

ATTACHMENTS UNDER SEPARATE
COVER

ORDINARY COUNCIL MEETING
22 MARCH 2016



PORT STEPHENS
C O U N C I L

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The Port Stephens Council Operational Plans 2016-2020 has been prepared in accordance with Section 405 of the *Local Government Act 1993*.

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Welcome to Port Stephens Council's Integrated Plans...

How to Use this Document

The Port Stephens Council Integrated Plans are organised under five focus areas agreed with our community:

- Our Citizens
- Our Lifestyle
- Our Environment
- Our Economy
- Our Council

The Port Stephens Council Integrated plans contained within this document are:

- the **Community Strategic Plan 2013-2023** containing the long term goals agreed with the community of the Port Stephens Local Government Area (LGA) which forms the first section of the Integrated Plans;
- a four-year **Delivery Program 2013-2017**, which sets out what Council will deliver to assist the achievement of the long term goals;
- a set of annual **Operational Plans 2016-2020**, which sets out the actions that Council will undertake to implement its Delivery Program and the source of funds to be applied to achieve the actions. The Operational Plans 2016-2020 also identify which area of Council is responsible for implementing each action.

This document also has a **Budget Summary** for the period 2016-2021. The full financial details are contained in the Long Term Financial Plan which is part of the Resource Strategy that accompanies these Integrated Plans.

There is also a **Statement of Revenue Policy** which sets out the proposed rates for 2016-2017; and a **Waste Management Statement** which sets out the waste charges for 2016-2017.

How the Plans were Developed

In 2012, Council consulted widely with its community to produce the Community Strategic Plan. Section 402(5) of the *Local Government Act 1993* requires a newly elected Council to review – with its community – the Community Strategic Plan, and roll it forward for another four years so that it is continually a 10-year plan.

In October and November 2012, Council held the following conversations with its community and stakeholders:

- A community workshop at Salamander Bay and Salt Ash;
- A workshop with State agencies and non-government providers;
- A World Café forum for young people;
- Consultation with our community via social media; and
- Conducted a statistically representative community survey to inform the priorities for planning for the LGA over the next 10 years and beyond.

In summary, the outcomes of the community engagement strategy identified five high priority areas, namely:

- education and training, especially for young people;
- community safety;
- infrastructure maintenance;
- sustainability of Council;
- sustainable development.

The results of the community engagement strategy led to changes that are incorporated into the **Community Strategic Plan 2013-2023** and flow through into the Delivery Program and Operational Plans.

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Section 404(3) of the *Local Government Act 1993* requires that a newly elected Council must develop a four-year program to plan how it will contribute to the Community Strategic Plan and Section 405(1) requires Council to produce an annual Operational Plan, which is the detailed action plan for the year ahead. The Operational Plan must include a Statement of Revenue policy and any other requirements of regulations.

The Resource Strategy comprises the Long Term Financial Plan 2016-2026; the Strategic Asset Management Plan 2016-2026 (Version 6 of the comprehensive plan developed in 2010 which contains the 10-year Works Plan); and the Workforce Strategy 2013-2017. The Workforce Strategy, a four-year plan adopted in 2013, will remain in its present form until the end of the present term of Council. The development of the Resource Strategy – built from work previously done – was the focus of a workshop with Councillors every year as each element was reviewed.

The Resource Strategy is set out in companion documents to this volume of the integrated plans. Council's Fees and Charges 2016-2017 form part of the annual budget and are also set out in a separate document.

The Delivery Program is the undertaking of Council for its four-year term of office. Progress made in achieving the outcomes set out in the Delivery Program are reported to the community in a six-monthly report to Council and in the Council's Annual Report produced in November each year. At the conclusion of the current Council's term in 2016 an End of Term Report for the four years will be tabled at the last meeting of the Council term and will set out the progress towards achieving the goals established in the Community Strategic Plan and Council's contribution to those achievements.

Questions regarding the development of the Integrated Plans 2013-2023 and the Resource Strategy may be directed to Council's Corporate Strategy & Planning Manager (telephone 02 4980 0398). Copies of all documents mentioned may be found on Council's website www.portstephens.nsw.gov.au and hard copies are available for consultation at Council's libraries or to purchase at cost at Council's Administration Building, 116 Adelaide Street, Raymond Terrace NSW 2324.

Port Stephens Local Government Area

Port Stephens is the land of the Worimi nation, and the name Port Stephens is after Sir Philip Stephens, 1st Baronet Stephens, (11 October 1723 – 20 November 1809.) and the First Secretary of the Admiralty in the late 1700s and later a Lord Commissioner of the British Admiralty between 1795 and 1806.

Port Stephens Council is a Local Government Area (LGA) in the Hunter Region of New South Wales, Australia. The area is 168km north northeast of Sydney and 25.8km north of Newcastle.



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 climate year round without the high humidity and seasonal temperature extremes experienced by 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.

Port Stephens LGA – Some Statistics

Coordinates:	32° 45' S, 151° 55'E
Region:	Hunter Region, NSW
Area:	979 square kilometres
Waterways:	More than 100 km ²
Population:	67,746 – estimated to rise to more than 87,900 by 2036
Median age:	42
Population density:	78.1 persons per km ²
Labour force:	28,377
Unemployment:	6.2%
Climate:	Mean minimum temperature 13.5 C Mean maximum temperature 23 C
Mean rainfall:	1,328mm
Major population Centres:	Tomaree Peninsula, Tilligerry Peninsula, Medowie, Raymond Terrace

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FOCUS AREA 1 **Our Citizens**
THEME 1.1 **Community safety**
DELIVERY PROGRAM 1.1.1 **Use Council's regulatory powers and government legislation to enhance public safety.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.1.1.1 Conduct food, pool and commercial premises public health surveillance.	Development Assessment and Compliance	✓	✓	✓	✓
1.1.1.2 Conduct on-site sewage management surveillance.	Development Assessment and Compliance	✓	✓	✓	✓
1.1.1.3 Conduct the Building Fire Safety Program.	Development Assessment and Compliance	✓	✓	✓	✓
1.1.1.4 Conduct the Swimming Pool Safety program.	Development Assessment and Compliance	✓	✓	✓	✓
1.1.1.5 Coordinate the illegal waste compliance strategy.	Development Assessment and Compliance	✓	✓	✓	✓
1.1.1.6 Provide regulatory Ranger services including parking surveillance, animal management, environmental regulation and local laws.	Development Assessment and Compliance	✓	✓	✓	✓
1.1.1.7 Convene the Local Emergency Management Committee.	Office of the General Manager	✓	✓	✓	✓

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ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.1.1.8 Contribute to and implement the new Emergency Management Plan as part of the Lower Hunter Emergency Management Committee.	Facilities and Services	✓	✓	✓	✓
1.1.1.9 Maintain and upgrade Asset Protection Zones and Fire Trails.	Community Services	✓	✓	✓	✓
1.1.1.10 Provide buildings and funding support for Rural Fire Service and State Emergency Services.	Community Services	✓	✓	✓	✓
1.1.1.11 Provide professional lifeguard services at Fingal Beach, Birubi Point Beach and One Mile Beach.	Community Services	✓	✓	✓	✓
1.1.1.12 Implement the Crime Prevention Plan.	Strategy and Environment	✓	✓	✓	✓

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FOCUS AREA 1 **Our Citizens**
THEME 1.2 **Ageing Population**
DELIVERY PROGRAM 1.2.1 **Identify and plan for the future needs of an ageing population.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.2.1.1 Implement Council's Ageing strategy.	Strategy and Environment	✓	✓	✓	✓
1.2.1.2 Provide facilities for senior citizens to use for association meetings and general recreational use.	Community Services	✓	✓	✓	✓

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FOCUS AREA 1 **Our Citizens**
THEME 1.3 **People with Disabilities**
DELIVERY PROGRAM 1.3.1 **Make future provision for people with disabilities, their families and carers.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.3.1.1 Implement the recommendations from the review of the Ngioka Horticultural Therapy Centre.	Community Services	✓	✓	✓	✓
1.3.1.2 Manage the use of Grahamstown Dam Aquatic Reserve for use by Sailability.	Community Services	✓	✓	✓	✓
1.3.1.3 Provide a wheel in wheel out garbage bin service (Blue Dot Service) for people with disabilities living at home.	Community Services	✓	✓	✓	✓
1.3.1.4 Provide access to children's services programs for children with additional needs at Outside School Hours Care (Raymond Terrace and Medowie), Port Stephens Activity Van and Family Day Care.	Community Services	✓	✓	✓	✓
1.3.1.5 Provide large print books, talking books and audio and visual navigation aids from Libraries.	Community Services	✓	✓	✓	✓
1.3.1.6 Implement the Disability Inclusion Action Plan.	Strategy and Environment	✓	✓	✓	✓

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FOCUS AREA 1 **Our Citizens**
THEME 1.4 **Children**
DELIVERY PROGRAM 1.4.1 **Plan and provide facilities, services and opportunities for children.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.4.1.1 Provide a mobile preschool service (Activity Van) for areas that have a demand for this service.	Community Services	✓	✓	✓	✓
1.4.1.2 Provide facilities for community based preschools and childcare centres to operate from, through tenancy agreements.	Community Services	✓	✓	✓	✓
1.4.1.3 Provide Family Day Care services through Newcastle/Port Stephens Family Day Care Unit.	Community Services	✓	✓	✓	✓
1.4.1.4 Provide outside school hours care services for children at Raymond Terrace and Medowie.	Community Services	✓	✓	✓	✓
1.4.1.5 Provide Stories on the Street, Read and Rhyme Time, Story Time and children's holiday programs from Libraries.	Community Services	✓	✓	✓	✓

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FOCUS AREA 1 **Our Citizens**
THEME 1.5 **Young People**
DELIVERY PROGRAM 1.5.1 **Council will provide resources and support for your people appropriate to their needs in the Port Stephens local government area.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.5.1.1 Convene and support the Port Stephens Youth Advisory Panel.	Communications	✓	✓	✓	✓
1.5.1.2 Implement Council's Youth Strategy.	Communications	✓	✓	✓	✓

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FOCUS AREA 1 **Our Citizens**
THEME 1.6 **Community Planning and Partnerships**
DELIVERY PROGRAM 1.6.1 **Council will engage its citizens in developing plans for the future of the Port Stephens local government area.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
1.6.1.1 Work with Council's volunteer 355c committees to plan and prioritise capital works.	Assets	✓	✓	✓	✓
1.6.1.2 Convene the Port Stephens Interagency Network.	Communications	✓	-	✓	✓
1.6.1.3 Develop and implement a campaign to recruit, recognise and reward volunteers.	Community Services	✓	✓	✓	✓
1.6.1.4 Complete a community planning survey.	Strategy & Environment	✓	-	-	-
1.6.1.5 Work with Council's volunteer 355c committees to plan and prioritise capital works.	Assets	✓	✓	✓	✓

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FOCUS AREA 2 **Our Lifestyle**
THEME 2.1 **Arts and Culture**
DELIVERY PROGRAM 2.1.1 **Plan for and promote multiculturalism and Port Stephens' heritage, arts and culture.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
2.1.1.1 Coordinate the Birubi Point Cultural Heritage Advisory Panel.	Community Services	✓	✓	✓	✓
2.1.1.2 Manage historic cemeteries to National Trust Guidelines at Raymond Terrace, Hinton, Birubi Point and Nelson Bay.	Community Services	✓	✓	✓	✓
2.1.1.3 Provide access to library services at Salamander Bay, Raymond Terrace, Lemon Tree Passage and the Mobile Library.	Community Services	✓	✓	✓	✓
2.1.1.4 Provide spaces from which historical and family history societies operate.	Community Services	✓	✓	✓	✓
2.1.1.5 Implement Council's Cultural Plan.	Communications	✓	✓	✓	✓
2.1.1.6 Coordinate the Aboriginal Strategic Committee and Aboriginal Projects Fund.	Communications	✓	✓	✓	✓

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FOCUS AREA 2 **Our Lifestyle**
THEME 2.2 **Recreation and Leisure**
DELIVERY PROGRAM 2.2.1 **Maintain and develop recreational facilities for residents and visitors.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
2.2.1.1 Provide areas of Council-managed land for community-based and commercial leisure operators.	Community Services	✓	✓	✓	✓
2.2.1.2 Provide facilities for volunteer surf lifesaving clubs to operate at Fingal Beach and Birubi Point Beach.	Community Services	✓	✓	✓	✓
2.2.1.3 Provide operational cemeteries at Anna Bay, Raymond Terrace, Karuah, Nelson Bay (Carumbah Memorial) and Seaham.	Community Services	✓	✓	✓	✓
2.2.1.4 Provide swimming pool facilities at Raymond Terrace, Salamander Bay and Mallabula.	Community Services	✓	✓	✓	✓
2.2.1.5 Maintain parks, reserves, sporting fields and foreshores managed and controlled by Council.	Public Domain and Services	✓	✓	✓	✓

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FOCUS AREA 3 Our Environment
 THEME 3.1 Environmental Sustainability
 DELIVERY PROGRAM 3.1.1 Develop and implement catchment and biodiversity programs.

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.1.1.1 Monitor environmental impacts from decommissioned landfill sites and manage the sites.	Community Services	✓	✓	✓	✓
3.1.1.2 Conduct noxious and environmental weed control on Council-owned and controlled reserves.	Strategy and Environment	✓	✓	✓	✓
3.1.1.3 Manage habitat regeneration across the Local Government Area.	Strategy and Environment	✓	✓	✓	✓
3.1.1.4 Provide environmental education programs to the community.	Strategy and Environment	✓	✓	✓	✓
3.1.1.5 Provide environmental management services for Council operations.	Strategy and Environment	✓	✓	✓	✓
3.1.1.6 Review, develop and implement environmental strategies, plans and policies.	Strategy and Environment	✓	✓	✓	✓
3.1.1.7 Regulate noxious weed control on private land in accordance with the State funding agreement.	Strategy and Environment	✓	✓	✓	✓

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FOCUS AREA 3 Our Environment
THEME 3.1 Environmental Sustainability
DELIVERY PROGRAM 3.1.2 Implement initiatives that reduce Council's greenhouse gas emissions.

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.1.2.1 Reduce energy and water consumption in Council facilities.	Assets	✓	✓	✓	✓
3.1.2.2 Develop energy, water and waste management plans for Council's largest assets.	Assets	✓	✓	✓	✓

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FOCUS AREA 3 **Our Environment**
THEME 3.2 **Waste Management**
DELIVERY PROGRAM 3.2.1 **Provide waste and recycling services.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.2.1.1 Continue to provide a two-bin waste service including collection and disposal.	Community Services	✓	✓	✓	✓
3.2.1.2 Manage the waste transfer station at Salamander Bay.	Community Services	✓	✓	✓	✓
3.2.1.3 Participate in Hunter Councils Regional Waste Group Strategy for regional collaboration.	Community Services	✓	✓	✓	✓
3.2.1.4 Provide an education program for schools and the community on waste minimisation and recycling.	Community Services	✓	✓	✓	✓
3.2.1.5 Provide drop-off events or facilities for electronic waste, mattresses, household hazardous waste, and vehicle tyres at Raymond Terrace, Salamander Bay and Lemon Tree Passage.	Community Services	✓	✓	✓	✓
3.2.1.6 Provide garden waste drop-off services at Salamander Bay, Raymond Terrace, Lemon Tree Passage and Karuah.	Community Services	✓	✓	✓	✓

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.2.1.7 Provide two (2) on-call bulky waste kerbside collections per domestic residence.	Community Services	✓	✓	✓	✓

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FOCUS AREA 3 **Our Environment**
THEME 3.3 **Sustainable Development**
DELIVERY PROGRAM 3.3.1 **Provide Strategic Land Use Planning services.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.3.1.1 Complete a review of the Urban Storm Water and Rural Water Quality Plans.	Assets	✓	-	-	-
3.3.1.2 Contribute to drainage and flood studies for Paterson River and Port Stephens Flood Risk Management Study.	Assets	✓	-	-	-
3.3.1.3 Complete flood and drainage studies for Anna Bay and Lemon Tree Passage.	Assets	✓	-	-	-
3.3.1.4 Prepare a project plan to redefine the civic precinct of Raymond Terrace.	Assets	✓	-	-	-
3.3.1.5 Administer the Council's Section 94 Planning Contribution Scheme.	Strategy and Environment	✓	✓	✓	✓
3.3.1.6 Maintain and manage Council's land attribute database (process planning Section 149 certificates).	Strategy and Environment	✓	✓	✓	✓
3.3.1.7 Prepare and review strategic land use strategies, policies and plans.	Strategy and Environment	✓	✓	✓	✓

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.3.1.8 Revise and update Section 94 development contribution plan.	Strategy and Environment	✓	-	-	-
3.3.1.9 Review and prepare statutory plans (Local Environment Plan, Development Control Plan and Planning Proposals).	Strategy and Environment	✓	-	-	-
3.3.1.10 Complete Flood and Drainage Studies for Tanilba Bay and Mallabula.	Assets	-	-	✓	-
3.3.1.11 Oversee the economic development of the airport and surrounding precincts.	Development Services	✓	✓	✓	✓
3.3.1.12 Develop the Williamstown drainage implementation plan.	Assets	✓	✓	-	-
3.3.1.13 Participate in the joint Hunter Water/Port Stephens Council drainage project.	Assets	✓	✓	✓	✓
3.1.1.14 Attract and enable investment in Nelson Bay.	Development Services	✓	✓	✓	✓
3.3.1.15 Develop and implement the Medowie Flood Plain Risk Management Study and Plan.	Assets	✓	✓	✓	✓

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FOCUS AREA 3 **Our Environment**
THEME 3.3 **Sustainable Development**
DELIVERY PROGRAM 3.3.2 **Provide Development Assessment and Building Certification services**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
3.3.2.1 Conduct Development Assessment services.	Development Assessment and Compliance	✓	✓	✓	✓
3.3.2.2 Conduct Development Compliance services.	Development Assessment and Compliance	✓	✓	✓	✓
3.3.2.3 Provide building and planning advice to a range of customers through pre-lodgement meetings, the duty counter, and major projects.	Development Assessment and Compliance	✓	✓	✓	✓
3.3.2.4 Conduct Building Certification services.	Development Assessment and Compliance	✓	✓	✓	✓

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FOCUS AREA 4 **Our Economy**
THEME 4.1 **Economic Development**
DELIVERY PROGRAM 4.1.1 **Provide processes and services that deliver benefit to tourism in Port Stephens.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
4.1.1.1 Conduct event approval services.	Strategy and Environment	✓	✓	✓	✓
4.1.1.2 Manage the Nelson Bay Visitor Information Centre.	Strategy and Environment	✓	✓	✓	✓
4.1.1.3 Provide funds, operational and strategic support to Destination Port Stephens.	Strategy and Environment	✓	✓	✓	✓
4.1.1.4 Sponsor major events that deliver economic benefit to the Port Stephens community.	Strategy and Environment	✓	✓	✓	✓

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FOCUS AREA 4 **Our Economy**
THEME 4.1 **Economic Development**
DELIVERY PROGRAM 4.1.2 **Provide Economic Development services to local business.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
4.1.2.1 Coordinate Place Management and Activation Services.	Strategy and Environment	✓	✓	✓	✓
4.1.2.2 Provide economic development data and advice services to local businesses and Council.	Strategy and Environment	✓	✓	✓	✓
4.1.2.3 Provide financial, governance and strategic support to local trader associations.	Strategy and Environment	✓	✓	✓	✓
4.1.2.4 Provide, facilitate and promote development programs for businesses.	Strategy and Environment	✓	✓	✓	✓
4.1.2.5 Implement and report on Council's activities under the NSW Small Business Friendly Councils program.	Strategy and Environment	✓	✓	✓	✓
4.1.2.6 Review business processes and development strategies for improvement related to small business.	Strategy and Environment	✓	✓	✓	✓

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FOCUS AREA 4 Our Economy
 THEME 4.2 Transport
 DELIVERY PROGRAM 4.2.1 Promote sustainable and improved, accessible and flexible transport modes.

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
4.2.1.1 Conduct road safety programs with the Roads and Maritime Services (RMS).	Assets	✓	✓	✓	✓
4.2.1.2 Continue to progress discussion for the acquisition of land associated with development of the Fingal Bay Link Road project.	Assets	✓	✓	-	-
4.2.1.3 Provide Traffic Engineering Services.	Assets	✓	✓	✓	✓
4.2.1.4 Process Road Closure Applications in line with all statutory requirements.	Property Services	✓	✓	✓	✓
4.2.1.5 Align Council's infrastructure planning with Hunter Councils' Regional Transport Plan.	Assets	✓	✓	✓	✓

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FOCUS AREA 4 Our Economy
 THEME 4.3 Education and Training
 DELIVERY PROGRAM 4.3.1 Support identified needs for education and training in the Port Stephens local government area.

