide, including how they link to the vision in the Community Strategic Plan;
- *Stage 2* involves stakeholder consultation. This stage assists us to determine if Council should continue to deliver particular services in the future, and if so, at what level and at what cost. This involves extensive consultation with the community of Port Stephens;
- *Stage 3* allows us to determine how Council should deliver these services so that we can ensure we deliver the service in the best way possible;
- *Stage 4* is implementing the recommendations;
- *Stage 5* is the monitoring and continuous improvement of each Section within Council periodically.

As well as this Sustainability Review, Council will maintain an ongoing review of its services that will continue to define service requirements, refine delivery methods and balance service aims against affordability for both the Council and our community. It is intended that all services will be reviewed in an on-going dialogue with the community.

Amongst other outcomes, based on past performance of this process, these are outcomes that are expected to result from the Sustainability Review:

- Generate more revenue;
- Improve the efficiency of service delivery.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**



Council is forecasting a slight increase in its operating expenditure per capita in 2015 due to one off legal fees that have been incurred. This trend is not expected to continue beyond 2015.

# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

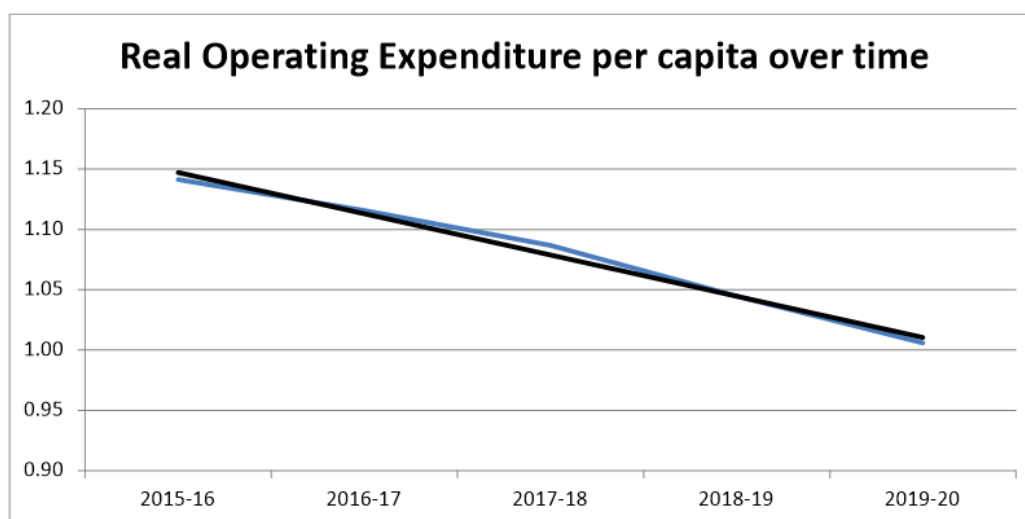
Expenditure deflated by:	CPI:-	2009-10	2010-11	LGCI:-	2011-12	2012- 13	2013- 14	LGCI:-	2014- 15	2015- 16	2016- 17
		2.3%	3%		3.0%	3.4%	3.7%		2.8%	2.5%	2.5%
2012- 13	102139-0-0-3698x(1-.023)x(1-.03)x(1-.03)x(1-.034)		=	87,416	=	1.28					
	68488.5			68,488.5							
2013- 14	99262-0-0-106x(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)		=	84,793	=	1.23					
	68935			68,935							
2014- 15	105495-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)		=	87,986	=	1.24					
	70492			70,492							
2015- 16	103,580-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)		=	83,970	=	1.15					
	72949.5			72,950							
2016- 17	105,874-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)x(1-.025)		=	83,709	=	1.13					
	74366.95			74,367							
<i>Note: The numerator in this calculation excludes revaluation decrements, net loss from disposal of assets and net loss of interests in joint ventures accounted for using equity method.</i>											

ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL

Real Operating Expenditure per Capita – Future Performance **2018-2020**

Meets the FFIF Benchmark **YES**

BENCHMARK AND RESULT					
Benchmark:- A decrease in Real Operating Expenditure per capita over time					
	2015-16	2016-17	2017-18	2018-19	2019-20
Result	1.15	1.13	1.10	1.05	1.01



# ORDINARY COUNCIL - 9 JUNE 2015 - ATTACHMENTS

## ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

This is how we calculated the council's result.....							
(Figures are in \$000)							
Expenditure deflated by:	CPI:-	2009-10	2010-11	LGCI:-	2011-12	2012-13	2013-14
		2.3%	3%		3.0%	3.4%	3.7%
	LGCI:-	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		2.8%	2.5%	2.5%	2.5%	2.5%	2.5%
2015-16	103,580-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)		=	83,970	=	1.15	
		72,950		72,950			
2016-17	105,874-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)x(1-.025)		=	83,709	=	1.13	
		74,367		74,367			
2017-18	'108,653-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)x(1-.025)x(1-.025)		=	83,707	=	1.10	
		76382		76,382			
2018-19	'111506-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)x(1-.025)x(1-.025)x(1-.025)		=	83,758	=	1.05	
		79437		79,437			
2019-20	'114,453-0-0-0(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)x(1-.028)x(1-.025)x(1-.025)x(1-.025)x(1-.025)		=	83,822	=	1.01	
		82,614		82,614			
Note: The numerator in this calculation excludes revaluation decrements, net loss from disposal of assets and net loss of interests in joint ventures accounted for using equity method.							

Criteria Results <b>2015 – 2017</b>		
BENCHMARK	RESULT	MEETS FFTF BENCHMARK
<i>Operating Performance Ratio (greater or equal to break-even average over 3 years)</i>	0.035	YES
<i>Own Source Revenue Ratio (greater than 60% average over 3 years)</i>	81.21%	YES
<i>Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)</i>	101.52%	YES
<i>Infrastructure Backlog Ratio (less than 2%)</i>	2.27%	NO
<i>Asset Maintenance Ratio (greater than 100% average over 3 years)</i>	98.93%	NO
<i>Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)</i>	4.62%	YES
<i>A decrease in Real Operating Expenditure per capita over time</i>	Decreasing	YES
Criteria Results <b>2018–2020</b>		
BENCHMARK	RESULT	MEETS FFTF BENCHMARK
<i>Operating Performance Ratio (greater or equal to break-even average over 3 years)</i>	0.047	YES
<i>Own Source Revenue Ratio (greater than 60% average over 3 years)</i>	81.85%	YES
<i>Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)</i>	115.17%	YES
<i>Infrastructure Backlog Ratio (less than 2%)</i>	1.96%	YES
<i>Asset Maintenance Ratio (greater than 100% average over 3 years)<sup>12</sup></i>	101.67%	YES
<i>Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)</i>	2.95%	YES
<i>A decrease in Real Operating Expenditure per capita over time</i>	Decreasing	YES

<sup>12</sup> But see IPART op.cit. p31

**ITEM 4 - ATTACHMENT 1 ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

**3.4 Improvement Action Plan**

Action	Responsibility within Council	Timeframe/ Integrated Plans reference
Achieve >90% of the Actions in the Operational Plans 2015-2019	All Sections as outlined in the individual actions within the plans	2015-16 to 2019; in next iteration of plans thereafter. This is a corporate performance measure: Integrated Plans 17.1.1
Contribute to and implement the new Emergency Management Plan as part of the Lower Hunter Emergency Management Committee	Facilities and Services Group Manager/Civil Assets Manager	2015-2016. Operational Plan 2015-2016 (1.1.1.7)
Maintain Financial Operating Performance Ratio at break-even or better	All Sections; monitoring by Financial Services Section reporting to General Manager and Council quarterly in the quarterly budget review process	2015-2020. Operational Plans 2015-2019 (15.1.1.5).
Conduct condition rating and risk assessment on all categories of assets – 2015-2016	Civils Assets Section Manager	2015-2017. Operational Plans 2015-2016 and 2016-2017 (16.1.1.13)
Implement the recommendations of the PKF Lawler Partners audit of Council's assets, backlog and methodologies and incorporate in them FY2016 Special Schedule 7 to the Financial Statements of Council	Civils Assets Section Manager/Financial Services Manager re depreciation	2015-2016. Operational Plan 2015-2016 (16.1.1.14)
Implement the Asset Funding Strategy	Civil Assets Section Manager/Financial Services Manager	Commenced 2014; ongoing. Strategic Asset Management Plan 2015-2025 (9.1)
Maintain the four-year rolling Sustainability Review of Council's internal and external service packages	All Sections/Business Support Section Manager to monitor and report quarterly to Council	Quarterly 2015-2020. Operational Plans 2015-2019 (15.1.5.5)
Incorporate the Fit for the Future criteria in the new performance management software Interplan to track performance	Corporate Strategy & Planning Manager/Financial Services Manager	30 November 2015. Operational Plan 2015-2016 (17.1.1.4)
Incorporate performance against the Fit for the Future criteria in Council's annual reports, and where appropriate/applicable in the more regular reports.	Corporate Strategy & Planning Manager	By 30 November each year for annual reports; monthly monitoring – to 2020. Operational Plans 2015-2019 (17.1.1.3)