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
4.3.1.1 Provide the opportunity for work experience and vocational training programs.	Organisation Development	✓	✓	✓	✓
4.3.1.2 Convene the Education and Training Interagency.	Communications	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.1 **A Sustainable Council**
DELIVERY PROGRAM 5.1.1 **Council will maintain its underlying financial performance to budget at break even or better.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.1.1.1 Complete and present for audit Council's annual financial statements.	Financial Services	✓	✓	✓	✓
5.1.1.2 Review, develop and implement the Long Term Financial Plan.	Financial Services	✓	✓	✓	✓
5.1.1.3 Review, develop and implement the rating structure.	Financial Services	✓	✓	✓	✓
5.1.1.4 Review, develop and implement budget processes and financial reporting to Council.	Financial Services	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.1 **A Sustainable Council**
DELIVERY PROGRAM 5.1.2 **Council will increase its revenue from non-rates sources.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.1.2.1 Work with Newcastle Airport Partnership to grow shareholder value through the effective governance, operation and development of Newcastle Airport.	Office of the General Manager	✓	✓	✓	✓
5.1.2.2 Collate and sell bio-banking credits that have been established on the Office of Environment and Heritage register.	Property Services	✓	✓	✓	✓
5.1.2.3 Manage and expand Council's commercial property portfolio to meet or exceed industry standards.	Property Services	✓	✓	✓	✓
5.1.2.4 Prepare for sale or development appropriate portions of Council's operational land holdings as determined by market conditions.	Property Services	✓	✓	✓	✓
5.1.2.5 Complete Roads and Maritime Services (RMS) contract work on the State roads network.	Capital Works	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.1 **A Sustainable Council**
DELIVERY PROGRAM 5.1.3 **Manage risks across Council.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.1.3.1 Develop and implement an Environmental Management System for Council operations.	Strategy and Environment	✓	✓	✓	✓
5.1.3.2 Review, coordinate and deliver the Corporate Risk Management program of work.	Organisation Development	✓	✓	✓	✓
5.1.3.3 Review, coordinate and deliver the Work, Health and Safety Management program of work.	Organisation Development	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.1 **A Sustainable Council**
DELIVERY PROGRAM 5.1.4 **Attract, retain and develop staff to meet current and future workforce needs.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.1.4.1 Provide a career coaching program that empowers staff to take charge and build their careers.	Office of the General Manager	✓	✓	✓	✓
5.1.4.2 Review, coordinate and deliver the Human Resource Management program of work.	Organisation Development	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.1 **A Sustainable Council**
DELIVERY PROGRAM 5.1.5 **Provide enabling business support services for Council's operations.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.1.5.1 Review, coordinate and deliver the Records Management Program of work.	Business Systems Support	✓	✓	✓	✓
5.1.5.2 Review, coordinate and deliver the Business Improvement program of work.	Business Systems Support	✓	✓	✓	✓
5.1.5.3 Review, coordinate and deliver Information Communication Technology improvement projects.	Business Systems Support	✓	✓	✓	✓
5.1.5.4 Facilitate the four-year rolling Sustainability Review of Council's processes and services.	Business Systems Support	✓	✓	✓	✓
5.1.5.5 Review, coordinate and deliver the Spatial Strategy program of work.	Business Systems Support	✓	✓	✓	✓
5.1.5.6 Manage Council's Fees and Charges Register.	Office of the General Manager	✓	✓	✓	✓
5.1.5.7 Manage the efficient utilisation of the Raymond Terrace Administration Building.	Property Services	✓	✓	✓	✓
5.1.5.8 Provide the administration support framework for the delivery of Council's facilities and services.	Facilities and Services	✓	✓	✓	✓

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ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.1.5.9 Manage fleet and depot assets.	Assets	✓	✓	✓	✓
5.1.5.10 Provide building trades services for Council's assets.	Public Domain and Services	✓	✓	✓	✓
5.1.5.11 Coordinate and deliver Councillors' and Executive support services.	Office of the General Manager	✓	✓	✓	✓
5.1.5.12 Provide depot, workshop and stores services for Council and external customers.	Public Domain and Services	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.2 **Infrastructure**
DELIVERY PROGRAM 5.2.1 **Reduce the infrastructure backlog on all Council assets.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.2.1.1 Facilitate geographical naming services.	Property Services	✓	✓	✓	✓
5.2.1.2 Conduct condition rating and risk assessment on all categories of assets.	Assets	✓	✓	✓	✓
5.2.1.3 Plan for and manage Council's civil assets.	Assets	✓	✓	✓	✓
5.2.1.4 Plan for and manage suitable community and recreation assets.	Assets	✓	✓	✓	✓
5.2.1.5 Provide a development engineering assessment and advice service.	Assets	✓	✓	✓	✓
5.2.1.6 Provide drainage/flooding investigation, planning and design services for Council's capital works program.	Assets	✓	✓	✓	✓
5.2.1.7 Provide project engineering.	Assets	✓	✓	✓	✓
5.2.1.8 Review and update the Storm Water Management Plan.	Assets	-	✓	-	-
5.2.1.9 Annually review the Strategic Asset Management Plan.	Office of the General Manager	✓	✓	✓	✓

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ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.2.1.10 Facilitate land acquisition and leasing services to enable existing and new infrastructure projects.	Property Services	✓	✓	✓	✓
5.2.1.11 Prepare a feasibility study for the redevelopment of the unused lower floor space at the Raymond Terrace Library.	Community Services	-	✓	-	-
5.2.1.12 Prepare a feasibility study for the re-use options for the decommissioned Rural Fire Service Stations at Tanilba Bay and Lemon Tree Passage.	Community Services	-	-	✓	-
5.2.1.13 Deliver the Capital Works Program.	Capital Works	✓	✓	✓	✓
5.2.1.14 Complete the roads asset maintenance program.	Capital Works	✓	✓	✓	✓
5.2.1.15 Complete scheduled maintenance programs for drains and roadside vegetation.	Public Domain and Services	✓	✓	✓	✓
5.2.1.16 Review, coordinate and deliver asset management data and systems.	Assets	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.3 **Governance and Civic Leadership**
DELIVERY PROGRAM 5.3.1 **Manage the civic leadership and governance functions of Council.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.3.1.1 Administer Code of Conduct processes.	Office of the General Manager	✓	✓	✓	✓
5.3.1.2 Complete the End of Term Report 2012-2016 against the Community Strategic Plan.	Office of the General Manager	✓	-	-	-
5.3.1.3 Conduct an internal audit program.	Office of the General Manager	✓	✓	✓	✓
5.3.1.4 Conduct citizenship ceremonies.	Office of the General Manager	✓	✓	✓	✓
5.3.1.5 Conduct the Governance Health Check.	Office of the General Manager	-	✓	-	-
5.3.1.6 Coordinate and deliver governance and legal services.	Office of the General Manager	✓	✓	✓	✓
5.3.1.7 Coordinate Council's responses to State government discussion papers.	Office of the General Manager	✓	✓	✓	✓
5.3.1.8 Facilitate development of Council's Delivery Program 2017-2021 and annual Operational Plans 2017-2021.	Office of the General Manager	✓	✓	✓	✓
5.3.1.9 Facilitate and develop the Community Strategic Plan 2017-2027.	Strategy and Environment	✓	✓	✓	✓

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ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.3.1.10 Manage access to information and privacy processes.	Office of the General Manager	✓	✓	✓	✓
5.3.1.11 Provide professional development opportunities for Councillors.	Office of the General Manager	✓	✓	✓	✓
5.3.1.12 Report to Council and the community on the progress of the Delivery Program; and Operational Plans and associated Resource Strategy.	Office of the General Manager	✓	✓	✓	✓
5.3.1.13 Review the Integrated Plans.	Office of the General Manager	✓	✓	✓	✓
5.3.1.14 Conduct a customer satisfaction survey annually.	Office of the General Manager	✓	✓	✓	✓
5.3.1.15 Deliver Council's key civic events.	Communications	✓	✓	✓	✓
5.3.1.16 Provide a governance structure for volunteers.	Community Services	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.3 **Governance and Civic Leadership**
DELIVERY PROGRAM 5.3.2 **Manage relationships with all levels of government, stakeholder organisations and Hunter Council Inc.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.3.2.1 Work with Hunter Councils to grow value for the Hunter Region.	Office of the General Manager	✓	✓	✓	✓
5.3.2.2 Develop, participate in and manage relationships with all levels of government and stakeholder organisations.	Office of the General Manager	✓	✓	✓	✓

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FOCUS AREA 5 Our Council
THEME 5.4 Engagement
DELIVERY PROGRAM 5.4.1 Engage our community in conversations and provide timely and accurate information.

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.4.1.1 Conduct community engagement activities.	Communications	✓	✓	✓	✓

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FOCUS AREA 5 **Our Council**
THEME 5.5 **Reputation**
DELIVERY PROGRAM 5.5.1 **Strengthen Council's brand and reputation.**

ACTIONS	SECTION	2016-2017	2017-2018	2018-2019	2019-2020
5.5.1.1 Operate the Tourist Accommodation Properties (Beachside Holiday Parks, Thou Walla Sunset Retreat and Treescape Park).	Property Services	✓	✓	✓	✓
5.5.1.2 Continue to manage Council's employer brand.	Communications	✓	✓	✓	✓
5.5.1.3 Develop, implement and monitor Council's Customer Service Framework.	Communications	✓	✓	✓	✓
5.5.1.4 Manage and report the performance of the Customer Request System (CRM).	Communications	✓	✓	✓	✓
5.5.1.5 Manage Council's corporate brand and style guide.	Communications	✓	✓	✓	✓
5.5.1.6 Manage Council's external communications.	Communications	✓	✓	✓	✓
5.5.1.7 Manage Council's internal communications.	Communications	✓	✓	✓	✓
5.5.1.8 Manage Council's digital and social media communications.	Communications	✓	✓	✓	✓

Statement of Revenue Policy

The following rates are proposed for 2016-2017 and include a 1.8% rate-pegging increase allowed by the NSW Government. Key elements of Council's rating policy are:

- Rates are levied on the most recent land valuations provided by the NSW Valuer-General, being base date 1 July 2013;
- Total rate income increased by approximately 1.8% above 2015-2016 levels in accordance with rate-pegging legislation and including an adjustment to allow for income growth related to newly rateable Crown Land (which is subject to application to the Office of Local Government and approval by the Independent Pricing And Regulatory Tribunal (IPART));
- 35% base amounts are continued in the residential and business categories;
- Farmland and residential rates continue to have the same rate in the dollar and base amount;
- Existing revenue relativities between rating categories are to be maintained; and
- No special rates are proposed for 2016-2017.

Rating of Strata Lots

Each lot in a strata plan is rated separately but Council will include lots on one rate notice where one lot consists of either a residential unit or residential unit and garage and the other lots consist of either a garage or utility room. A maximum of three (3) separate strata lots can be included on one rate notice where only one lot must contain a residential unit. All lots must be within the same strata plan. Council will not allow aggregation in any other circumstances including multiple residential units, multiple garages, multiple industrial bays, multiple retail premises and multiple marina berths. Council will allow aggregation of land values where new land values are received and amalgamation or consolidation of parcels owned by the same ratepayer is to occur, and the Valuer-General has confirmed that amalgamation will be approved. Council will also allow aggregation of land values with other land owned by the same ratepayer where land is subject to a license or enclosure permit and the Valuer-General has confirmed that amalgamation will be approved. Rates will be levied on the new aggregated land value, but not backdated for previous years.

Categorisation of Land

All land is placed within one of four mandatory categories for rating purposes according to the dominant use of the land: residential, farmland, business and mining. The land category is printed on the rate notice. Ratepayers may apply for their land category to be reviewed and applications are determined within 40 days. Where a ratepayer applies for their land category to be reviewed and this is approved, the date of effect for rating purposes is the date their application was received by Council. The date of effect may be backdated at Council's discretion, if there are exceptional circumstances that prevented the ratepayer from making an earlier application. Where Council initiates the review of a land category the date of effect shall be no earlier than the date the declaration is posted to the ratepayer.

Exemption from Rates

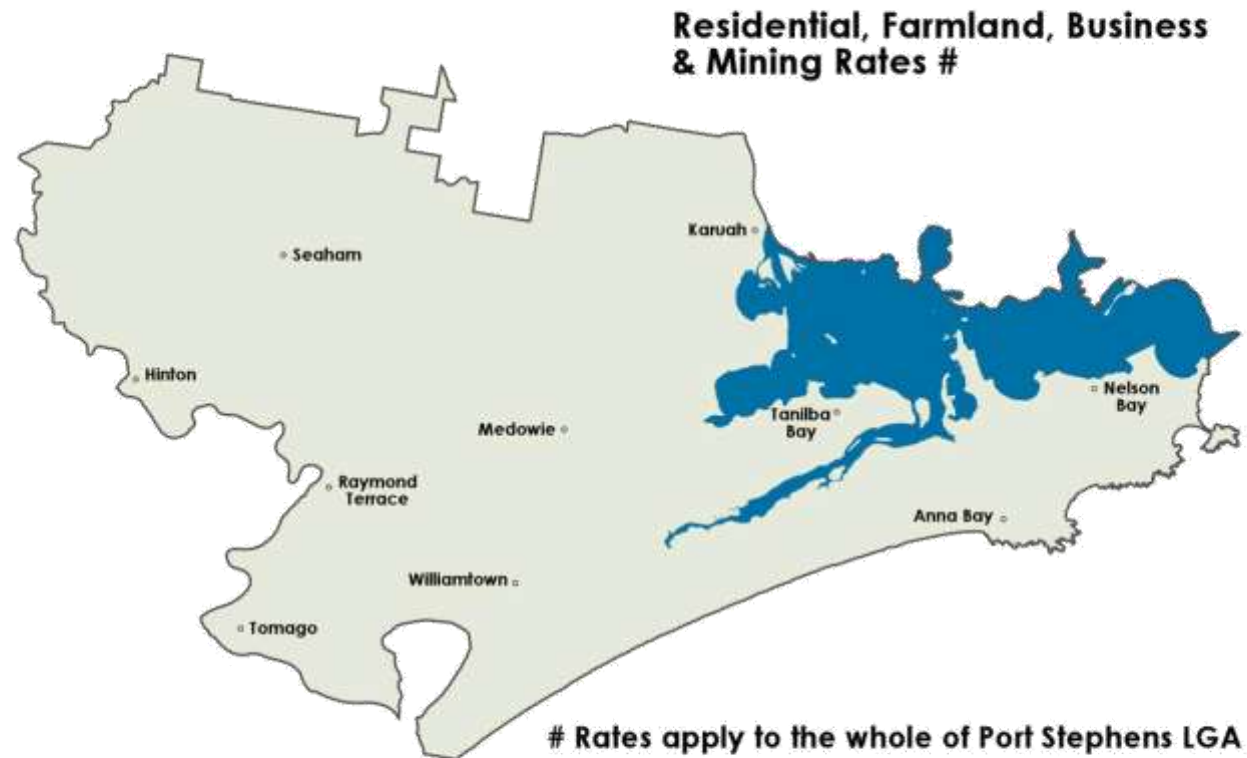
All land is rateable unless it is exempt under section 555 or section 556 of the *Local Government Act 1993*. Eligible organisations (generally public charities) may apply for their land to be made exempt if they believe it to be exempt. Where a ratepayer applies for their land to be made exempt and this is approved the date of effect for rating purposes is the date their application was received by Council. The date of effect may be backdated, at Council's discretion, if there are exceptional circumstances that prevented the ratepayer from making an earlier application.

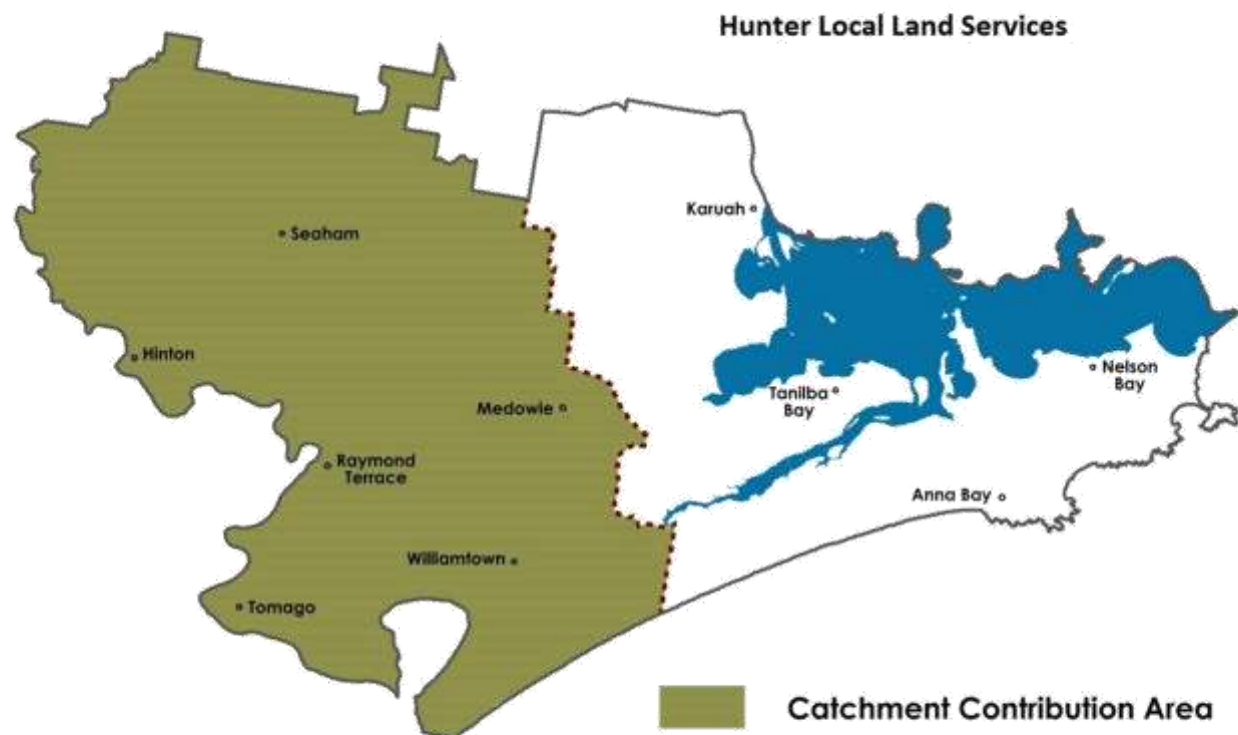
Hunter Local Land Services

Council includes on its rate notice a catchment contribution collected on behalf of the Hunter Local Land Services. The Local Land Services sets the rate in the dollar around June each year after receiving Ministerial approval. Catchment contributions are collected by Council under the *Local Land Services Act 2013* and are passed on to Hunter Local Land Services. All rateable land with a land value exceeding \$300 within a defined river catchment area is subject to the contribution.

Proposed Rate Structure

Type of Rate	Name of Rate	Category Rate Applies To	Ad Valorem Rate c in \$	Base Amount \$	Base Amount Yield %	Estimated Rate Yield
Ordinary	Residential	Residential	0.3444	355.00	35	\$30.893m
Ordinary	Farmland	Farmland	0.3444	355.00	20	\$0.85m
Ordinary	Business	Business	0.819	1,498.00	35	\$7.59m
Ordinary	Mining	Mining	0.819	n/a	n/a	\$3
Total						\$39.33m