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL**

<b>Action</b>	<b>Responsibility within Council</b>	<b>Timeframe/ Integrated Plans reference</b>
Change the accounting treatment of roads reseals and direct additional funds to asset maintenance	Civil Assets Section Manager/Financial Services Manager	2016-2017. Will be incorporated into the Long Term Financial Plan at next review in 2016. Operational Plan 2016-2017 (15.1.1.1)
Divert proceeds from operational land sales from general operations to asset maintenance	Financial Services Section Manager	Dependent upon market conditions, but ongoing. Operational Plans 2015-2019 (15.1.1.1 and 15.1.2.6)
Increase borrowings, especially if available at low interest (e.g. LIRS)	Civil Assets Section Manager/Financial Services Section Manager	From 2015-2016 or as available opportunities arise. Operational Plans 2015-2019 (15.1.1.1)



# ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

## 3.5 Other Strategies Considered

Council considered the options in the table below when drawing up its Action Plan. For the reasons outlined these options were not taken up.

Option	Rationale for Rejection
Special Variation to Rates	<ul style="list-style-type: none"> <li>a. This would be a 'short term' fix but is not justified in terms of impact on the community;</li> <li>b. Whilst it is always an option for Port Stephens Council, we feel that we have other mechanisms that would be better (own source revenue other than rates, for example) to fund any shortfall in asset maintenance, given that by 2020 we will achieve the target of &gt;100%.</li> </ul>
Reduction in service levels	<ul style="list-style-type: none"> <li>a. This is not desirable nor justified given that Port Stephens Council already meets five of the seven criteria and has robust plans to meet the other two criteria.</li> <li>b. Through its ongoing program of Sustainability Reviews Council reviews service levels across a range of services with the community. Whilst generally the community is desirous of increasing service levels, it is not prepared to pay more for it or make other trade-offs; and our agreed service levels will therefore remain the same.</li> <li>c. A reduction in service levels would exacerbate the asset maintenance situation and not meet the community's expectation that service levels remain as agreed.</li> </ul>
Decommissioning assets	<ul style="list-style-type: none"> <li>a. Generally Council's assets are in a satisfactory or better condition and decommissioning could not be justified on that basis (i.e. removing them from the backlog mix).<sup>13</sup></li> <li>b. Council has decommissioned an asset – car park in Nelson Bay – but this was for safety reasons, not as part of an asset management strategy of decommissioning.</li> <li>c. Council is currently developing a long term infrastructure plan to be completed and incorporated into the Strategic Asset Management Plan. Once that is completed the option for decommissioning may arise but the evidence is not to hand at this time.</li> </ul>

<sup>13</sup> Port Stephens Council Strategic Asset Management Plan 2015-2025, pp12-13

# ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

Option	Rationale for Rejection
Selling assets	<ul style="list-style-type: none"> <li>a. Divestment of assets if they are under-performing is a valid option; however there are other options which may be more appropriate - see section 3.3</li> <li>b. In the case of Council's commercial assets, the option remains to sell, but only when the market conditions are favourable. In the meantime these assets are self-funding and are not included in the overall mix of financial sustainability.</li> <li>c. One reason that selling community assets has not been considered is that the process to convert community assets to operational assets to enable divestment is complex; market conditions would need to be favourable; and the option to lease rather than dispose of assets has been used instead e.g. Meadowie Childcare Centre was not performing at breakeven or profit when Council was running it due to cost of overheads; lease of the space to a private provider met the community need at an affordable price.</li> </ul>
Boundary changes	<ul style="list-style-type: none"> <li>a. Council has discussed boundary changes with its neighbours after modelling potential outcomes; and after an approach by Maitland City Council. In the case of Maitland its proposal to excise three localities from Port Stephens Council would have had a significant negative effect on Council's rates revenue; and as the area is a potential growth area would deprive Port Stephens of room to accommodate its growing population – especially considering the constrained nature of the rest of the LGA.</li> <li>b. Excising some of the area of Great Lakes Shire and Dungog Shire would "tidy up" some issues around waterways; the overall impact would be negative in terms of revenue versus issues. Even if these councils agreed, the state of those councils' infrastructure is such that it would detract from our present situation rather than enhance it.</li> <li>c. Preliminary approaches to Newcastle City Council regarding excising Stockton from that LGA might have yielded further rates revenue to Port Stephens Council. However the state of the infrastructure is not known, although as one of the oldest parts of the Hunter Region much of it is also old. The effect on the financial situation at Newcastle would be negative.</li> <li>d. In all cases boundary changes under the existing legislation are expensive and protracted, with the outcome uncertain in terms of community agreement; and in terms of final approval regardless of the recommendations as to outcome. In the case of all four councils (including ourselves) the costs are prohibitive.</li> <li>e. Therefore there is no appetite in the neighbouring councils that we approached for boundary changes so no agreement could have been reached.</li> </ul>
Sale of part of equity in Newcastle Airport	<ul style="list-style-type: none"> <li>a. This option remains a possibility but would incur a commensurate reduction over time in revenue that the one-off injection of funds would not replace;</li> <li>b. Control of a major driver of the Port Stephens economy and one that is within its boundaries is desirable to ensure the stability of this regional economic asset.</li> </ul>

## ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL DRAFT IMPROVEMENT PROPOSAL

### 4.0 Expected Outcomes

#### 4.1 Expected Performance Improvements

The table below details the expected outcomes from implementation of the Action Plan detailed at 3.4 above. Details of the calculations supporting these results are at section 3.3 above.

Port Stephens Council	2016/17	2017/18	2018/19	2019/20
Operating Performance Ratio	0.035	0.044	0.046	0.047
Own Source Revenue	81.2%	81.8%	81.8%	81.9%
Building and Infrastructure Asset Renewal	101.6%	107.2%	111.4%	115.2%
Infrastructure Backlog Ratio	2.27%	2.16%	2.06%	1.96%
Asset Maintenance Ratio	98.8%	101.9%	101.4%	100.9%
Debt Service Ratio	4.6%	4.0%	3.5%	3.0%
Real Operating Expenditure per Capita	1.21	1.17	1.13	1.09

Port Stephens Council is in the fortunate position to have sufficient scale and capacity to achieve the benchmark criteria as described in this proposal through a combination of:

- own source revenue
- borrowing capacity
- integrated financial, asset and workforce management with achievable operational actions
- no impact on achievement of Council's contribution to the Community Strategic Plan (CSP) 2013-2023. The CSP is an expression of the aspirations of our community:

*Focus: A Sustainable Council*

*Goal: 15.1 Port Stephens Council's services and assets are sustainable in the longer term*

*Focus: Infrastructure*

*Goal: 16.1 Port Stephens' infrastructure and utilities meet the needs of all sections of the community*

Within this improvement proposal the timeframes for achievement of the performance shown in the table above are based on the 'Improved' scenario in the Long Term Financial Plan 2015-2025. However where results depend on funding based on sale of Council's commercial entities or operational vacant land, the best interests of the community of Port Stephens dictate that the highest possible market return is achieved; this may vary the timeframes but it is not deemed a significant risk that would negate the expected outcomes.

**ITEM 4 - ATTACHMENT 1      ATTACHMENT 1 PORT STEPHENS COUNCIL  
DRAFT IMPROVEMENT PROPOSAL****5.0 Implementation**

The actions detailed at section 3.4 above are incorporated into the normal Integrated Planning and Reporting processes of Council. Most are already underway as part of the Operational Plan 2014-2015; some are already in the Operational Plans 2015-2019 which were adopted by Council at its meeting on 26 May 2015.

After the local government elections in September 2016, the incoming Council will review the Delivery Program and Operational Plans to 2020: at this time those actions from this Improvement Proposal which are not already completed will be maintained in the Integrated Plans of Council.

Any recommendations by IPART that are made to Council as part of the review of this Improvement Proposal will also be incorporated into the review of the action plan in FY2016 as these are due to be released in October 2015.

Our 'one council' approach means that we have one plan – integrating all facets of our operations to which the actions are included. Our processes for monitoring and periodic reporting and our project management methodology will be applied to the implementation of the actions over time.

Port Stephens Council has demonstrated that it has scale and capacity; is sustainable into the future; has a strong path to improvement in its asset management; and has the resources in place to deliver the actions in this proposal.