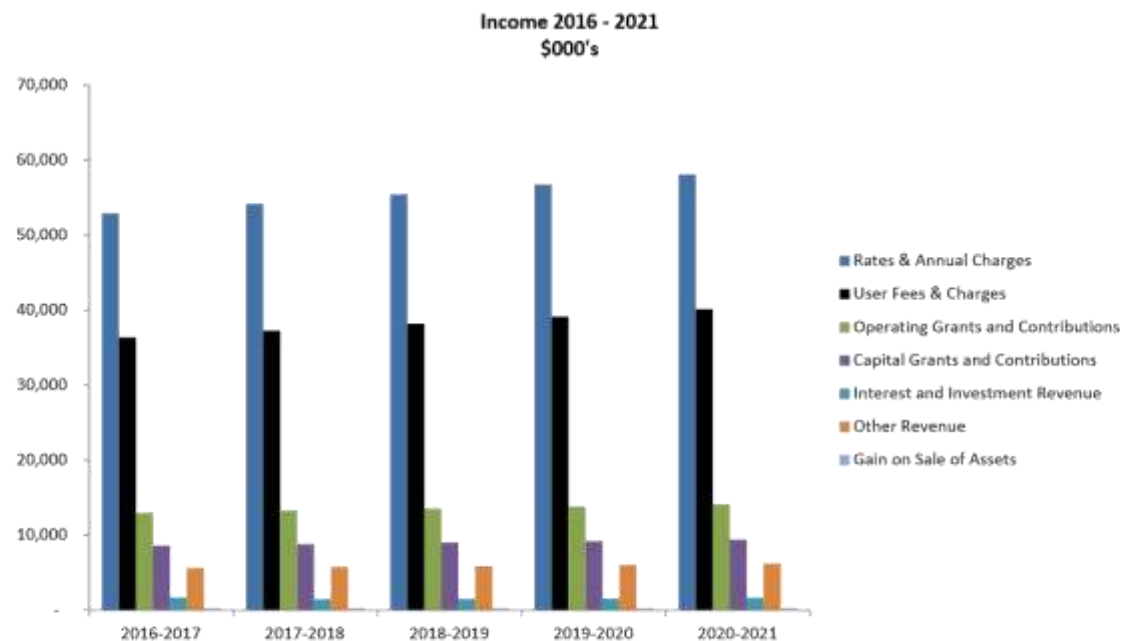


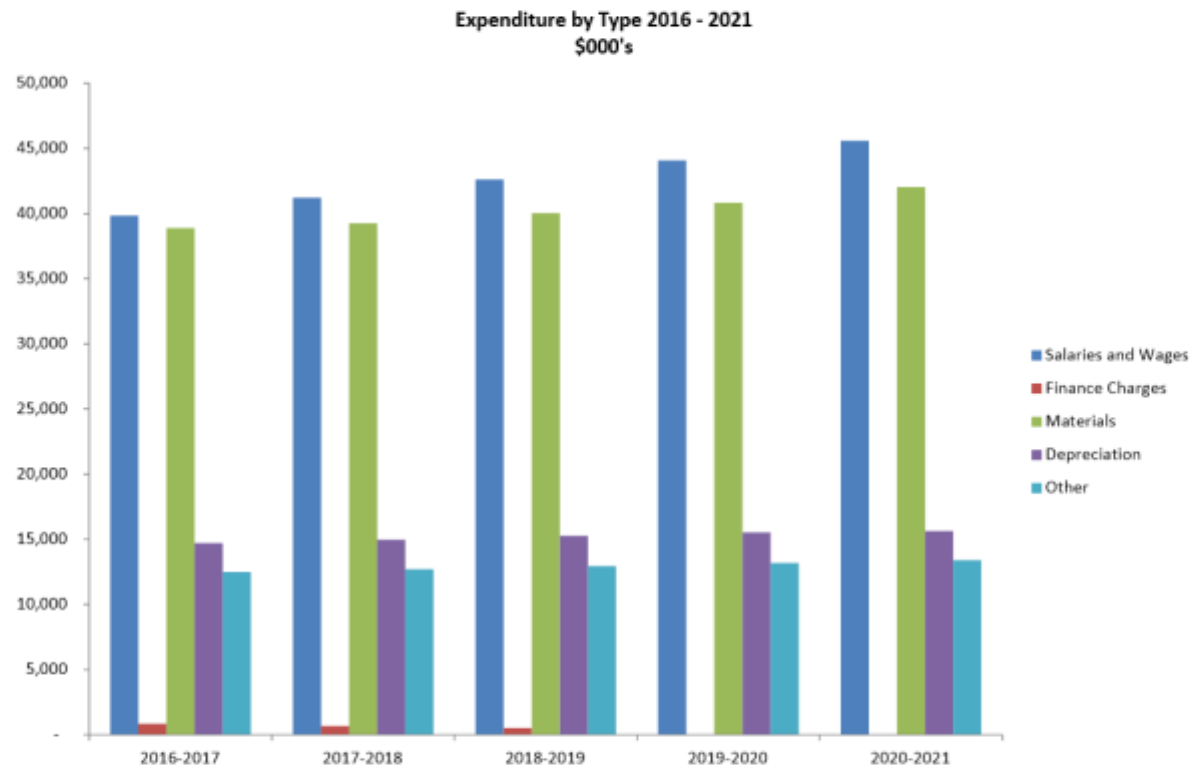


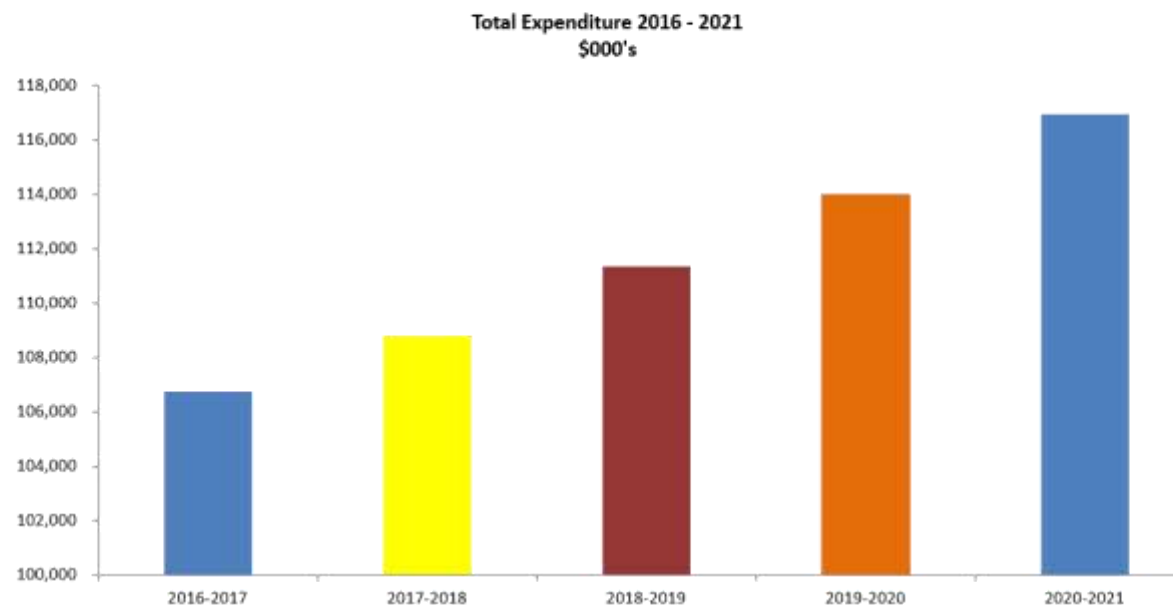
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Budget Summary 2016-2021

The 2016-2017 Budget is represented as Year 1 of the Improved Scenario in the Long Term Financial Plan 2016-2026. Other Budgets in the graphs below represent Years 2, 3 and 4. Refer to the Resource Strategy (Long Term Financial Plan) document for details. A summary is shown in the graphs below.







Waste Management Statement

Council proposes a two level waste charge for 2016-2017.

1. Waste Management Charge

A base waste management charge of \$57 will be applied to all rateable properties as authorised by sections 496 and 501 of the *Local Government Act 1993*. This charge contributes towards the management of the waste transfer station, the rehabilitation and environmental monitoring of decommissioned landfill sites and the provision of ancillary waste services including scheduled garden waste, electronic waste, household chemical, mattress, dry recycling and tyre drop off events. In the case of properties categorised as farmland, if there is more than one property in the same ownership and run as a single undertaking then the full base charge will be applied to the first property plus a \$1 base charge against each subsequent property.

2. Waste Service Charge

As required by section 496 of the *Local Government Act 1993*, a domestic waste service charge of \$401 will be applied to all developed residential properties, whether occupied or unoccupied, including land categorised as 'residential' and 'farmland'. This charge will entitle the ratepayer to the weekly collection of residual waste using a 240 litre wheelie bin (red bin), the fortnightly collection of material for recycling using a 240 litre wheelie bin (yellow bin) and two on-call bulky/garden waste cleanup services.

A non-domestic waste service charge of \$401 will be applied to each commercial and business property, whether occupied or unoccupied, as authorised by section 501 of the *Local Government Act, 1993*. This charge will entitle the ratepayer to the weekly collection of residual waste using a 240 litre wheelie bin (red bin) and the fortnightly collection of materials for recycling using a 240 litre wheelie bin (yellow bin).

For the purpose of applying a domestic or non-domestic waste service or management charge 'property' means any residence, business premises or commercial premises used or capable of being used as a separate premise whether or not situated on the same or separate rateable parcels of land and whether occupied or unoccupied.

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Additional residual waste services (red lid bin) are available for the yearly charge of \$230 per bin. This charge entitles the user to an extra weekly collection of waste in another 240 litre bin. Due to fixed administrative and contractor costs this service is not refundable should the customer choose to cancel the additional service before 30 June 2016.

Additional recycling services (yellow lid bin) are available for the yearly charge of \$115 per bin. This charge entitles the user to an extra fortnightly collection of household recyclables in another 240 litre bin. Due to fixed administrative and contractor costs this service is not refundable should the customer choose to cancel the additional service before 30 June 2016.

Any resident or business property that has a waste service charge will have the option to upsize their 240 litre recycle bin to a 360 litre bin for a one off fee of \$25.

Council may at its discretion, following written application by the operator of any commercial or business premises, waive the non-domestic waste service charge if satisfied that appropriate alternative provision will be made for the non-domestic waste management services to those premises.

The waste collected from the kerbside residual garbage bin (red bin) is processed through the Advanced Waste Technology Facility operated by Suez on Newline Road, Raymond Terrace where approximately 50% of this waste is processed into compost. The remaining 50% of the waste is disposed of to landfill, which attracts charges under the NSW State Government Waste Levy. For the 2016-2017 financial year the payment of this charge makes up \$37.54 of the \$401 Waste Service Charge.

Council proposes to apply the charges shown in the table below for waste management in 2016-2017:

	2015-2016 \$	2016-2017 \$	Difference \$
Waste Management Charge	\$61	\$57	- \$4
Waste Service Charge	\$388	\$401	\$13
TOTAL	\$449	\$458	\$9
Base charge for additional farmland properties	\$1	\$1	\$0

References

Legislation

Council's operations are authorised through many State and Federal Acts of Parliament however the principal legislation is listed below:

- *Local Government Act (1993)*
- *Local Government (General) Regulation 2005*
- *Environmental Planning & Assessment Act (1979)*
- *Environmental Planning & Assessment Regulation 2000*
- *Government Information (Public Access) Act (2009)*
- *Valuation of Land Act (1916)*
- *Local Land Services Act (2013)*

State and Regional Plans

- NSW State Plan – NSW 2021
- Hunter Regional Action Plan
- Port Stephens Foreshore Management Plan
- Williamstown Defence and Airport Related Employment Zone (DAREZ) Land Use Development Strategy
- Port Stephens – Great Lakes Marine Park

Resource Strategy 2016-2026

Port Stephens Council Resource Strategy is set out in separate documents.

It comprises:

- Workforce Strategy 2013-2017
- Strategic Asset Management Plan 2016-2026
- Long Term Financial Plan 2016-2026

With the exception of the Workforce Strategy, the other elements of the Resource Strategy are required to be reviewed annually and rolled forward one year.

Fees and Charges 2016-2017

The Fees and Charges 2016-2017 is a separate document and is available on Council's web site, at the Administration Building (116 Adelaide Street, Raymond Terrace) and at Council's libraries.



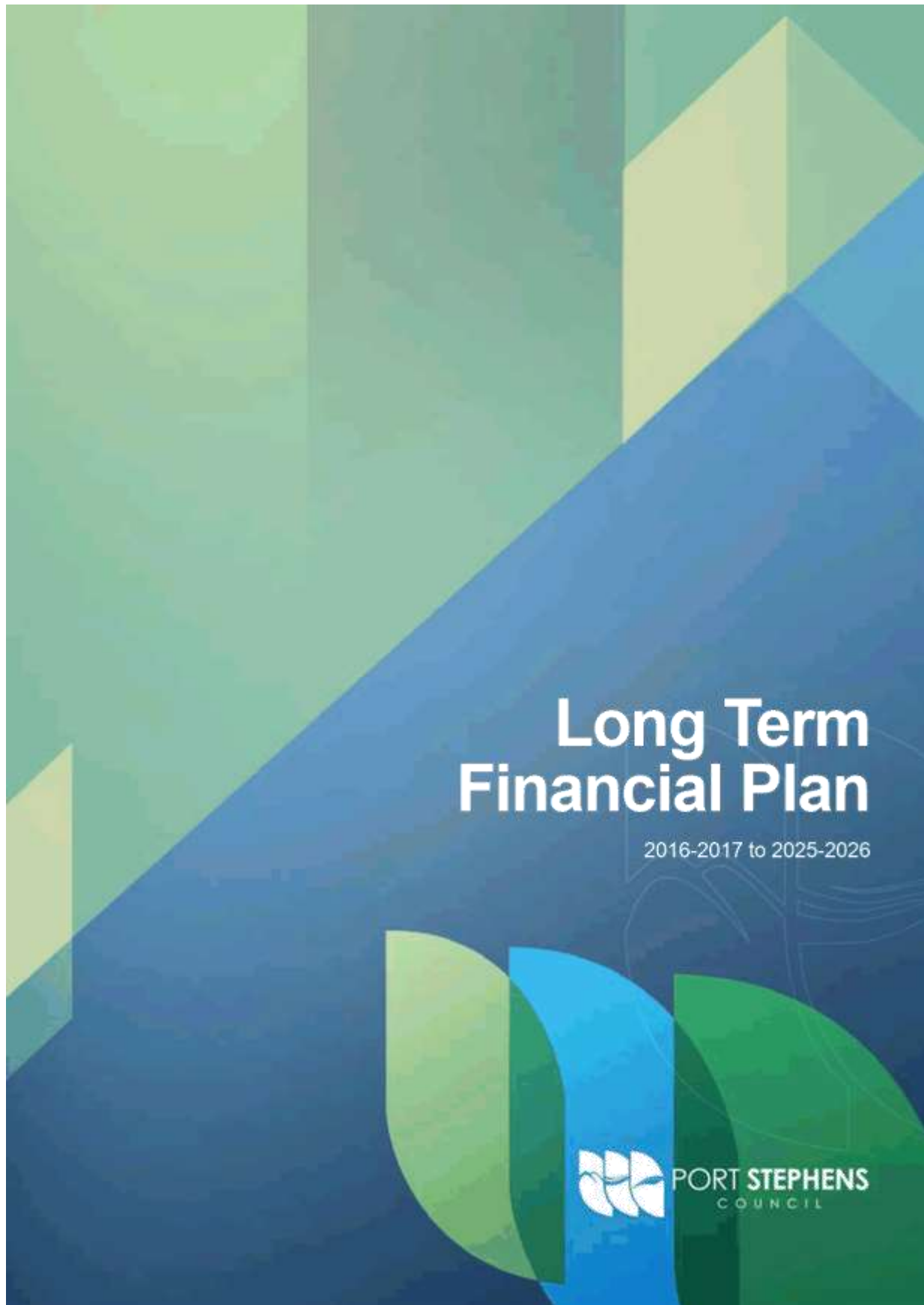


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1. Executive Summary

Port Stephens Council's Long Term Financial Plan (LTFP) contains a set of long range financial projections based on a set of assumptions. The LTFP covers a 10 year time period from 2016-2017 to 2025-2026.

1.1 Structure

The Long Term Financial Plan is structured as a series of 'Scenarios', each of which shows a specific financial outlook.

This iteration of the Long Term Financial Plan presents financial forecasts associated with the following Scenarios:

- **Base Scenario**
 - The entire rate peg of 1.8% is applied to rating income and 200 new assessments per year
 - An inflation forecast of 2% is applied to most sources of income
- **Improved Scenario**
 - The entire rate peg of 1.8% is applied to rating income for financial year 2017 and then increased to 2% from financial year 2018 onwards as well as 200 new assessments per year
 - An inflation forecast of 2.5% is applied to most sources of income
- **Strategic Scenario**
 - The entire rate peg of 1.8% is applied to rating income and then increased to 2.9% from financial year 2017-2018 onwards as well as 200 new assessments per year
 - An inflation forecast of 3% is applied to most sources of income

The **Improved Scenario** has been selected as Council's preferred Scenario. The **Improved Scenario** has been selected because the Base Scenario is not financially sustainable and the Strategic Scenario contains some high level targets which are reliant on market expectations. It is also important to be conservative with income projections in order to not spend outside of Council's means when forecasting its the financial future.



1.2 Sensitivity Analysis

Long term financial plans are inherently uncertain given the lengthy period of time which they are required to cover and the assumptions that are required to be made. Some of these assumptions have a relatively limited impact if they are wrong; others can have a major impact on future financial plans. If the assumptions are found to be inaccurate then it will be necessary for Council to reconsider.

The three (3) Scenarios provided also serve as an indication as to the impact these assumptions can have.

Given the financial position from which Council has come, it now utilises the Long Term Financial Plan as a management tool. Quarterly budget review amendments that have a permanent impact are processed into the model to assess the effect on the Plan.

Council will also review and update relevant sections and projections of the Long Term Financial Plan on an annual basis.

1.3 Objectives

The main objectives that this LTFP is designed to achieve are:

- An increased ability to fund asset renewal requirements;
- Provide financial targets for the next 10 years;
- Allow various assumptions to be modelled;
- To ensure that external conditions are considered, for example, changes in interest rates and population growth.



2. Introduction

2.1 Purpose of the Long Term Financial Plan (LTFP)

The Long Term Financial Plan (LTFP) exists primarily to facilitate the delivery of the objectives and strategies expressed in the Community Strategic Plan – Port Stephens 2023. The LTFP is not an end in itself but is a means of ensuring the objectives of the integrated planning framework are matched by an appropriate resource plan.

The LTFP links to the Delivery Program 2013-2017 and the Operational Plans 2016-2020 as follows:

Delivery Program 2013-2017

- 15.1.1 Council will maintain its underlying financial performance to budget at break even or better.
- 15.1.2 Council will increase its revenue from non-rates sources.

Operational Plans 2016-2020

- 15.1.1.1 Review, develop and implement the Long Term Financial Plan.
- 15.1.1.3 Review, develop and implement budget processes and financial reporting to Council.
- 15.1.1.5 Maintain Council's financial sustainability (measured from external audit, breakeven or surplus).

Therefore it is important to acknowledge that any significant changes to the financial strategies expressed in this document will have a consequent impact on Council's ability to deliver the outcomes expressed in the Delivery Program and the Operational Plans.

In addition to acting as a resource plan, the LTFP further endeavours to:

- 1) Establish a prudent and sound financial framework, combining and integrating financial strategies to achieve a planned outcome;
- 2) Establish a financial framework against which Council's strategies, policies, and financial performance can be measured;
- 3) Ensure that Council complies with sound financial management principles and plans for the long term financial sustainability of Council;
- 4) Allows Council to meet its obligations under the Council's *Charter of the Local Government Act 1993* as detailed in Section 3.2.



This LTFP represents 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:



Figure 1: Integrated Strategic Approach

2.2 Objectives of the Long Term Financial Plan

The objectives that this LTFP is designed to achieve are:

- An increased ability to fund asset renewal requirements;
- Provide financial targets for the next 10 years;
- Allow various assumptions to be modelled;
- To ensure that external conditions are considered for example changes in interest rates and population growth;
- An enhanced funding level for capital works in general;
- Progressing Council towards maintaining a position of financial sustainability in the long term;
- Rate and fee increases that are both manageable and sustainable;
- Investment and funding strategies which promote intergenerational equity;
- Demonstrating Council's ability to be *Fit for the Future*.

For the purposes of this strategy, financial sustainability is defined in the below diagram, modelled essentially on a hierarchy of needs approach.





Figure 2: Financial Sustainability – Hierarchy of Needs

Port Stephens Council has challenges in meeting asset renewal requirements on an annual basis and the current gap, inclusive of the infrastructure backlog of works is \$18 million. This is an issue that can only be addressed over a long period.

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.

2.3 Key Outcomes of the LTFP

The challenge of financial sustainability is one faced by the majority of NSW councils and Port Stephens Council is certainly not immune from this issue. Council has recently been presented with data on the financial sustainability of this Council that indicate the following:

- Up until recently Council was recording an underlying operational deficit. Maintaining a sustainable financial platform to ensure these deficits do not return is a key objective of Council.



- Council is nearing the point where it can expend more per annum on renewing and upgrading its existing asset base than the annual depreciation charges in respect of these same assets, provided income projections are met.
- Over the last several years there has been a Port Stephens Council change in funding the maintenance and renewal of existing assets to reduce this backlog. This change has, and will continue to have an impact on the financial sustainability of the organisation and an increased ability to provide services to the community through assets.

In preparing the 2016-2017 to 2025-2026 LTFP, each of the above challenges has been addressed. The LTFP is based on achieving the following outcomes:

- Progressively increasing the underlying operating surplus;
- Starting to bridge the infrastructure 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.

In summary, this LTFP presents a responsible financial blueprint for the future of Port Stephens Council.

2.4 Sustainability Review

In 2010 Port Stephens Council publicly acknowledged on several occasions that Council's business model required fundamental change. Subsequently, a comprehensive sustainability review process has been performed to review all services that Council provides. This has resulted in efficiencies in the way that services are provided and involved extensive community consultation to determine the level of service the community expects and the price they are willing to pay. The total anticipated cost savings resulting from the sustainability review have been incorporated into the Long Term Financial Plan.

Now and in the future, Council will be continually undergoing a comprehensive sustainability review process. This review involves analysing services provided so that it is clear ***what services are provided and how the services are delivered***. The purpose is to ensure that Council's services are a reflection of the local community needs and expectations.



3. Link between LTFP and Council's Planning Framework

3.1 Workforce Strategy

In order to deliver our Delivery Program and contribute to the Community Strategic Plan, we require a clear workforce resourcing strategy that sets out what type of organisation we need to be and how we plan to get there.

Council's business operating system is the Australian Business Excellence Framework; this includes the following categories:

- Leadership
- Strategy and Planning
- Information and Knowledge
- People
- Customers and Other Stakeholders
- Process Management, Improvement and Innovation
- Results and Sustainable Performance

The Workforce Strategy 2013-2017 needs to be fully integrated with the Long Term Financial Plan. This integration includes:

- Compulsory superannuation guarantee rate increase;
- Vested Sick Leave;
- Long Service Leave Liability;
- Learning and Development.

3.1.1 Compulsory Superannuation Guarantee Rate Increase

The Federal government has changed the phasing of the increases in the superannuation guarantee levy as per the table below. The impact of this change has been factored into all three Scenarios of the Long Term Financial Plan.



Year	Rate
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%
2025 & Onwards	12.00%

Table 1: Superannuation Guarantee

3.1.2 Vested Sick Leave

Staff employed by Council prior to or on 26 September 2000, who have not previously waived their right to this provision, continue to have an entitlement for the payment of unused sick leave arising out of the termination of employment. A provision for vested sick leave of \$3.8 million has been included as a liability in the Balance Sheets of each Scenario in this Plan. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

3.1.3 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. Port Stephens Council has not actively required employees to take long service leave as it falls due however if the amount of liability becomes excessive it is likely that employees will be encouraged to keep balances within reasonable limits. A provision of \$6.8 million has been included as a liability in the Balance Sheets of each Scenario in this Plan. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

3.1.4 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 has been included in the salaries and wages expense in the Income Statement of each Scenario in this Plan.



3.1.5 Workers Compensation

Due to Council's focus on workplace safety, commitment to performing safety observations, reporting near misses and implementing many safe workplace policies Council's workers compensation premiums have been reduced dramatically in recent years. These savings have already been factored into the Long Term Financial Plan and Council is committed to maintaining a commitment to a safe workplace and ensuring that the workers compensation premium remains stable.

3.2 Strategic Asset Management Plan (SAMP)

Port Stephens Council is responsible for a large and diverse asset base. These assets include roads, bridges, footpaths, drains, libraries, childcare centres, halls, parks, sporting facilities, fleet, land and information communication technology-related assets. According to Council's Charter under the *Local Government Act 1993*, Council should:

- provide directly or on behalf of other levels of government after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed effectively and efficiently;
- have regard for the long term and cumulative effects of its decisions;
- bear in mind that it is the custodian and trustee of public assets and to effectively plan for, account for and manage the assets for which it is responsible.

Over time Port Stephens Council has greatly increased its assets, which has consequently increased its depreciation, operation and maintenance costs to an already large sum and contributed to the ageing asset base.

In order to manage this asset base, strategies and plans need to be developed which are designed to address issues regarding asset life cycles and risk. Such strategies and plans should ensure that their content addresses priorities in line with organisational objectives. Finance and expenditure should also be planned and controlled in line with these priorities. Resources should be used as effectively and efficiently as possible. Technical levels of service that related to compliance requirements in legislation should be maintained.

The SAMP analyses groups of assets in the following categories:

- Administration Building
- Information and Communication Technology (ICT)
- Depots



- Emergency Services
- Libraries
- Library Collection
- Community Buildings
- Cemeteries
- Child Care Centres
- Parks and Reserves
- Playgrounds
- Public Amenities
- Sports Facilities
- Surf Clubs
- Aquatic Centres
- Waterways
- Road Pavements
- Drainage
- Bus Facilities
- Guardrails
- Retaining Walls
- Bridges (Road and Footpath)
- Footpath and Cycleway
- Minor Assets
- Street Lighting
- Heritage Items
- Waste
- Commercial Assets – Holiday Parks
- Commercial Assets – Investment Properties
- Visitor Information Centre, Nelson Bay
- Land (development)

3.2.1 Non-Cash Operating Expenses

Council's major non-cash operating expense is depreciation. Council's property, plant and equipment are depreciated using the straight line method which allocates an assets cost over its estimated useful life. Refer below to an extract from Note 1 of the General Purpose Financial Statements for the year ended 30 June 2015 for estimated useful lives for each asset category which determines the depreciation expense each year. Council has very considerable stocks of assets with long but finite lives; this can be seen in the extract from Note 1. These estimated useful lives are expected to remain constant over the life of this Plan.



The straight line method of depreciation ensures that there will be no major peaks or troughs in depreciation expense from year to year as this method ensures a uniform rate of depreciation of property, plant and equipment.

A revaluation of infrastructure assets (roads & drains) was performed in 2015 which required change in the depreciation modelling of these assets. The change was from a straight line method to a deterioration curve. This was to ensure the condition rating of the asset aligned more closely with the written down value of the asset. As a result of this change, Council's asset backlog and maintenance requirements were revised. Under the revised models an asset should not rapidly decline in value (or condition) provided asset maintenance is maintained.

For each Scenario the growth in the depreciation expense is linked to the annual investment in infrastructure, property, plant and equipment.

Land is not depreciated	
Estimated useful lives for Council's Infrastructure, Property, Plant & Equipment include:	
Plant & Equipment	
Office equipment	5 to 10 years
Office furniture	10 to 20 years
Vehicles	1 to 5 years
Heavy plant/Road marking equip	5 to 20 years
Other plant and equipment	5 to 50 years
Other Equipment	
Playground equipment	5 to 15 years
Benches, seats etc.	10 to 20 years
Buildings	
Buildings: Masonry	40 to 50 years
Buildings: Other	10 to 100 years
Stormwater Drainage	
Drains	80 to 100 years
Culverts	50 years
Transportation Assets	
Sealed roads: Surface	10 to 20 years
Sealed roads: Structure	50 to 60 years
Unsealed roads	5 to 10 years
Bridge: Concrete	80 to 100 years
Kerb, gutter & paths	40 to 50 years



Other Infrastructure	
Bulk earthworks	Infinite
Swimming Pools	25 years
Other Open Space/Recreational Assets	5 to 25 years

Table 2: Estimated Useful Lives for Each Asset Category

3.2.2 Infrastructure, Property, Plant and Equipment Revaluations

Council's infrastructure, property, plant and equipment are valued at fair value per Australian Accounting Standard 116 Property, Plant and Equipment and the Local Government Code of Accounting Practice and Financial Reporting. Previous years' revaluations are as follows:

Year	Category	Comment
2006-2007	Water and sewerage networks	Not applicable to Port Stephens
2007-2008 and 2008-2009	Operational land, buildings, plant and equipment	
2009-2010	Roads, drainage and bulk earthworks	
2010-2011	Community land, land improvements, other structures and other assets	
2011-2012	Water and sewerage networks	Not applicable to Port Stephens
2012-2013	Operational land, buildings, plant and equipment	
2013-2014	No revaluations scheduled	
2014-2015	Roads, bridges, footpaths, drainage and bulk earthworks	
2015-2016	Community land, other assets, other structures, land improvements	



The Local Government Code of Accounting Practice and Financial Reporting states that full revaluations are to be undertaken on all assets on a five (5) year cycle.

Year	Category	Comment
2016-2017	Water and sewerage networks	Not applicable to Port Stephens
2017-2018	Operational land, buildings, plant and equipment	
2018-2019	Land Under Roads (LUR)	

As infrastructure, property, plant and equipment are already valued at fair value as opposed to historical cost the periodic revaluations to fair value are not likely to result in a significant difference. Therefore it is not necessary to factor in any changes in infrastructure, property, plant and equipment values due to revaluations in this Plan.

3.2.3 Infrastructure Supplied By Developers

Council becomes liable for maintenance of assets and spaces provided and paid for by the developers of residential estates one year after they are created. There is a number of areas that have potential for future growth and potential for new residential estates to be built. Council may become liable for maintenance of assets and spaces provided by the developers of these residential estates:

- 1) Anna Bay
- 2) Heatherbrae - Tomago
- 3) Karuah
- 4) Medowie
- 5) North Raymond Terrace (Kings Hill)
- 6) Wallalong
- 7) Williamtown Airport Precinct

At this stage these maintenance costs have not been quantified. When the costs are quantified, they will be included in future updates of the Long Term Financial Plan.

Due to environmental and conservation constraints of the Port Stephens LGA there are only limited opportunities for large scale residential and commercial developments. It is expected that the developments mentioned above will eventuate; however the estimated future increase in the number of rate assessments, as outlined below in 'financial assumptions' has been estimated conservatively with these environmental and conservation constraints in mind.



4. Macro View of Council's Financial Position

The Long Term Financial Plan is structured as a series of 'Scenarios', each of which shows a specific financial outlook. Each of the Scenarios relates to particular Council plans or policies. The Scenarios are cumulative so that each Scenario incorporates the assumptions and financial outcomes of the previous Scenarios. The Scenarios can also be looked at in isolation.

This iteration of the Long Term Financial Plan presents financial forecasts associated with the following Scenarios:

- **Base Scenario**
 - The entire rate peg of 1.8% is applied to rating income and 200 new assessments per year
 - An inflation forecast of 2% is applied to most sources of income
- **Improved Scenario**
 - The entire rate peg of 1.8% is applied to rating income for financial year 2017 and then increased to 2% from financial year 2018 onwards as well as 200 new assessments per year
 - An inflation forecast of 2.5% is applied to most sources of income
- **Strategic Scenario**
 - The entire rate peg of 1.8% is applied to rating income and then increased to 2.9% from financial year 2017-2018 onwards as well as 200 new assessments per year
 - An inflation forecast of 3% is applied to most sources of income

The **Improved Scenario** has been selected as Council's preferred Scenario. The **Improved Scenario** has been selected because the Base Scenario is not financially sustainable and the Strategic Scenario contains some high level targets which are reliant on market expectations. It is also important to be conservative with income projections in order to not spend outside of Council's means when forecasting its the financial future.

The following financial statements portray the projected financial position of Port Stephens Council over the next ten years for each Scenario:

- Income Statement
- Balance Sheet
- Cash Flow Statement



A number of financial performance indicators or otherwise known as ratios have been calculated for each scenario to further portray the projected financial results for each scenario.

The statements are prepared based on current knowledge and service levels and will no doubt be affected by various events which will occur in future years. It is important that the long term financial outlook is revisited and updated on an annual basis.

The base point used for modelling is the September quarterly budget review for the financial year ended 30 June 2016.

4.1 Financial Performance Indicators

The financial performance indicators are intended to be indicative of the financial health and presence of good business management practices at Port Stephens Council.

4.1.1 Underlying Operating Result

Definition:	The issue for Council is whether underlying operating surpluses are being achieved. This indicator is calculated by taking the income from continuing operations less grants and contributions provided for capital purposes less expenses from continuing operations less profit from Newcastle Airport less profit from land sales.
Analysis:	Ideally Council would be operating with a small surplus. Council is committed to at least breaking even on a consistent basis.

4.1.2 Operating Performance Ratio

Definition:	This ratio measures a council's achievement of containing operating expenditure within operating revenue. Ratio = Operating revenue excluding capital grants and contributions – operating expenses / Operating revenue excluding capital grants and contributions.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the operating performance ratio of greater than 0%.

4.1.3 Own Source Operating Revenue Ratio

Definition:	It is the degree of reliance on external funding sources such as operating grants and contributions. A council's financial flexibility improves the higher the level of its own source revenue.
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	Ratio = rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions).
Analysis:	NSW Treasury Corporation uses a benchmark for the Own Source Revenue Ratio of greater than 60%.

4.1.4 Debt Service Cover Ratio

Definition:	This ratio measures the availability of cash to service debt including interest, principal and lease payments. Ratio = operating results before interest and depreciation (EBITDA) / principal repayments (from the Statement of Cash Flows) + borrowing interest costs (from the Income Statement).
Analysis:	Council uses a benchmark for the Debt Service Cover Ratio of greater than zero.

4.1.5 Cash Expense Cover Ratio

Definition:	This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow. Ratio = current year's cash and cash equivalents / total expenses – depreciation – interest costs.
Analysis:	NSW Treasury Corporation uses a benchmark for the cash expense ratio of greater than 3.

4.1.6 Capital Expenditure Ratio

Definition:	To assess the extent of capital expenditure on new assets and the replacement and renewal of existing assets.
Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the capital expenditure ratio of greater than 1 time.



4.2 Financial Assumptions

The financial assumptions used are as follows:

4.2.1 Operating Rates

The rate peg is 1.8% for financial year 2016-2017 as set by the Independent Pricing and Regulatory Tribunal (IPART). In the Base Scenario the full rate peg of 1.8% has been taken up. In the Improved Scenario, the entire rate peg of 1.8% is applied to rating income for financial year 2017 and then increased to 2% from financial year 2018 onwards. In the Strategic Scenario the entire rate peg of 1.8% is applied to rating income for financial year 2017, an increase of 2.9% is applied to rating income; this is the average rate peg for the past five years. In addition, it is expected that there will be two hundred new assessments per year due to increases in the population.

Base Scenario:	1.8% increase plus 200 new assessments
Improved Scenario:	1.8% increase then 2% for 2017-2018 onwards plus 200 new assessments
Strategic Scenario:	1.8% increase then 2.9% for 2017-2018 onwards plus 200 new assessments

4.2.2 User Charges and Fees

Considering that the Reserve Bank of Australia has a target band of inflation of between 2% and 3%, the following inflation rates have been used for each Scenario:

Base Scenario:	2% increase
Improved Scenario:	2.5% increase
Strategic Scenario:	3% increase

4.2.3 Interest and Investments

Interest revenue has been calculated as an average of the opening and closing cash positions for the year in question and then multiplied by the expected rate of return on investments.

National Australia Bank has provided interest rate forecasts: for all three scenarios 2.5% is used for financial year 2017, then the Base scenario increases to 3% for financial year 2018 onwards, the Improved Scenario increases to 3.5% for financial year 2018 onwards and the Strategic scenario increases to 4%.

Base Scenario:	2.5% increase then 3% for financial year 2018 onwards
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Improved Scenario: 2.5% increase then 3.5% for financial year 2018 onwards
 Strategic Scenario: 2.5% increase then 4% for financial year 2018 onwards

4.2.4 Other Revenues

Considering that the Reserve Bank of Australia has a target band of inflation of between 2% and 3%, the following inflation rates have been used for each Scenario:

Base Scenario: 2% increase
 Improved Scenario: 2.5% increase
 Strategic Scenario: 3% increase

4.2.5 Grants and Contributions

Considering that the Reserve Bank of Australia has a target band of inflation of between 2% and 3%, the following inflation rates have been used for each Scenario:

Base Scenario: 2% increase
 Improved Scenario: 2.2% increase
 Strategic Scenario: 3% increase

An analysis of Council's Grants and Contributions was conducted as part of the preparation of the Long Term Financial Plan to determine whether or not the grants were recurrent or of a one-off nature.

Of all operating grants and contributions listed in the Port Stephens Council Financial Statements, the following breakup was ascertained:

	2011 \$000s	2012 \$000s	2013 \$000s	2014 \$000s	2015 \$000s
Financial Assistance Grant	5,234	6,980	5,666	2,947	6,153
Pensioner Rate Subsidies	541	559	559	562	578
RMS Contributions	785	802	855	862	870
Family Day Care	182	184	176	244	238
Bushfire and Emergency	1,566	1,329	1,078	860	1,034
Childcare	280	258	267	216	194
Bio banking			3,520		
Other Grants not dissected	1,973	2,275	1,883	2,590	3,026
Total Grants	10,561	12,387	14,004	8,281	12,093

Table 3: Break up of Grants and Contributions

4.2.6 Grants and Contribution Provided for Capital Purposes



Grants and contributions provided for capital purposes have been included in revenue on the Income Statements in each of the Scenarios in this Plan. Subsequently, on the Income Statements below where the net operating result for the year is displayed, grants and contributions provided for capital purposes have been excluded to give a net operating result before grants and contributions provided for capital purposes.

4.2.7 Net Gains for the Disposal of Assets

Net gains from the disposal of assets can be challenging to forecast as it can vary widely from year to year hence a notional gain of \$250,000 per year has been used.

Land sales from Tarrant Road were originally budgeted to occur over a two year period; this was reflected in past iterations of the Long Term Financial Plan. All land sales from Tarrant Road have occurred in the 2016 financial year hence this iteration reflects the early realisation of profit.

4.2.8 Employee Costs

In line with the Workforce Strategy 2013-2017 Council's focus will be on continuous improvement and ensuring sustainability into the future. An increase in employee costs of 2.8% for financial year 2017 has been applied and an increase of 2.8% for financial year 2018 onwards has been applied per the Enterprise Agreement 2015.

The Federal government has changed the phasing of the increases in the superannuation guarantee levy. The impact of this change has been factored into all three Scenarios of the Long Term Financial Plan; the increase in salary packages per year has been capped at 2.8% as it is unlikely that increases in base salaries will continue to be provided as the superannuation guarantee levy percentage increases.

4.2.9 Materials and Contracts

The Local Government Cost Index (LGCI) for the year to September 2015 is 1.78%. In the Base Scenario the LGCI of 1.78% has been used. In the Improved Scenario, the LGCI of 1.78% has been used for financial year 2017 and then increased to 1.98% from financial year 2018 onwards in line with the increase in rates in the Improved Scenario. In the Strategic Scenario an increase of 3.1% is applied; this is the average LGCI for the past five years.

Base Scenario: 1.78%
Improved Scenario: 1.78% increase then 1.98% for financial year 2018 onwards
Strategic Scenario: 3.10%



4.2.10 Other Expenses

The Local Government Cost Index (LGCI) for the year to September 2015 is 1.78%. In the Base Scenario and the Improved Scenario the LGCI of 1.78% has been used. In the Strategic Scenario 1.78% has been used for financial year 2017 and from financial year 2018 onwards an increase of 3.1% is applied; this is the average LGCI for the past five years.

Base Scenario: 1.78%
Improved Scenario: 1.78%
Strategic Scenario: 1.78% increase then 3.10% for financial year 2018 onwards

4.2.11 Asset Renewals & New Assets

Expenditure includes the completion of works listed in the Strategic Asset Management Plan (Attachment 1). Total planned capital expenditure over the next 10 years is as follows:

Base Scenario: \$220 million over 10 years
Improved Scenario: \$250 million over 10 years
Strategic Scenario: \$275 million over 10 years

4.2.12 Long Term Operating Environment

The long term operating environment over the next 10 years is uncertain. In a worst case scenario another Global Financial Crisis (GFC) may occur. In a GFC the Council is affected most by the reduction in value of its investments. Council's investments have already been written down to their fair value which was done in consultation with the Council's auditors. This is a conservative approach that takes into consideration the uncertainty of the long term operating environment.

4.2.13 Future Interest Rates

It is uncertain whether future interest rates will be favourable or unfavourable. To reduce this uncertainty the majority of the Council's loans are on a fixed interest rate rather than a floating interest rate. Although the fixed interest rates are not fixed for the whole 10 year period it still provides a certain level of stability in the future interest expense.

4.2.14 Cash and Cash Equivalents



Any surplus cash will be invested in line with Council's Investment Policy. These investments will be limited to short term deposits which are classified as cash equivalents rather than investments.

4.2.15 Investment Properties

The Office of Local Government has determined that investment properties are to be valued at fair value in all cases; also, that full revaluations should be done every three years with a desktop valuation performed each year between the full revaluations. An annual growth rate of 3% has been used as an estimate in the value of the investment properties which are predominately located in the Newcastle LGA.

4.2.16 Rates Receivable

The rates receivable amount moves in line with total rating income for each year.

4.2.17 Depreciation

Depreciation moves in line with the increase in total infrastructure, property, plant and equipment. Total planned capital expenditure over the next 10 years is as follows:

Base Scenario: \$220 million over 10 years
Improved Scenario: \$250 million over 10 years
Strategic Scenario: \$275 million over 10 years

4.2.18 Provisions

In line with the Workforce Strategy 2013-2017, Council has a commitment to pay employee entitlements. Included in Provisions is a liability to pay Annual Leave, Long Service Leave and Sick Leave. It is expected that Annual Leave will be taken within the year that it is earned however the payments of accrued Long Service and Vested Sick Leave entitlements have been factored in when the employee reaches the age of 65.

4.2.19 Unexpected/Abnormal Events

During the next 10 years it is possible that some unexpected or abnormal events may occur. As these events are unknown they cannot be quantified at this time; as events of this nature occur and become quantifiable they will be incorporated annually into the Long Term Financial Plan.



In April 2015 a major storm caused extensive damage to the Port Stephens LGA, and this incurred major clean-up costs. This has resulted in higher than anticipated costs however this was an unexpected event that could not have been predicted.

4.2.20 Newcastle Airport Partnership

Under the Australian Accounting Standards Port Stephens Council is required to consolidate and report on its proportionate ownership of Newcastle Airport Partnership (NAP) which is 50%. The consolidation process requires the net profit to be included in the income statement and any related transactions eliminated e.g. the annual dividend.

To calculate Port Stephens Council's underlying result the NAP profit is deducted and the dividend received from NAP is added back. The consolidated profit from NAP has been forecasted out to the financial year 2026. The expected dividend to be received from NAP has been calculated at 50% of the consolidated profit.

4.2.21 Local Government Elections

To cover the cost of local government elections \$400,000 has been included in financial year 2017, 2021 and 2025.

4.2.22 Asset Backlog

As a result of the roads and drains revaluation in 2015, Council's depreciation models were updated to in order to align more closely with the actual deterioration of the asset. Council's asset backlog and required maintenance were also re-forecast.

All Scenarios assume that Council's capital and maintenance programs are sufficient in addressing and reducing the backlog which by 2020 will be less than the required 2% of infrastructure value. Maintenance programs are aimed at achieving 90-100% of the required asset maintenance each year and that the SAMP favours asset renewals which are greater than the depreciation expense incurred.



4.3 Improved Scenario

4.3.1 Introduction

The Improved Scenario of the Long Term Financial Plan shows the financial results of applying the following assumptions:

- The entire rate peg of 1.8% is applied to rating income for financial year 2017 and then increased to 2% from financial year 2018 onwards;
- An inflation forecast of 2.5% is applied to most sources of income

4.3.2 Financial Results

In the Improved Scenario the underlying operating result is a surplus of \$1,000,000 or more for every year of the 10 year Plan except for 2025-2026. This Scenario is sustainable and has been chosen as the preferred Scenario.



ITEM 6 - ATTACHMENT 2 DRAFT LONG TERM FINANCIAL PLAN 2016-2026.

4.3.3 Financial Statements

Improved Scenario – Income Statement

As at 30 June:	\$'000 2017	\$'000 2018	\$'000 2019	\$'000 2020	\$'000 2021	\$'000 2022	\$'000 2023	\$'000 2024	\$'000 2025	\$'000 2026
Revenue										
Rates & Annual Charges	52,902	54,160	55,443	56,752	58,087	59,449	60,838	62,255	63,700	65,174
User Fees and Charges	36,364	37,273	38,205	39,160	40,139	41,143	42,171	43,225	44,306	45,414
Operating Grants and Contributions	12,998	13,284	13,576	13,795	14,098	14,408	14,725	15,049	15,380	15,719
Capital Grants and Contributions	8,617	8,806	9,000	9,198	9,400	9,607	9,819	10,035	10,255	10,481
Interest & Investment Revenue	1,680	1,468	1,494	1,552	1,645	1,671	1,723	1,794	1,729	1,670
Other Revenues	5,618	5,758	5,902	6,050	6,201	6,356	6,515	6,678	6,845	7,016
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	118,428	121,000	123,870	126,757	129,821	132,884	136,041	139,286	142,465	145,723
Operating Expenses										
Employee Benefits & On-Costs	39,829	41,196	42,608	44,067	45,575	47,132	48,741	50,404	52,120	53,894
Borrowing Costs	841	669	520	403	304	230	170	112	92	76
Materials & Contracts	38,882	39,252	40,029	40,822	42,030	42,462	43,303	44,161	45,435	45,935
Depreciation & Amortisation	14,713	14,964	15,265	15,528	15,830	15,986	16,307	16,604	17,034	17,443
Other	12,490	12,712	12,936	13,169	13,403	13,642	13,885	14,132	14,383	14,639
Total Operating Expenses	106,754	108,794	111,381	113,989	116,942	119,452	122,407	125,411	129,064	131,987
Operating Surplus / (Deficit)	11,674	12,206	12,509	12,768	12,879	13,432	13,634	13,875	13,401	13,736
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	11,674	12,206	12,509	12,768	12,879	13,432	13,634	13,875	13,401	13,736
Net Operating Result before Capital Grants	3,058	3,400	3,509	3,570	3,478	3,825	3,815	3,840	3,146	3,255
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(615)	(663)	(683)	(703)	(725)	(746)	(769)	(792)	(816)	(840)
NAP Profit	(2,352)	(2,473)	(2,585)	(2,689)	(2,787)	(2,881)	(2,971)	(3,060)	(3,147)	(3,234)
NAP dividend	1,176	1,237	1,292	1,344	1,393	1,440	1,486	1,530	1,574	1,617
Underlying result	1,017	1,250	1,284	1,272	1,110	1,388	1,311	1,268	507	548



ITEM 6 - ATTACHMENT 2 DRAFT LONG TERM FINANCIAL PLAN 2016-2026.

Improved Scenario – Balance Sheet

	\$'000 2017	\$'000 2018	\$'000 2019	\$'000 2020	\$'000 2021	\$'000 2022	\$'000 2023	\$'000 2024	\$'000 2025	\$'000 2026
As at 30 June:										
ASSETS										
Current Assets										
Cash and Cash Equivalents	16,719	17,448	19,123	21,777	22,514	23,992	26,041	24,180	22,482	22,008
Investments	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Receivables	10,226	10,472	10,722	10,971	11,232	11,500	11,773	12,053	12,339	12,631
Inventories	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515
Total Current Assets	53,460	54,435	56,360	59,263	60,261	62,007	64,329	62,748	61,336	61,154
Non Current Assets										
Investments	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229
Infrastructure, Property, Plant & Equipment	861,591	868,627	875,362	881,835	891,205	900,219	908,912	922,308	935,274	947,831
Inventories	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153
Investment Properties	22,104	22,767	23,460	24,153	24,878	25,624	26,393	27,185	28,000	28,841
Intangibles	1,601	1,340	1,166	1,049	837	695	600	536	493	464
Total Non Current Assets	901,678	909,116	916,360	923,419	933,302	942,920	952,287	966,411	980,150	993,518
Total Assets	955,138	963,552	972,721	982,682	993,563	1,004,928	1,016,616	1,029,159	1,041,485	1,054,672
LIABILITIES										
Current Liabilities										
Trade & Other Payables	11,337	11,445	11,672	11,903	12,255	12,381	12,626	12,876	13,248	13,393
Borrowings	3,632	3,145	2,467	2,232	1,589	1,597	1,180	793	175	182
Provisions	15,661	15,922	16,030	15,988	16,398	16,321	16,254	16,379	16,252	16,257
Total Current Liabilities	30,629	30,512	30,168	30,122	30,242	30,299	30,060	30,049	29,675	29,833
Non Current Liabilities										
Trade & Other Payables	4,910	4,364	3,819	3,273	2,728	2,182	1,637	1,091	546	0
Borrowings	13,950	10,805	8,338	6,107	4,518	2,921	1,741	948	773	591
Provisions	477	492	508	525	542	559	577	596	615	635
Total Non-Current Liabilities	19,336	15,661	12,665	9,904	7,787	5,662	3,955	2,635	1,934	1,226
Total Liabilities	49,965	46,173	42,833	40,026	38,029	35,961	34,015	32,683	31,609	31,059
Net Assets	905,173	917,379	929,888	942,656	955,534	968,967	982,600	996,475	1,009,877	1,023,613
EQUITY										
Accumulated Surplus	542,747	554,953	567,462	580,230	593,108	606,541	620,174	634,049	647,450	661,186
Asset Revaluation Reserves	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426
Total Equity	905,173	917,379	929,888	942,656	955,534	968,967	982,600	996,475	1,009,877	1,023,613



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ITEM 6 - ATTACHMENT 2 DRAFT LONG TERM FINANCIAL PLAN 2016-2026.

Improved Scenario – Statement of Cash Flows

As at 30 June:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	52,161	53,915	55,192	56,504	57,825	59,181	60,564	61,975	63,414	64,882
User Charges & Fees	36,364	37,273	38,205	39,160	40,139	41,143	42,171	43,225	44,306	45,414
Interest & Investment Revenue Received	1,680	1,468	1,494	1,552	1,645	1,671	1,723	1,794	1,729	1,670
Grants & Contributions	21,615	22,090	22,576	22,993	23,499	24,016	24,544	25,084	25,636	26,200
Other	5,618	5,758	5,902	6,050	6,201	6,356	6,515	6,678	6,845	7,016
Payments:										
Employee Benefits & On-Costs	(40,135)	(41,473)	(42,732)	(44,042)	(45,003)	(47,073)	(48,693)	(50,547)	(52,013)	(53,919)
Materials & Contracts	(38,123)	(38,814)	(39,710)	(40,507)	(41,837)	(42,043)	(43,003)	(43,865)	(45,261)	(45,535)
Borrowing Costs	(841)	(669)	(520)	(403)	(304)	(230)	(170)	(112)	(92)	(76)
Other	(13,651)	(13,436)	(13,838)	(14,435)	(13,447)	(15,205)	(15,255)	(15,163)	(15,719)	(16,200)
Net Cash provided (or used in) Operating Activities	24,688	26,111	26,569	26,871	27,719	27,817	28,396	29,070	28,845	29,451
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(20,000)	(22,000)	(22,000)	(22,000)	(25,000)	(25,000)	(25,000)	(30,000)	(30,000)	(30,000)
Net Cash provided (or used in) Investing Activities	(19,750)	(21,750)	(21,750)	(21,750)	(24,750)	(24,750)	(24,750)	(29,750)	(29,750)	(29,750)
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings & Advances	(3,767)	(3,632)	(3,145)	(2,467)	(2,232)	(1,589)	(1,597)	(1,180)	(793)	(175)
Net Cash Flow provided (used in) Financing Activities	(3,767)	(3,632)	(3,145)	(2,467)	(2,232)	(1,589)	(1,597)	(1,180)	(793)	(175)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,171	730	1,675	2,654	737	1,478	2,049	(1,860)	(1,698)	(474)
plus: Cash - beginning of year	15,547	16,719	17,448	19,123	21,777	22,514	23,992	26,041	24,180	22,482
Cash - end of the year	16,719	17,448	19,123	21,777	22,514	23,992	26,041	24,180	22,482	22,008
plus: Investments - end of the year	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229
Total Cash & Investments - end of the year	41,948	42,677	44,352	47,006	47,743	49,221	51,270	49,409	47,711	47,237
Less restricted Cash (NAL)	(10,720)	(10,607)	(11,846)	(13,033)	(14,155)	(15,195)	(16,140)	(16,974)	(17,682)	(18,248)
Cash, Cash Equivalents & Investments - end of the year (unrestricted)	31,227	32,071	32,506	33,973	33,588	34,026	35,130	32,435	30,029	28,989



ITEM 6 - ATTACHMENT 2 DRAFT LONG TERM FINANCIAL PLAN 2016-2026.

Fit for the Future

Ratio	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Performance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Own Source Operating Revenue	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Debt Service Coverage	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset Backlog *	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓
Asset Maintenance **	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset Renewal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operating Expenditure Per Capita ***	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note:

* The Asset Backlog has only been calculated out to 2020 where it is assumed maintenance programs will ensure the backlog remains under the required %

** Although the target for asset maintenance is 100% of the required maintenance, Port Stephens Council sets a benchmark of 95% because spending more than this is considered an inefficient use of resources.

*** The base year for the purpose of the discounting the opex per capita is 2017



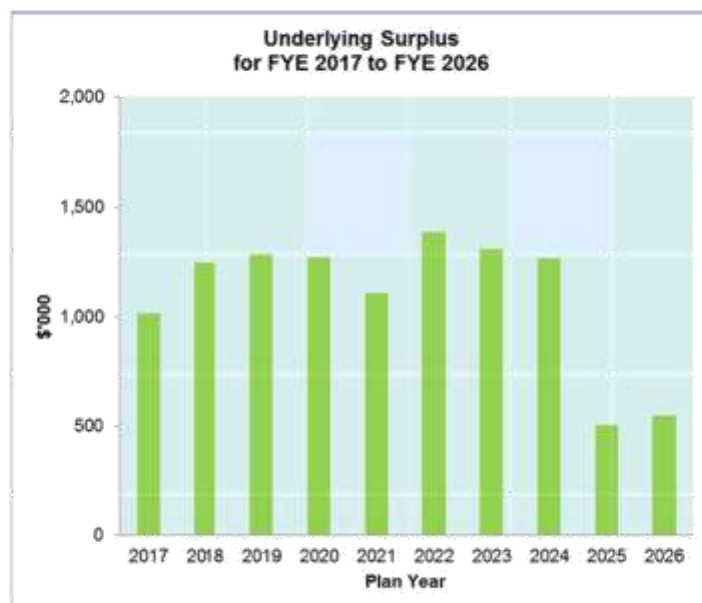


Figure 3: Improved Scenario - Underlying Operating Result

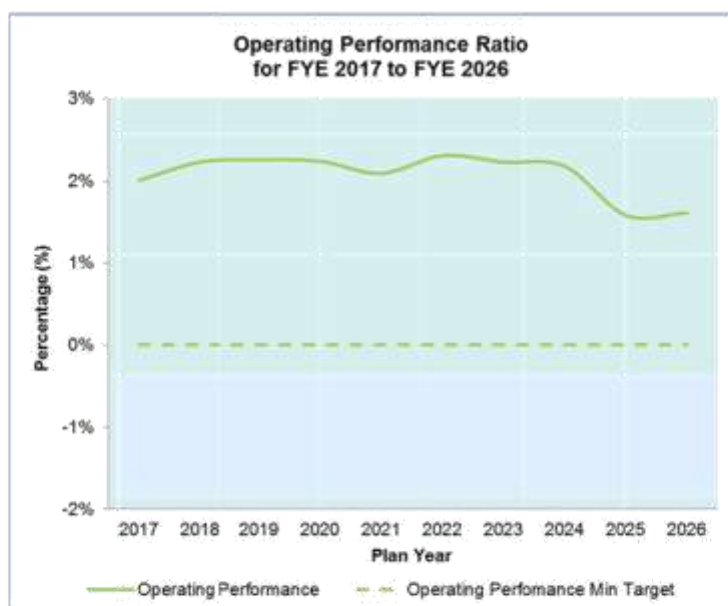


Figure 4: Improved Scenario - Operating Performance Ratio



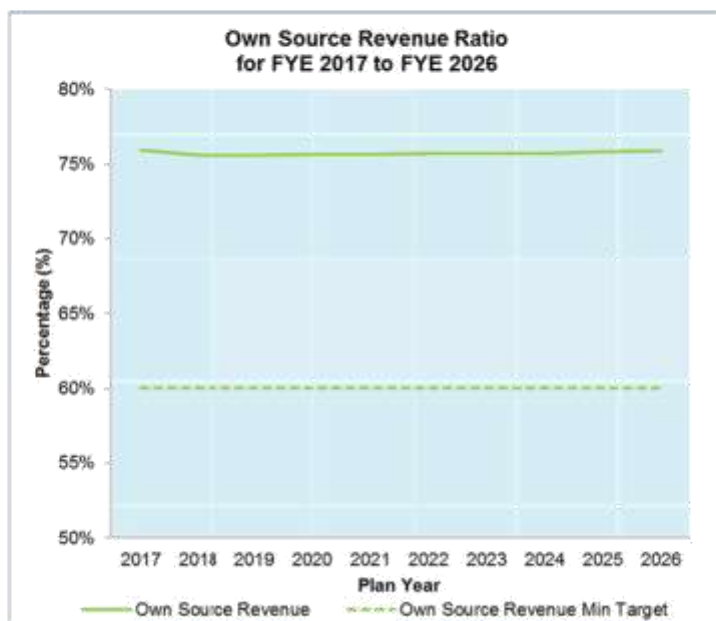


Figure 5: Improved Scenario – Own Source Operating Revenue Ratio

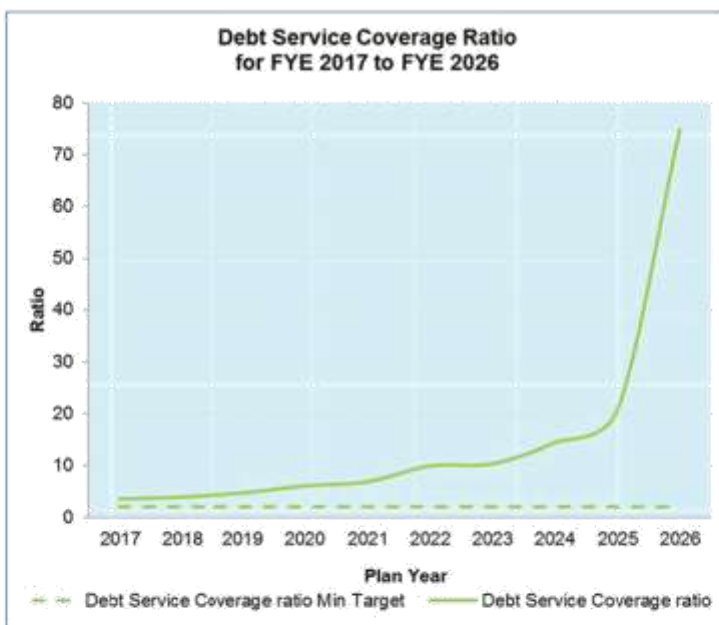


Figure 6: Improved Scenario – Debt Service Cover Ratio



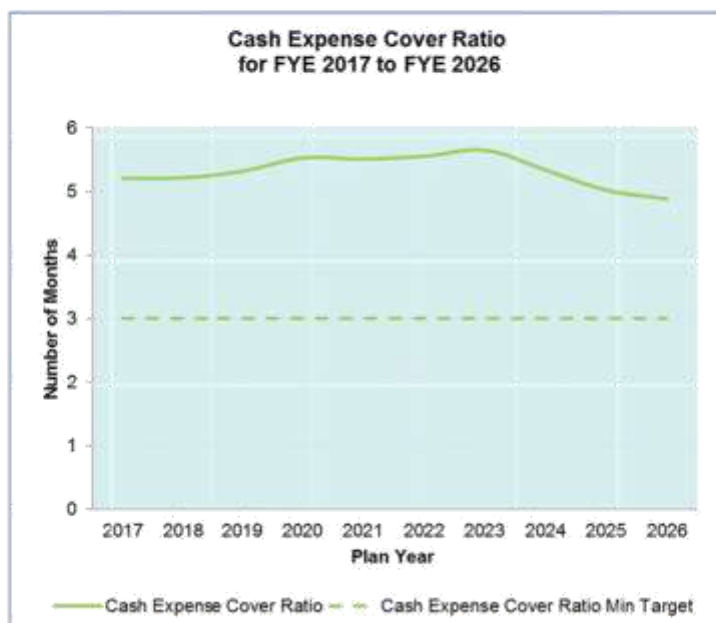


Figure 7: Improved Scenario – Cash Expense Cover Ratio

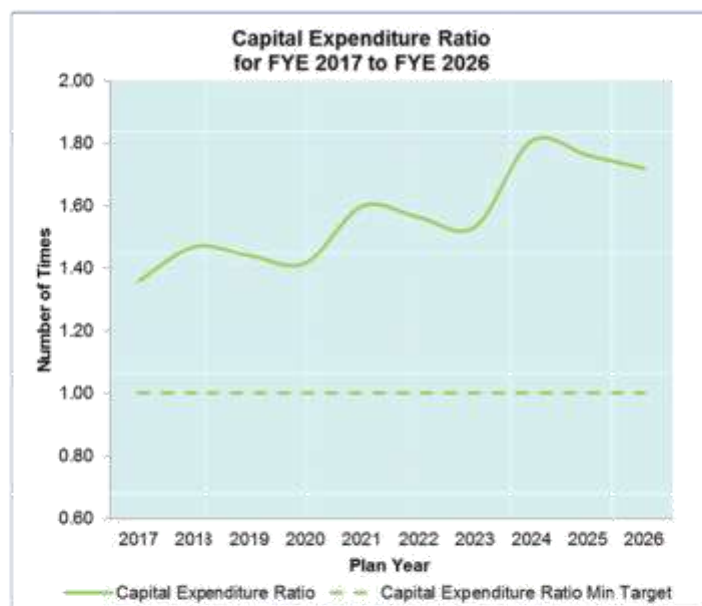


Figure 8: Improved Scenario – Capital Expenditure Ratio



5. Long Term Borrowing Strategies

The areas covered by this section are:

- Background to Council's current debt portfolio;
- Future loan strategies.

5.1 Background to Council's Current Debt Portfolio

The table below outlines Council's position in respect of all interest bearing liabilities and the break down between loan borrowings and other long term debt during the past six financial years.

Debt Type	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2015 \$'000
Loan borrowings	47,535	35,987	30,716	26,319	20,497	16,768
Other long term debt	2,996	2,805	2,173	1,472	6,548	6,365
Total	50,531	38,792	32,889	27,791	27,045	23,133

Table 4: Current Debt Portfolio

Council has been successful in receiving loan funds at a subsidised interest rate as part of the State government Local Infrastructure Renewal Scheme (LIRS). The initial application was to provide an additional \$1 million for an extensive road resealing/rehabilitation program designed to improve the condition of the overall road network. The second application was to provide \$2 million for the rehabilitation and re-sheeting of assets.

As part of the first round of applications, Council was required to be independently reviewed to determine the financial sustainability of the organisation. This review was conducted by NSW Treasury Corporation which concluded that Council is financially sustainable and could afford more debt in the short term to fund asset renewal.

This review also complimented an independent internal audit that was conducted to review the short/medium and long term financial sustainability of the organisation. This audit, while concluding that the annual spend on asset renewal was not currently optimal, showed the potential for significant positive cash movements in the short/medium and long term.

A summary of the LIRS loans are shown below:



Round One	\$1,000,000 borrowed in April 2013
Round Two	\$2,000,000 borrowed in April 2014

At a Council meeting held on 8 December 2015 it was resolved to borrow \$2.367 million to fund Ferodale Sports Complex – stage one implementation. The proposed building design is based on it being a multi-purpose community facility similar to what Council provides in many other areas across the local government area. The proposal expands the opportunity for organised sporting events as well as informal community interaction at a range of levels. This loan will be taken out either during financial year 2016 or financial year 2017.

The cost of borrowing has been decreasing over recent years making the present time a favourable time to borrow. Council's fixed weighted average interest rate decreased from 3.78% at 30 June 2014 to 3.62% at 30 June 2015.

5.2 Future Loan Strategies

5.2.1 What is Council's philosophy on debt?

Many NSW councils are debt averse and view the achievement of a low level of debt or even debt free status as a primary goal. Others see the use of loan funding as being a critical component of the funding mix to deliver much needed infrastructure to the community.

The use of loans to fund capital expenditure can be an effective mechanism to link the payment for the asset (via debt redemption payments) to the successive councils' populations who receive benefits over the life of that asset. This matching concept is frequently referred to as 'inter-generational equity'.

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, the then named Samurai Beach Resort, Newcastle Airport and the Commercial Property portfolio. This Long Term Financial Plan advocates an expansion of the existing policy's scope.

5.2.2 Measuring what level of debt is appropriate

The 2006 Allen Inquiry into the Financial Sustainability of NSW Local Government gave significant consideration to the role of borrowings as a funding option for NSW councils. The Allen Inquiry's suggestion of using debt has been used by Council however it is not Council's strategy to use excessive levels of debt.



6. Long Term Restricted Asset Usage Strategies

Councils in NSW have traditionally operated with Restricted Asset funds that are amounts of money set aside for specific purposes in later years. In general these funds do not have bank accounts of their own but are a theoretical split up of the accumulated cash surplus that a council has on hand.

Background

Local Government will continue into the foreseeable future to be challenged by a tightening cash position through increasing demands for cash for daily operations, restricted rate income levels, increasing demands for expenditure on new infrastructure and the maintenance and rehabilitation of existing infrastructure. Port Stephens Council is certainly subject to these same pressures, exacerbated by high growth in population and development activity, significant environmental responsibilities and an added responsibility as a quality tourist destination.

A strategic financial response to these pressures is necessary for Port Stephens Council to remain a sustainable community leader.

Objective

Council will from time to time decide, or be required by legislation, to set aside funds for specific purposes for which clear guidelines are set to ensure Council's Cash Position and Investment Portfolio are adequate and managed responsibly.

Principles

- 1) Council is the custodian of financial and built assets on behalf of the Port Stephens community.
- 2) Council provides works, services and facilities to the community through limited financial means.
- 3) Council is required to operate within the framework and supporting guidelines of:
 - *Local Government Act (NSW) 1993*
 - Local Government Code of Accounting Practice and Financial Reporting
 - Local Government Asset Accounting Manual
 - Australian Accounting Standards
- 4) A strategic financial plan and associated policies are required to support Council's service delivery and asset management strategies, ensuring long term financial viability.



Policy Statement

- Council will set aside funds as required from time to time by specific legislation. These funds will be managed and accounted for so as to comply with the relevant legislation.
- Council will also from time to time set aside additional funds for Council's specific purposes.
- Restricted Funds will be reported in the Annual Financial Statements and reviewed annually against the specified requirements of each fund.
- Restricted Funds will be reviewed at least quarterly against the Annual Budget by the Section Manager accountable for that fund.
- Each specific fund shall be approved by Council and must be supported by a statement which outlines the following:
 - Purpose of Restricted Funds
 - Source of funds
 - The apportionment of interest earned on cash held for that fund
 - A specific statement including targets, sinking funds, timeframes for accumulation and expenditure of funds
 - Accountability for the collection, management and expenditure of that fund
 - Relevant legislation or Council Minute supporting the creation of the fund.
- Creation of all restricted funds shall be in accordance with this policy.
- Expenditure of Restricted Funds shall be in strict accordance with the approved Budget, and expenditure shall not exceed funds available without specific Council Resolution.
- Budgeting for the expenditure of profits from land development activities will only occur after the physical receipt of sale proceeds by Council.
- All Restricted Funds are to be 100% cash backed.



Related Council Policies

- Cash Investment Policy
- Property Investment Policy
- Beach Vehicles Policy
- Community Groups Loans Policy

Review Date

Review of this policy will be undertaken 12 months after the date of its adoption by Council. Should amendments to the relevant legislation occur within that 12 month period, review will take place as near as possible to the commencement of such amendments.

Relevant Legislative Provisions

- *Local Government Act (NSW) 1993*
- *Code of Accounting Practice and Financial Reporting*
- *Environmental Planning and Assessment Act (NSW) 1979*
- *Crown Lands Act (NSW) 1989*
- *Department of Lands – Crown Lands Caravan Park Policy (April 1990)*

Implementation Responsibility

Financial Services Section

Definitions

Externally Restricted Funds refers to those funds which have an external restriction, whether by statute or otherwise, which governs the management of money held within the fund.

Internally Restricted Funds refers to those funds which Council has adopted to set up, to hold monies for specific purposes. The operation of such funds is purely governed by Council.

Internal Loans refers to those monies transferred within Council to cover identified projects, where the money is to be repaid to the restricted fund from a specified source. Internal Loans are subject to specific Council approval.

The following section outlines what restricted assets Council currently holds, their purpose and recommendations for their future.



6.1 Nature and Purpose of Current Restricted Assets

The more material current restricted asset funds held by Port Stephens Council are:

- Deposits, Retentions and Bonds
- Bonds held for Developers' Works
- Section 94/94a Developer Contributions
- Specific Purpose Unexpended Grants
- Domestic Waste Management
- Crown Holiday Parks
- Carparking Meters Crown Lands
- Employee Leave Entitlements
- Capital Asset Reserve
- Drainage reserve
- Election Reserve
- IT Reserve
- Newcastle Airport Partnership
- Section 355c Committees
- Unexpended loan funds

6.1.1 Deposits, Retentions and Bonds

Purpose:	An external restriction is placed on deposits, retentions and bonds held by Council.
Source of Funds:	Any person or company that has paid a deposit, retention monies or bond to Council.

6.1.2 Bonds held for Developer's Works

Purpose:	An external restriction is placed on bonds held by Council.
Source of Funds:	Any developer that has paid a bond to Council.



6.1.3 Section 94/94a Developer Contributions

Purpose:	Section 94 of the <i>Environmental Planning & Assessment Act 1979</i> enables Council to levy contributions as a consequence of development. These contributions are essential in providing quality facilities and services to an expanding local population. The Act requires Council to set these funds aside to be used specifically for the provision of these facilities and services.
Source of Funds:	Developer Contributions as levied in accordance with Council's adopted Section 94 Plan.

6.1.4 Specific Purpose Unexpended Grants

Purpose:	An external restriction is placed on grant funding that has been received for a specific purpose that has not been spent by the end of the financial year.
Source of Funds:	Grant funding that is for a specific purpose is provided to Council from various sources.

6.1.5 Domestic Waste Management

Purpose:	By virtue of Section 496 of the <i>Local Government Act 1993</i> (as amended), Council must levy a separate charge for domestic waste management services, which include garbage and recycling services. Under the legislation Council cannot finance these services from ordinary rates so the charge must be sufficient to recover reasonable costs of providing these services. Council is obliged to set these funds aside and use them for their specific purpose.
Source of Funds:	Domestic Waste Services & Management Levy.

6.1.6 Crown Holiday Parks

Purpose:	Net profits from Holiday Parks on Crown Land are retained for reinvestment back into Holiday Parks on Crown Land.
Source of Funds:	Surplus from the Holiday Parks on Crown Land.

6.1.7 Carparking Meters Crown Lands

Purpose:	This restricted asset is to set aside funds which are collected from parking meters situated on Crown Land which is required to be reinvested into that area.
Source of Funds:	Revenue collected from parking meters on Crown Land.



6.1.8 Employee Leave Entitlements

Purpose:	To provide funds for employee leave entitlements which have been accrued but not yet paid.
Source of Funds:	General revenue.

6.1.9 Capital Asset Reserve

Purpose:	This restricted asset is to set aside funds for major capital works projects.
Source of Funds:	Various sources.

6.1.10 Drainage Reserve

Purpose:	This restricted asset is to set aside funds to fund drainage works.
Source of Funds:	Various sources.

6.1.11 Election Reserve

Purpose:	To provide funds for the Local Government Elections which are conducted every four years.
Source of Funds:	Funds provided annually from general revenue.

6.1.12 IT Reserve

Purpose:	This restricted asset is to fund the information technology needs of Council.
Source of Funds:	General revenue.

6.1.13 Newcastle Airport Partnership

Purpose:	To set aside Council's share of Newcastle Airport Partnership's cash, cash equivalents and investments.
Source of Funds:	Newcastle Airport Partnership.



6.1.14 Section 355c Committees

Purpose:	Section 355(c) of <i>the Local Government Act, 1993</i> allows Council to delegate certain functions. A section 355(c) Committee is an entity of Port Stephens Council and as such is subject to the same legislation, accountability and probity requirements as Council. Funds are set aside for Section 355(c) purposes.
Source of Funds:	Various sources.

6.1.15 Unexpended Loan Funds

Purpose:	To restrict the use of cash which has been borrowed externally for a specific purpose but not yet spent.
Source of Funds:	Funds borrowed from banks.



7. Rating and Annual Charge Strategies

7.1 Assessment of Current Rating Levels

Comparison of Rates with other councils

Comparison of rating between councils is affected by the rating and charging strategies they have each adopted. Some councils rely solely on the ordinary rate for rate income while others levy special rates and annual charges for specific purposes that supplement ordinary rate income.

Income from ordinary rates, special rates and drainage services are subject to State government rate pegging while domestic waste management service annual charges are limited to recovering the reasonable cost of providing those services.

Councils may choose a mix of ordinary and special rates and vary those from year to year, however the annual increase in total rate income from all rates is not to exceed the percentage specified by IPART each year.

The NSW Office of Local Government (OLG) publishes annual comparative information on council rating, financial indicators, service costs and service performance. The information is separated into 11 groups of similar councils based on size and character. Port Stephens Council is placed within OLG category 4.



7.2 Rates and Annual Charges Income

7.2.1 Special Rates

Council currently has no special rates. Council has had experience with two special rates, the Nelson Bay Town Improvement Special Rate and the Nelson Bay Town Improvement Promotion Special Rates A and B. Approval for both of those variations have either expired or been discontinued.

At this time Council does not have any intention to seek approval to levy any other special rates.

7.2.2 Rate Pegging and Special Variation

Councils are subject to rate pegging in New South Wales restricting total rate income to the prior year's notional income plus a percentage increase as allowed by Independent Pricing and Regulatory Tribunal (IPART). This has been factored into this Plan: refer to Financial Assumptions.

Council has had a number of historical special variations to its notional general income. With the exception of part of one of these, all of the income from these special variations has been tied to providing additional works or services. Two of the special variations were for a fixed term requiring a reduction to Council's notional general income when the approval expired.

In 2006-2007 Council was granted a special variation to its rate income of 9.96% to fund road rehabilitation, environmental protection programs and to move towards achieving long term financial sustainability. Council was granted another special variation to its rate income in 2008-2009 to increase business rates to fund its Economic Development Plan.

Council applied for a special variation to its rate income for the four years commencing 2010-2011 to implement asset and infrastructure maintenance and renewal as identified in Council's asset management plans. The application was not successful.

No special variation has been factored into this Plan. Due to Sustainability Reviews, current operating and satisfaction levels and sound financial management practices, modelling suggests no special rate variation is warranted. This is a conservative approach and if at some point in the future it becomes likely that the Council is required to apply for a special variation then future iterations of this Plan will be amended to reflect that change.



7.3 Future Rating and Annual Charge Options

7.3.1 Ordinary Rates

In order to assess the adequacy of rate income to fund Council activities into the future it is necessary to estimate future rate income. This has been performed in all three Scenarios in this Plan. It is at Council's discretion whether the full rate peg is applied.

7.3.2 Annual Charges

Stormwater Management Services Annual Charges

The maximum amount of individual annual charges for stormwater management services is regulated. Clause 125A of the Local Government (General) Regulation prevents Council from levying a stormwater management services annual charge as it obtained a special variation to its general rate income in 1997-1998 for the provision of stormwater management services. Council received a permanent 3.065061% increase to its ordinary rate income in 1997-1998 for stormwater management services. The maximum amount that could potentially be raised under the statutory formula, should Council be eligible to do so, has been calculated and is less than the amount raised by the enduring special variation to general income. Council has not identified any other new sources of general income that are a viable alternative to ordinary rate income.



Appendices

Appendix 1: Base Scenario

1.1 Introduction

The Base Scenario of the Long Term Financial Plan shows the financial results of applying the following assumptions:

- The entire rate peg of 1.8% is applied to rating income
- An inflation forecast of 2% is applied to most sources of income

1.2 Financial Results

In the Base Scenario the underlying result deteriorates each year of the Plan and a large deficit of almost \$2,000,000 is reached by financial year 2026. Although the entire rate peg has been applied this Scenario is not financially sustainable and has not been selected as the preferred Scenario.



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1.3 Financial Statements

Base Scenario – Income Statement

As at 30 June:	\$'000 2017	\$'000 2018	\$'000 2019	\$'000 2020	\$'000 2021	\$'000 2022	\$'000 2023	\$'000 2024	\$'000 2025	\$'000 2026
Revenue										
Rates & Annual Charges	52,905	54,057	55,230	56,424	57,640	58,877	60,137	61,420	62,725	64,054
User Fees and Charges	36,213	36,937	37,676	38,430	39,198	39,982	40,782	41,597	42,429	43,278
Operating Grants and Contributions	12,977	13,237	13,501	13,691	13,965	14,244	14,529	14,820	15,116	15,419
Capital Grants and Contributions	8,608	8,780	8,955	9,135	9,317	9,504	9,694	9,888	10,085	10,287
Interest & Investment Revenue	1,674	1,133	1,130	1,147	1,181	1,237	1,305	1,375	1,468	1,558
Other Revenues	5,593	5,705	5,819	5,936	6,054	6,175	6,299	6,425	6,553	6,685
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	118,219	120,099	122,563	125,012	127,606	130,270	132,996	135,775	138,627	141,530
Operating Expenses										
Employee Benefits & On-Costs	39,829	41,196	42,608	44,067	45,575	47,187	48,911	50,578	52,300	54,079
Borrowing Costs	841	669	520	403	304	230	170	112	92	76
Materials & Contracts	38,876	39,170	39,867	40,577	41,699	42,041	42,789	43,551	44,726	45,122
Depreciation & Amortisation	14,713	15,086	15,383	15,642	15,741	16,002	16,232	16,439	16,630	16,808
Other	12,490	12,712	12,938	13,169	13,403	13,642	13,885	14,132	14,383	14,639
Total Operating Expenses	106,749	108,833	111,317	113,859	116,722	119,102	121,987	124,812	128,131	130,724
Operating Surplus / (Deficit)	11,470	11,265	11,246	11,153	10,884	11,169	11,008	10,963	10,496	10,807
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	11,470	11,265	11,246	11,153	10,884	11,169	11,008	10,963	10,496	10,807
Net Operating Result before Capital Grants	2,862	2,486	2,290	2,019	1,567	1,665	1,315	1,076	411	520
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(612)	(663)	(683)	(703)	(725)	(746)	(769)	(792)	(816)	(840)
NAP Profit	(2,291)	(2,350)	(2,396)	(2,432)	(2,459)	(2,479)	(2,492)	(2,501)	(2,504)	(2,503)
NAP dividend	1,145	1,175	1,198	1,216	1,230	1,240	1,246	1,250	1,252	1,252
Underlying result	855	397	159	(151)	(637)	(571)	(950)	(1,216)	(1,907)	(1,822)



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Base Scenario – Balance Sheet

	\$'000 2017	\$'000 2018	\$'000 2019	\$'000 2020	\$'000 2021	\$'000 2022	\$'000 2023	\$'000 2024	\$'000 2025	\$'000 2026
As at 30 June:										
ASSETS										
Current Assets										
Cash and Cash Equivalents	12,530	12,450	12,989	14,154	16,018	18,260	20,619	23,695	26,701	30,676
Investments	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Receivables	10,209	10,423	10,641	10,855	11,080	11,310	11,545	11,784	12,027	12,275
Inventories	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515
Total Current Assets	49,254	49,388	50,145	51,523	53,613	56,085	58,679	61,994	65,243	69,466
Non-Current Assets										
Investments	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229
Infrastructure, Property, Plant & Equipment	865,591	872,505	879,122	885,480	891,739	897,737	903,505	909,066	914,436	919,629
Inventories	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153
Investment Properties	22,104	22,767	23,450	24,153	24,878	25,624	26,393	27,185	28,000	28,841
Intangibles	1,601	1,340	1,166	1,049	837	695	600	536	493	464
Total Non-Current Assets	905,678	912,994	920,120	927,064	933,836	940,438	946,880	953,169	959,312	965,315
Total Assets	954,932	962,383	970,265	978,587	987,449	996,523	1,005,559	1,015,163	1,024,555	1,034,782
LIABILITIES										
Current Liabilities										
Trade & Other Payables	11,336	11,421	11,624	11,831	12,158	12,258	12,476	12,698	13,041	13,157
Borrowings	3,632	3,145	2,467	2,232	1,589	1,597	1,180	793	175	182
Provisions	15,661	15,922	16,030	15,988	16,398	16,321	16,254	16,379	16,252	16,257
Total Current Liabilities	30,628	30,488	30,121	30,051	30,145	30,176	29,911	29,871	29,468	29,596
Non-Current Liabilities										
Trade & Other Payables	4,910	4,364	3,819	3,273	2,728	2,182	1,637	1,091	546	0
Borrowings	13,950	10,805	8,338	6,107	4,518	2,921	1,741	948	773	591
Provisions	477	492	508	525	542	559	577	596	615	635
Total Non-Current Liabilities	19,336	15,661	12,665	9,904	7,787	5,662	3,955	2,635	1,934	1,226
Total Liabilities	49,964	46,149	42,786	39,955	37,932	35,838	33,866	32,506	31,402	30,822
Net Assets	904,968	916,234	927,479	938,633	949,517	960,685	971,694	982,657	993,153	1,003,960
EQUITY										
Accumulated Surplus	542,542	553,808	565,053	576,207	587,091	598,259	609,268	620,231	630,727	641,534
Asset Revaluation Reserves	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426
Total Equity	904,968	916,234	927,479	938,633	949,517	960,685	971,694	982,657	993,153	1,003,960



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Base Scenario – Statement of Cash Flows

	\$'000 2017	\$'000 2018	\$'000 2019	\$'000 2020	\$'000 2021	\$'000 2022	\$'000 2023	\$'000 2024	\$'000 2025	\$'000 2026
As at 30 June:										
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	52,181	53,843	55,012	56,210	57,414	58,647	59,903	61,181	62,482	63,806
User Charges & Fees	36,213	36,937	37,676	38,430	39,198	39,982	40,782	41,597	42,429	43,278
Interest & Investment Revenue Received	1,674	1,133	1,130	1,147	1,181	1,237	1,305	1,375	1,468	1,558
Grants & Contributions	21,585	22,016	22,457	22,826	23,282	23,748	24,223	24,708	25,202	25,706
Other	5,593	5,705	5,819	5,936	6,054	6,175	6,299	6,425	6,553	6,685
Payments:										
Employee Benefits & On-Costs	(40,135)	(41,473)	(42,732)	(44,042)	(46,003)	(47,128)	(48,863)	(50,722)	(52,192)	(54,104)
Materials & Contracts	(38,117)	(38,709)	(39,525)	(40,238)	(41,481)	(41,595)	(42,462)	(43,228)	(44,524)	(44,692)
Borrowing Costs	(841)	(669)	(520)	(403)	(304)	(230)	(170)	(112)	(92)	(76)
Other	(13,654)	(13,482)	(13,884)	(14,484)	(13,497)	(15,257)	(15,309)	(15,219)	(15,777)	(16,260)
Net Cash provided (or used in) Operating Activities	24,499	25,302	25,434	25,381	25,846	25,581	25,706	26,006	25,549	25,900
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)
Net Cash provided (or used in) Investing Activities	(21,750)	(21,750)	(21,750)	(21,750)	(21,750)	(21,750)	(21,750)	(21,750)	(21,750)	(21,750)
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings & Advances	(3,767)	(3,632)	(3,145)	(2,467)	(2,232)	(1,589)	(1,597)	(1,180)	(793)	(175)
Net Cash Flow provided (used in) Financing Activities	(3,767)	(3,632)	(3,145)	(2,467)	(2,232)	(1,589)	(1,597)	(1,180)	(793)	(175)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,017)	(80)	539	1,165	1,864	2,242	2,360	3,076	3,006	3,975
plus: Cash - beginning of year	13,547	12,530	12,450	12,989	14,154	16,018	18,260	20,619	23,695	26,701
Cash - end of the year	12,530	12,450	12,989	14,154	16,018	18,260	20,619	23,695	26,701	30,676
plus: Investments - end of the year	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229
Total Cash & Investments - end of the year	37,759	37,679	38,218	39,383	41,247	43,489	45,848	48,924	51,930	55,905
Less restricted Cash (NAL)	(10,722)	(10,576)	(11,754)	(12,847)	(13,840)	(14,717)	(15,461)	(16,056)	(16,485)	(16,728)
Cash, Cash Equivalents & Investments - end of the year (unrestricted)	27,036	27,103	26,464	26,535	27,407	28,772	30,387	32,868	35,445	39,177



Fit for the Future

Ratio	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Performance	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗
Own Source Operating Revenue	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Debt Service Coverage	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset Backlog *	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓
Asset Maintenance **	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset Renewal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operating Expenditure Per Capita ***	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗

Note:

* The Asset Backlog has only been calculated out to 2020 where it is assumed maintenance programs will ensure the backlog remains under the required %

** Although the target for asset maintenance is 100% of the required maintenance, Port Stephens Council sets a benchmark of 95% because spending more than this is considered an inefficient use of resources.

*** The base year for the purpose of the discounting the operating expenditure per capita is 2017



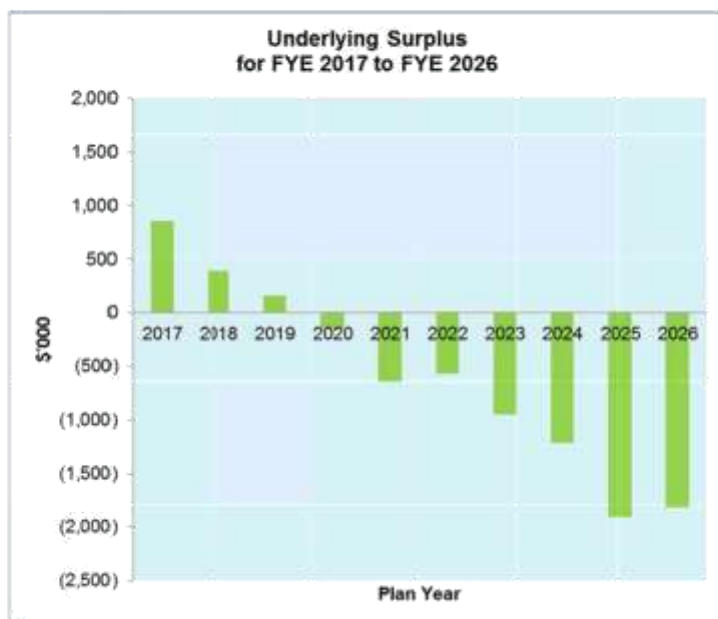


Figure 9: Base Scenario - Underlying Operating Result



Figure 10: Base Scenario – Operating Performance Ratio





Figure 11: Base Scenario – Own Source Operating Revenue Ratio

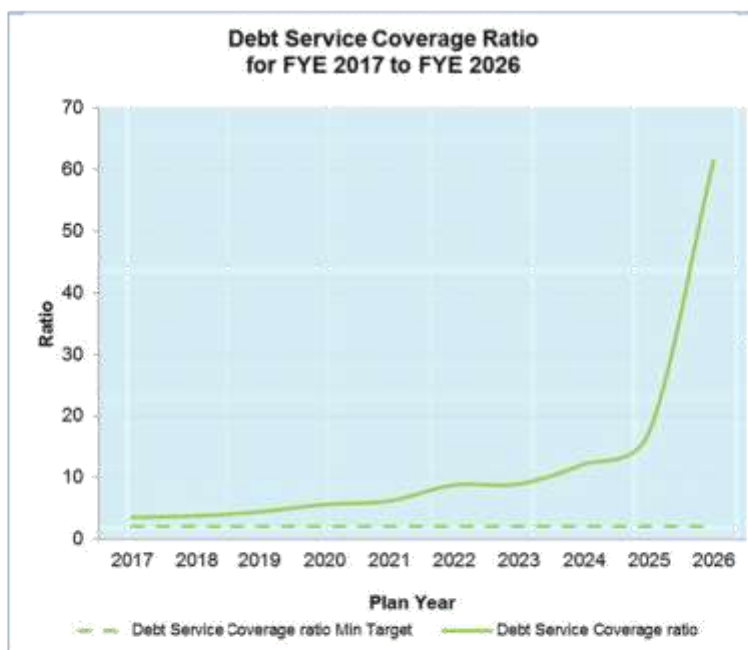


Figure 12: Base Scenario – Debt Service Cover Ratio



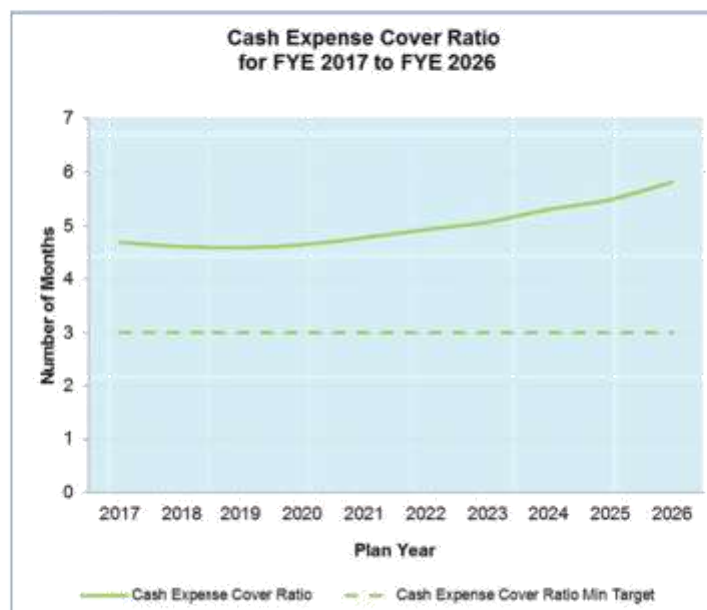


Figure 13: Base Scenario – Cash Expense Cover Ratio

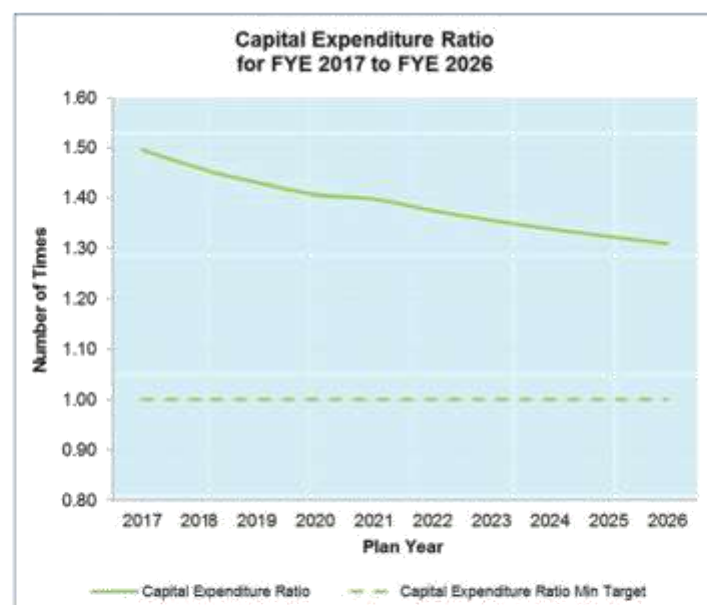


Figure 14: Base Scenario – Capital Expenditure Ratio



Appendix 2: Strategic Scenario

2.1 Introduction

The Strategic Scenario of the Long Term Financial Plan shows the financial results of applying the following assumptions:

- The entire rate peg of 1.8% is applied to rating income for financial year 2017 then an increase of 2.9% is applied to rating income, this is the average rate peg for the past five years
- An inflation forecast of 3% is applied to most sources of income

2.2 Financial Results

In the Strategic Scenario the underlying operating result is a surplus of \$1,000,000 or more for most years of the 10 year plan. This Scenario is sustainable but has not been chosen as the preferred Scenario as it contains some assumptions which are quite optimistic.



2.3 Financial Statements

Strategic Scenario – Income Statement

As at 30 June:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue										
Rates & Annual Charges	52,889	54,623	56,407	58,243	60,132	62,075	64,076	66,134	68,252	70,431
User Fees and Charges	36,515	37,610	38,739	39,901	41,098	42,331	43,601	44,909	46,256	47,644
Operating Grants and Contributions	13,081	13,473	13,877	14,213	14,640	15,079	15,531	15,997	16,477	16,972
Capital Grants and Contributions	8,653	8,913	9,180	9,456	9,739	10,031	10,332	10,642	10,962	11,291
Interest & Investment Revenue	1,686	1,287	1,212	1,181	1,198	1,269	1,184	1,131	1,132	1,158
Other Revenues	5,642	5,812	5,986	6,166	6,351	6,541	6,737	6,939	7,148	7,362
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	118,717	121,968	125,651	129,409	133,408	137,577	141,712	146,003	150,477	155,107
Operating Expenses										
Employee Benefits & On-Costs	39,829	41,196	42,608	44,067	45,575	47,132	48,741	50,404	52,120	53,894
Borrowing Costs	841	669	520	403	304	230	170	112	92	76
Materials & Contracts	38,907	39,713	40,945	42,214	43,922	44,884	46,275	47,710	49,589	50,726
Depreciation & Amortisation	14,713	15,269	15,652	15,995	16,174	16,513	16,971	17,400	17,806	18,192
Other	12,504	12,892	13,291	13,704	14,128	14,566	15,018	15,483	15,963	16,458
Total Operating Expenses	106,793	109,740	113,017	116,383	120,104	123,326	127,176	131,109	135,570	139,346
Operating Surplus / (Deficit)	11,923	12,228	12,634	13,027	13,304	14,251	14,536	14,895	14,906	15,761
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	11,923	12,228	12,634	13,027	13,304	14,251	14,536	14,895	14,906	15,761
Net Operating Result before Capital Grants	3,270	3,315	3,454	3,571	3,565	4,220	4,203	4,252	3,945	4,471
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(618)	(663)	(683)	(703)	(725)	(746)	(769)	(792)	(816)	(840)
NAP Profit	(2,412)	(2,597)	(2,775)	(2,949)	(3,121)	(3,292)	(3,464)	(3,639)	(3,816)	(3,998)
NAP dividend	1,206	1,298	1,387	1,474	1,560	1,646	1,732	1,819	1,908	1,999
Underlying result	1,196	1,104	1,133	1,143	1,030	1,578	1,452	1,391	971	1,382



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Strategic Scenario – Balance Sheet

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ASSETS										
Current Assets										
Cash and Cash Equivalents	6,953	5,060	4,298	4,732	6,495	4,380	3,056	3,077	3,723	6,094
Investments	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Receivables	10,248	10,571	10,902	11,236	11,587	11,949	12,321	12,704	13,099	13,505
Inventories	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515	2,515
Total Current Assets	43,716	42,146	41,716	42,483	44,597	42,843	41,892	42,296	43,336	46,114
Non Current Assets										
Investments	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229
Infrastructure, Property, Plant & Equipment	871,591	881,322	890,670	899,675	908,502	921,988	935,017	947,617	959,811	971,620
Inventories	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153	15,153
Investment Properties	22,104	22,767	23,450	24,153	24,878	25,624	26,393	27,185	28,000	28,841
Intangibles	1,601	1,340	1,166	1,049	837	695	600	536	493	464
Total Non Current Assets	911,678	921,811	931,668	941,260	950,599	964,690	978,392	991,720	1,004,687	1,017,307
Total Assets	955,394	963,957	973,384	983,743	995,195	1,007,533	1,020,284	1,034,016	1,048,023	1,063,420
LIABILITIES										
Current Liabilities										
Trade & Other Payables	11,344	11,579	11,938	12,308	12,807	13,087	13,493	13,911	14,459	14,791
Borrowings	3,632	3,145	2,467	2,232	1,589	1,597	1,180	793	175	182
Provisions	15,661	15,922	16,030	15,988	16,398	16,321	16,354	16,379	16,252	16,257
Total Current Liabilities	30,637	30,646	30,435	30,528	30,793	31,005	30,927	31,064	30,886	31,230
Non Current Liabilities										
Trade & Other Payables	4,910	4,364	3,819	3,273	2,728	2,182	1,637	1,091	546	0
Borrowings	13,950	10,805	8,338	6,107	4,518	2,921	1,741	948	773	591
Provisions	477	492	508	525	542	559	577	596	615	635
Total Non Current Liabilities	19,336	15,661	12,665	9,904	7,787	5,662	3,955	2,635	1,934	1,226
Total Liabilities	49,972	46,307	43,100	40,432	38,581	36,667	34,882	33,718	32,820	32,456
Net Assets	905,422	917,650	930,284	943,311	956,615	970,866	985,402	1,000,297	1,015,203	1,030,964
EQUITY										
Accumulated Surplus	542,996	555,224	567,858	580,885	594,189	608,440	622,976	637,871	652,777	668,538
Asset Revaluation Reserves	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426	362,426
Total Equity	905,422	917,650	930,284	943,311	956,615	970,866	985,402	1,000,297	1,015,203	1,030,964



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Strategic Scenario – Statement of Cash Flows

As at 30 June:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	52,126	54,301	56,075	57,909	59,780	61,714	63,703	65,751	67,857	70,025
User Charges & Fees	36,515	37,610	38,739	39,901	41,098	42,331	43,601	44,909	46,256	47,644
Interest & Investment Revenue Received	1,686	1,287	1,212	1,181	1,198	1,269	1,184	1,131	1,132	1,158
Grants & Contributions	21,734	22,386	23,057	23,669	24,379	25,111	25,864	26,640	27,439	28,262
Other	5,642	5,812	5,986	6,166	6,351	6,541	6,737	6,939	7,148	7,362
Payments:										
Employee Benefits & On-Costs	(40,135)	(41,473)	(42,732)	(44,042)	(46,003)	(47,073)	(48,693)	(50,547)	(52,013)	(53,919)
Materials & Contracts	(38,155)	(39,403)	(40,758)	(42,038)	(43,875)	(44,619)	(46,136)	(47,583)	(49,591)	(50,512)
Borrowing Costs	(841)	(669)	(520)	(403)	(304)	(230)	(170)	(112)	(92)	(76)
Other	(13,651)	(13,361)	(13,926)	(14,692)	(13,880)	(15,821)	(16,068)	(16,178)	(16,947)	(17,647)
Net Cash provided (or used in) Operating Activities	24,922	26,489	27,133	27,650	28,744	29,224	30,023	30,950	31,189	32,297
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Net Cash provided (or used in) Investing Activities	(24,750)	(24,750)	(24,750)	(24,750)	(24,750)	(29,750)	(29,750)	(29,750)	(29,750)	(29,750)
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings & Advances	(3,767)	(3,632)	(3,145)	(2,467)	(2,232)	(1,589)	(1,597)	(1,180)	(793)	(175)
Net Cash Flow provided (used in) Financing Activities	(3,767)	(3,632)	(3,145)	(2,467)	(2,232)	(1,589)	(1,597)	(1,180)	(793)	(175)
Net Increase/(Decrease) in Cash & Cash Equivalents	(3,594)	(1,892)	(762)	434	1,763	(2,115)	(1,324)	20	646	2,372
plus: Cash - beginning of year	10,547	6,953	5,060	4,298	4,732	6,495	4,380	3,056	3,077	3,723
Cash - end of the year	6,953	5,060	4,298	4,732	6,495	4,380	3,056	3,077	3,723	6,094
plus: Investments - end of the year	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229	25,229
Total Cash & Investments - end of the year	32,182	30,289	29,527	29,961	31,724	29,609	28,285	28,306	28,952	31,323
Less restricted Cash (NAL)	(10,710)	(10,637)	(11,938)	(13,221)	(14,472)	(15,679)	(16,830)	(17,911)	(18,908)	(19,808)
Cash, Cash Equivalents & Investments - end of the year (unrestricted)	21,471	19,652	17,589	16,740	17,252	13,930	11,455	10,395	10,043	11,515



Fit for the future

Ratio	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Performance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Own Source Operating Revenue	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Debt Service Coverage	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset Backlog *	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓
Asset Maintenance **	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset Renewal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operating Expenditure Per Capita ***	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note:

* The Asset Backlog has only been calculated out to 2020 where it is assumed maintenance programs will ensure the backlog remains under the required %

** Although the target for asset maintenance is 100% of the required maintenance, Port Stephens Council sets a benchmark of 95% because spending more than this is considered an inefficient use of resources.

*** The base year for the purpose of the discounting the opex per capita is 2017



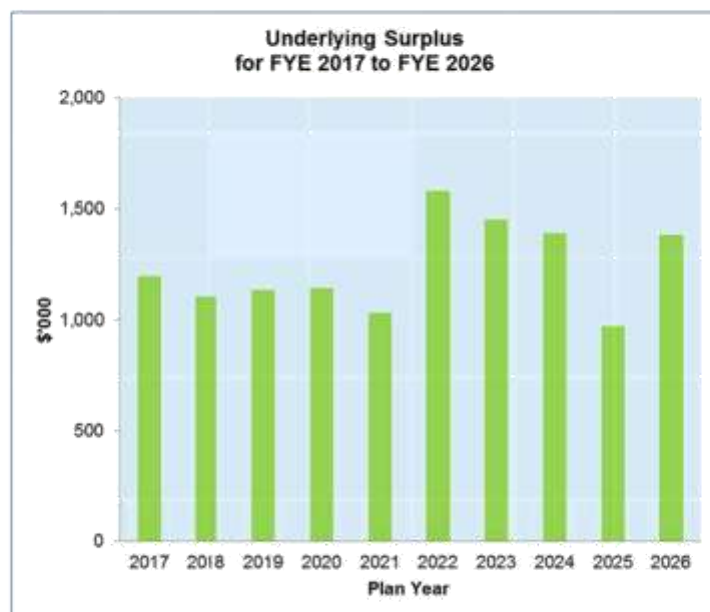


Figure 15: Strategic Scenario - Underlying Operating Result



Figure 16: Strategic Scenario – Operating Performance Ratio





Figure 17: Strategic Scenario – Own Source Operating Revenue Ratio

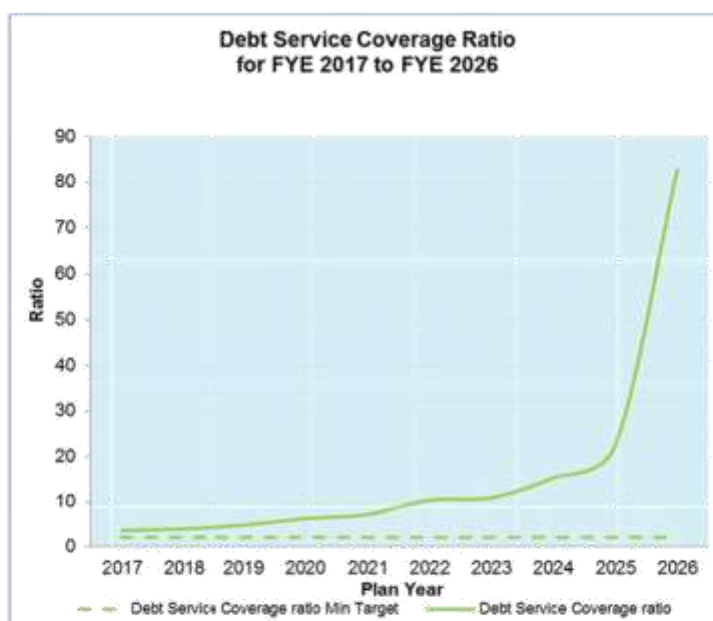


Figure 18: Strategic Scenario – Debt Service Cover Ratio



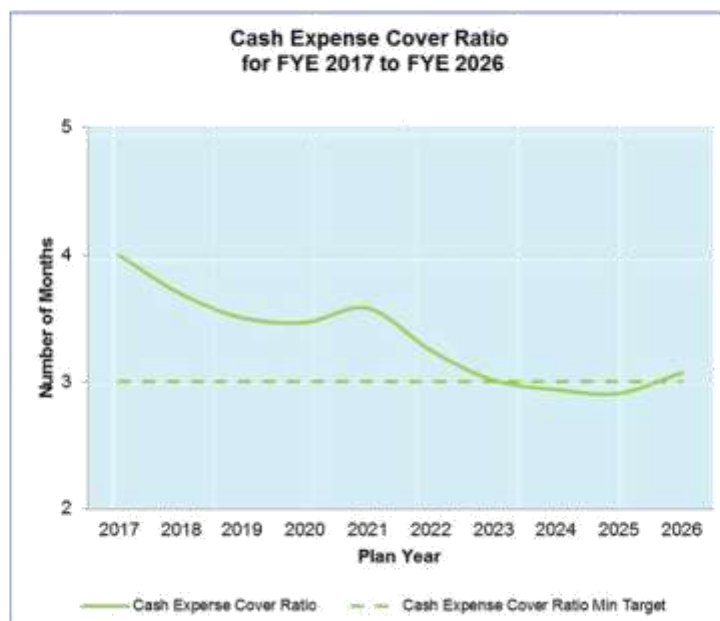


Figure 19: Strategic Scenario – Cash Expense Cover Ratio

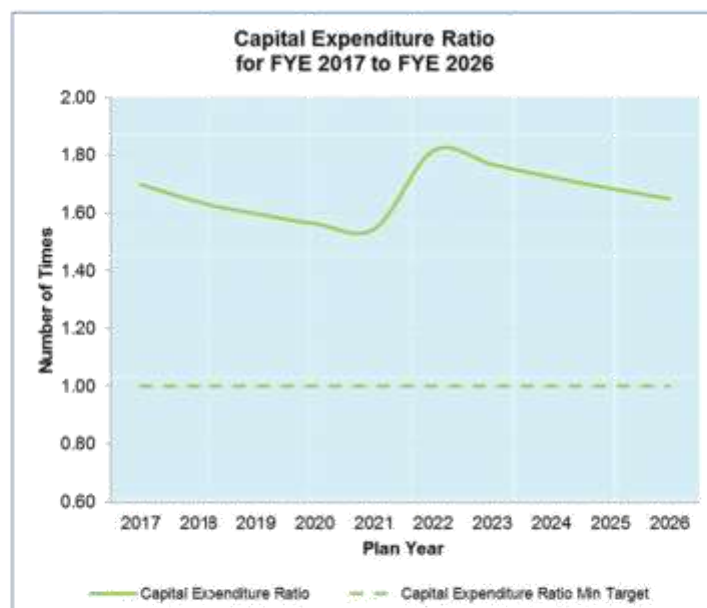
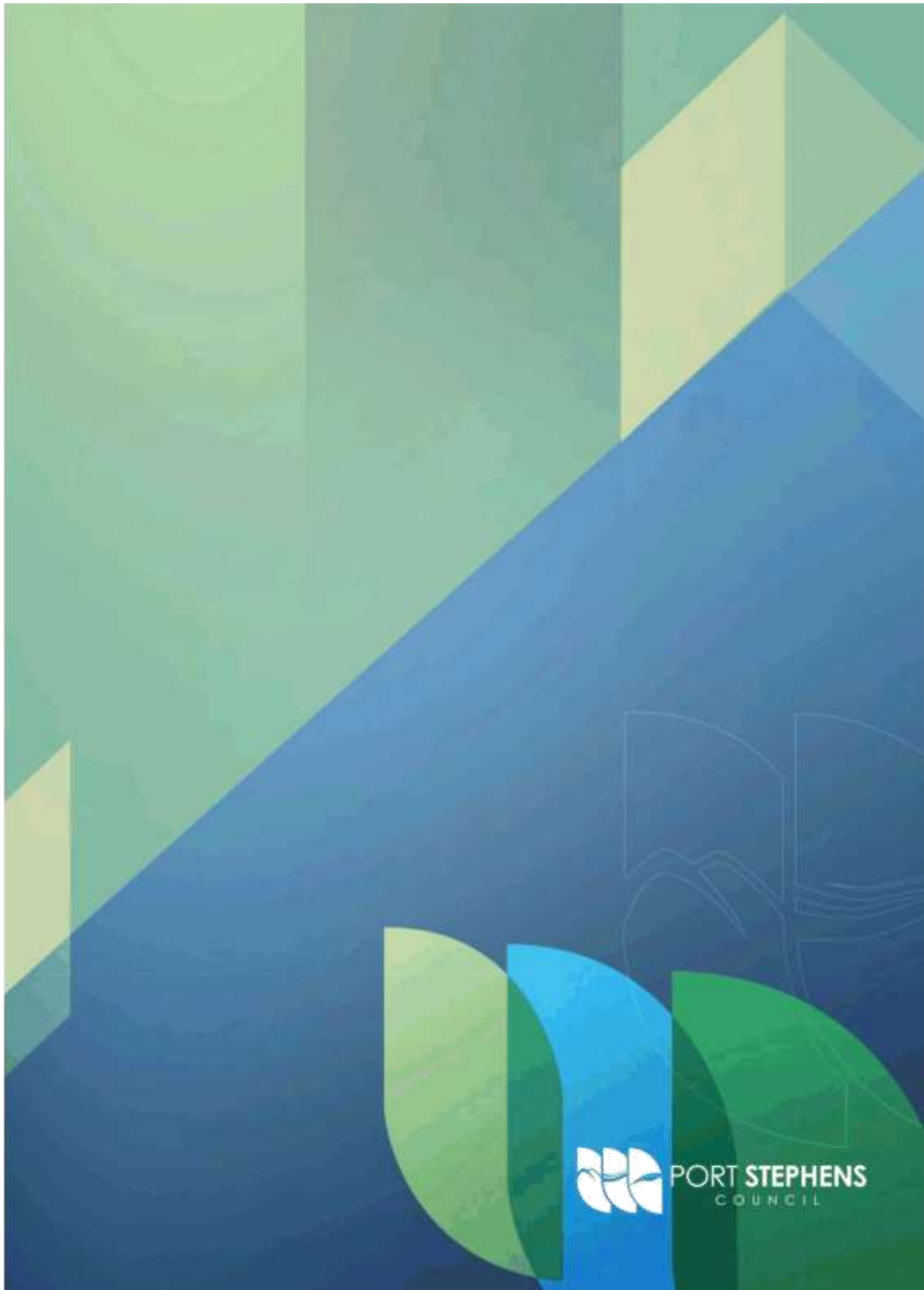


Figure 20: Strategic Scenario – Capital Expenditure Ratio







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2016-2026.**Contents**

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ITEM 6 - ATTACHMENT 3 DRAFT STRATEGIC ASSET MANAGEMENT PLAN 2016-2026.**Port Stephens Council Strategic Asset Management Plan (SAMP6)
2016-2026¹****Introduction**

The **Strategic Asset Management Plan (SAMP)** provides a framework for the sustainable management of current and future Council assets so that appropriate services are effectively delivered to the community now and in the future. It considers information about Council's assets, asset management processes and practices, and presents a plan to improve Council's asset provision and management capability.

This strategic document contains Council's Asset Management Policy, Asset Management Strategy and a summary of the asset management plans for every category of asset. Due to the size of the documentation the full Strategic Asset Management Plan containing the detailed asset management plans for each asset category, these are held on Council's website broken into segments for ease of downloading; and hard copies are held at Council's Administration Building and libraries.

Port Stephens Council is responsible for a very large and broad asset portfolio which totals \$887.91 million of noncurrent assets². Council's assets are acquired, held and maintained for the purpose of delivering services to the community. The services required by and for the community are considerable, and the provision of these is often dependent on this portfolio.

Council's asset base includes traditional asset infrastructure such as roads, footpaths, buildings and drainage as well as assets which are unique to coastal councils such as seawalls, surf clubs, lifeguard towers, wharves and jetties. Council has an ethical and legal obligation to effectively plan for, account for and manage the public assets for which it is responsible. The successful delivery of Council's assets will enable the current and long term aspirations of the community to be met.

Purpose

Council has an adopted **Asset Management Policy (Attachment 3 of this Plan)** which articulates its commitment to sound asset management and integrated, responsive and financially sustainable asset provision. It provides a clear direction for asset management by defining the key principles that underpin it.

This SAMP is the first step in translating that Policy into organisational practice. Its purpose is to establish the structure for further detailed planning and improvements in organisational knowledge management, systems, processes and structures which will support long term asset management well into the future. It incorporates:

- all the assets under Council's control;
- the community's expectations of asset provision and maintenance;

¹ Legislation requires that the Asset Management Plan is for a minimum 10 year period; and that it is reviewed and rolled over annually. This is the sixth iteration of the SAMP.

² Port Stephens Council Audited Financial Statements 2014-2015 (Volume 2, p5)

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- a plan for improving Council's asset management maturity to a level both the community and Council are satisfied with;
- a detailed **Works Plan 2016-2026 (Attachment 1)**.

Through the development and implementation of this SAMP Council aims to:

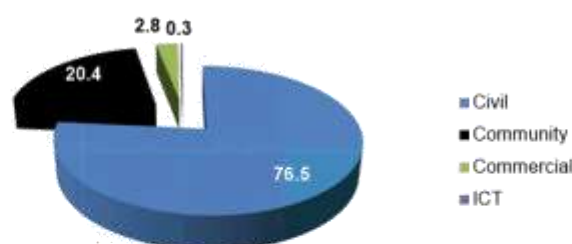
- provide a specified level of service for assets;
- adopt a lifecycle approach to developing cost effective strategies for managing assets in the long term that meet the specified level of service;
- determine future demand to allow for the management of the appropriate investment levels (links to the Long Term Financial Plan);
- apply risk management including identification, assessment and appropriate control of risks.

Council's current asset portfolio enables the provision of a range of necessary and desired services which support residents, businesses and visitors to Live, Play, Work and Grow in the Port Stephens Council Local Government Area (LGA). The delivery of these services to the local community is the paramount consideration.

Infrastructure provision, condition and service levels are dependent on local community needs and expectations. Council currently has four main Asset Categories comprised of a range of asset classes:

- Civil Assets – comprising roads, footpaths and cycle ways, drainage, transport infrastructure, depots, fleet and waste management facilities;
- Community and Recreation Assets – comprising public halls, libraries, aquatic centres, sports facilities, surf clubs, skate parks, playgrounds, cemeteries, child care centres and waterways infrastructure;
- Commercial Assets – comprising commercial property portfolio, holiday parks, operational land, Administration Building and the Visitor Information Centre;
- Information Communication Technology (ICT) Assets – comprising cabling, desktop assets, and ICT infrastructure.

**Assets by Category - Percentage
as a 30 June 2015**



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The Strategic Asset Management Plan (SAMP6) which follows provides background to its development, Asset Management Strategy details, as well as a summary of individual asset plans by category and class.
Attachments 1 and 2 detail Council's 10-year Works Plan; and Works Plan Plus to be completed as and when funds are identified. Attachment 3 details the Asset Management Policy.

**ITEM 6 - ATTACHMENT 3 DRAFT STRATEGIC ASSET MANAGEMENT PLAN
2016-2026.****Background**

This is the sixth iteration of the Strategic Asset Management Plan (SAMP6) and has been prepared in accordance with Section 403(2) the *Local Government Act 1993*. It has been reviewed and amended to reflect the best available information regarding Council's assets.

Condition ratings and values in SAMP6 are based on recent 2015 end of year financial accounts and the recent Fit for the Future requirements and criteria.

The Strategic Asset Management Plan (SAMP6) contains:

- Council's Asset Management policy – substantially revised and adopted by Council 28 May 2013 (Min No.147) which can be found as Attachment 3;
- Council's strategy for managing its assets – life cycle management;
- Details of asset management in each of its asset categories;
- Works Plan 2016-2026 based on existing known funds (Attachment 1);
- Works Plus Plan 2016-2026 showing proposed works that could be undertaken if funds became available (Attachment 2).

This version of the SAMP6 has introduced:

- the works program within the asset chapter for ease of reference;
- mapping showing existing assets;
- proposed future works that could be completed if funds become available. Also including how these funds could become available;
- better alignment of future growth and the need for assets; and
- reduction of the content of the SAMP by summarising the data for ancillary assets.

Objective

The objective of the Strategic Asset Management Plan is to establish a framework to guide the planning, construction, maintenance and operation of the infrastructure for Port Stephens Council to provide services to the community. The SAMP6 is used to achieve the following outcomes documented in the Community Strategic Plan:

Our Council - Infrastructure

Port Stephens' infrastructure and utilities meet the needs of all sections of the community.

Delivery Program

Provide facilities and services through managing and maintaining our assets.

ITEM 6 - ATTACHMENT 3 DRAFT STRATEGIC ASSET MANAGEMENT PLAN 2016-2026.**Standards and Legislation**

Section 8 of the *Local Government Act 1993* (informing Council's Charter) requires that Council:

- Provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services are managed efficiently and effectively;
- Properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development;
- Have regard to the long term and cumulative effects of its decisions;
- Bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible;
- Raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants;
- Keep the local community and the State government (and through it, the wider community) informed about its activities.

Assets are managed in accordance with the *International Infrastructure Maintenance Manual* (IIMM) referenced in Council's Asset Management Policy; and the asset accounting and modelling is in accordance with the Australian Infrastructure Financial Management Guidelines. The IIMM has been further expanded into the recently introduced International Standards ISO 55,000 suite of documents. These documents will be utilised as the basis in which future SAMPs will be written.

Asset Management Strategy

Council's Asset Management strategy is the *International Infrastructure Management Manual* (IIMM) Asset Lifecycle Management framework for the management of its assets. This framework is currently global best practice in asset management.

The Asset Management components of the framework are:

- Background data of the asset;
- Planning;
- Creation/acquisition/augmentation plan;
- Financial/risk management plan;
- Operations and maintenance plan;
- Condition and performance monitoring;
- Rehabilitation/renewal/replacement plan;
- Consolidation/rationalisation plan;
- Audit plan/review.

Successful implementation of the Asset Management Strategy requires deep knowledge of the key drivers for the provision of the asset:

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- Levels of service;
- Future demand;
- Lifecycle management plan;
- Financial summary;
- Asset management practices;
- Plan improvement and monitoring.

The organisation's ability to implement Asset Management Components is divided into Asset Management Practice Elements:

- Process and practices;
- Information systems;
- Data and knowledge;
- Commercial tactics;
- Organisational issues;
- People issues;
- Asset Management Plans.

Coverage – Asset Categories – Port Stephens Council

- Civil Infrastructure
 - Bridges
 - Depots
 - Drainage
 - Emergency Services
 - Fire stations
 - SES buildings
 - Fleet
 - Pathways (footpaths and shared paths)
 - Roads
 - Transport and Ancillary Facilities:
 - Bus shelters
 - Car parks
 - Guardrails
 - Heritage items
 - Kerb and gutter
 - Parking meters
 - Retaining walls
 - Signs and guideposts
 - Street lighting
 - Waste
- Community and Recreational
 - Open space
 - Waterways
 - Cemeteries
 - Public amenities
 - Playgrounds
 - Skate parks

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- Swimming pools
 - Surf lifesaving facilities
 - Libraries
 - Multipurpose community facilities
 - Preschools and Child Care centres
 - Waterways
- Commercial Assets
 - Offices – Administration Building
 - Commercial property portfolio
 - Operational land holdings
 - Holiday parks
 - Visitor Information Centre
- Information and communication technology
 - Cabling
 - Desktop
 - ICT

Fit for the Future Program

The Fit for the Future program is a NSW State Government initiative to check that NSW local governments are "Fit for the Future" and sustainable in scale and capacity. One component to this program is to check that local government infrastructure is sustainable and managed efficiently and effectively to provide services to the community. To efficiently and effectively manage our assets to provide facilities and services relies heavily on our asset focus, our income stream and where we allocate our resources.

The last five years have seen a change in Port Stephens Council's focus to a greater emphasis on maintaining and renewing our existing assets instead of building new assets. This change in focus has also been the topic of State and Federal government reports on local government's ability to manage our assets and be financially sustainable in the future. These include:

- Local Government Infrastructure Audit, June 2013
- National State of the Assets, November 2013
- Independent Local Government Review Panel, April 2013

These reports have highlighted that NSW local governments have an infrastructure backlog with no apparent sustainable way to fund the backlog. These reports also note that councils need to be financially sustainable to reduce this backlog and to continue to provide facilities and services to the community.

The Independent Local Government Review Panel Report has made recommendations to reform how local government operates so councils can sustainably manage their assets. Of the many recommendations, it was determined that councils should be assessed against a number of "Fit for the Future" criteria to determine their sustainability. The criteria that relate to "effective infrastructure and service management" include:

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2016-2026.**

- "Infrastructure Backlog Ratio of less than 2% average over three years or improving trends for this ratio"
- "Asset Maintenance Ratio greater than 100%.

Where:

- Asset Maintenance Ratio
= Actual Asset Maintenance / Required Asset Maintenance
- and
- Infrastructure Backlog Ratio
= Estimated cost to bring asset to a Satisfactory Condition / Total Asset Value

It should be noted that asset maintenance in this context relates to whole of life costs.

These ratios were assessed independently in early 2015 and again through the end of year financial accounting. These ratios are documented in the Annual Report and show that the Infrastructure Backlog Ratio is 2.41% in 2015 and the Asset Maintenance Ratio is 92%. Both of these ratios will meet the desired criteria within three years.

Main Findings

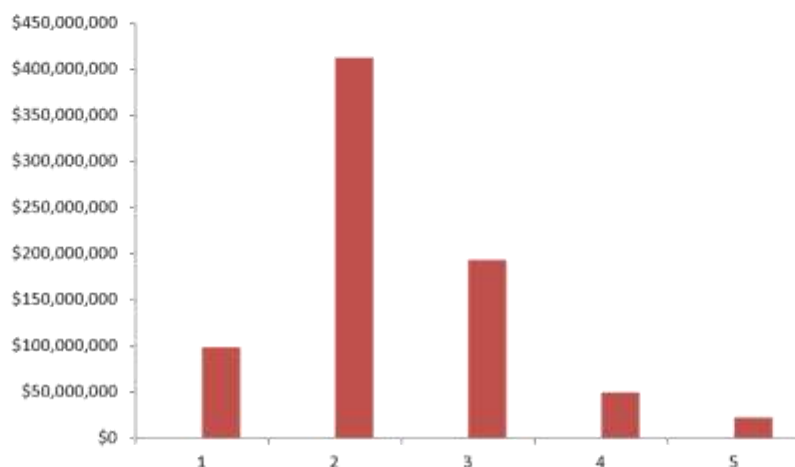
The main findings in the SAMP6 are based on the 2015 asset condition rating as part of the Fit for the Future program and the end of year financial accounts. These findings are set out in detail in **Sections 1 and 5**. The data that follow reflect those findings. The changes in these results from previous SAMPs are as a result of the injection of funds that has been used to reduce the Council's infrastructure backlog. These include funding schemes implemented over the last few years such as the NSW Local Renewal Infrastructure Scheme, election promises delivered on asset renewal, and the Council's ability to reach financial surplus – hence spend more money on assets.

Condition of Assets

For the purposes of SAMP6, Council's assets are rated in one of following five asset condition-rating categories:

1. Near perfect
2. Good
3. Satisfactory
4. Very poor
5. Unserviceable

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The data are graphically represented by plotting the summary of the asset's 2015 current replacement cost against each of the above condition rating categories. This information is compiled to provide a picture of Council's asset health against a conglomerated asset lifecycle. This in turn can be used to determine the level of asset management required for the sustainable administration of assets.

Figure 1: 2015 Assets Rating Distribution: Public

The graph above shows the distribution of public assets skewed towards the Satisfactory to Good condition rating. The distribution skew in this graph is highly influenced by the larger, more costly asset groups such as roads and drainage. Removing the road and drainage categories from this graph gives an appreciation of the remaining asset groups' condition.

These figures reported in the SAMP5 were based on the 2010 End of Year Fair Value accounting review with annual updates for new assets only as per the accounting standards. These figures shown are based on the 2015 Fair Value accounting review and the Fit for the Future evaluation. The differences between SAMP5 and SAMP6 figures are:

- Current Replacement Costs have been updated for most assets classes, so the total asset value has increased;
- With the exception of playgrounds, all replacements have assumed a replacement of like for like and no upgrades were included as per the accounting standards. Playgrounds have included an upgrade to meet the current standards to mitigate Council's risks. Previous infrastructure backlog calculations shown in SAMP4 in other asset classes included upgrades;
- Assets that are still fit for purpose but have a low asset ranking have not been included in the infrastructure backlog. These are mostly small road networks that are good to the road driver but poor to the asset conditions that the asset practitioner would use, that is the asset is fit for purpose;
- Only costs that will be used to return the asset back to new condition have been used in the infrastructure backlog. SAMP calculations in the past have

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assumed a full replacement when the backlog should be the cost of works that can be used to bring an asset back to new condition. Previous figures materially increased the infrastructure backlog figure.

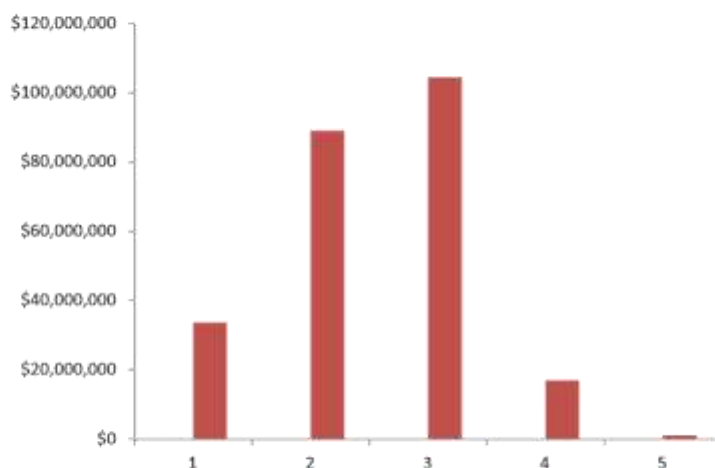


Figure 2: 2015 Asset Rating Distribution Not Including Roads and Drains

Removing roads and drainage from the first graph moves the distribution skew from Good to Near Perfect. One reason for this healthy skew in both graphs is that the age of the asset infrastructure is still quite young compared to other councils.

Condition Targets

The aim is to get a balance between having an asset that provides a satisfactory (or above) service to the community and an asset condition that is managed with financial and risk responsibility. Previous targets have aimed for a higher proportion of assets with condition ratings Near Perfect. To gain a Near Perfect asset condition is not financially responsible in all cases.

Infrastructure Gap and Asset Funding Strategy

Council currently has an infrastructure back log of just over \$18million. Over the last several years Council has changed ways of funding the maintenance and renewal of existing assets to reduce this backlog. This change has, and will continue to have an impact on the financial sustainability of the organisation and an increased ability to provide services to the community through assets.

Additional funding has resulted in earlier maintenance and renewal of assets than previously undertaken at Council. Early maintenance and renewal of an asset prevent the asset from deteriorating so much that it no longer provides the intended or an 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

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2016-2026.**

asset over the life of the asset, and thus reducing the future financial burden on the Council and on generations to come.

This change in focus has been achieved through:

- 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 to free up funds for asset renewal;
- Understanding the condition of our assets and prioritising our spending;
- Discussions with user groups and the community generally about asset services to closer align spending with expectations;
- A better understanding of our assets' condition 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. To continue to reduce the infrastructure backlog an Asset Funding Strategy has been developed and is used in the Council's Long Term Financial Plan models.

The Asset Funding Strategy comprises three parts:

- Asset Funding Strategy Intent
- Sources of Funds
- Asset Funding Strategy Works Program.

Asset Funding Strategy Intent

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.

Sources of Funds

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

- sales of commercial or Council lands;
- savings made from the commercial arm of Council;
- borrowings;
- operational savings;

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- sustainability reviews savings;
- grants;
- contributions from other organisations and committees;
- continuing to shift funds in the Capital Works Program from new assets to renewal;
- Section 94 contributions;
- Voluntary Planning Agreements.

These additional funds can be used as seed and matching monies to improve Council's position in gaining additional grants 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.

Asset Funding Strategy Works Program

When funds are realised and prioritised under the Asset Funding Strategy, the monies are to be allocated to the projects documented in the Capital Works Plus Program OR existing projects in future years that may be brought forward.

The Capital Works Plus Program includes:

- projects to reduce the infrastructure backlog;
- major future projects to meet demand;
- existing projects that require additional monies to further expand the scope of works.

The major future works projects are documented in the Asset Creation/Acquisition section of each asset chapter in this SAMP6. The projects also show the proposed sources of funds and when the source of funds may be available.

It should be noted that the future major projects have not been scoped and the costs and timing are indicative only. Until such time that these projects are fully scoped, the estimate and the associated sources of funds have been assumed. These major projects include large projects like the depot redevelopment, Yacaaba Street extension, Lakeside Leisure Centre upgrade as examples. These future major works are shown in the Asset Creation/Acquisition section of each asset chapter.

Program of Works**Works Program**

Attachment 1 details the Capital Works Plan 2016-2026 that continues to focus on asset rehabilitation rather than on new built assets. The focus on asset renewal further continues to reduce the organisation's infrastructure backlog.

This Works program is based on known funding sources and is typical of recent budgets including the knowledge that Council has actual funds to spend on these projects.

This list of proposed works will also increase during the year with the introduction of any future grants and any Sports Council or Committee works that may be funded

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from external sources. Some grants do require some form of matching funds, so if these grants become available the proposed program may need to be adjusted to help fund these additional works.

The list of proposed works does not include any works that have commenced or were postponed in the financial year 2014-2015 that may need to be carried over into the 2015-2016 financial year.

Works *Plus* Program

Attachment 2 details the Capital Works *Plus* Plan 2016-2026 which is to be funded through the Asset Funding Strategy – Source of Funds as noted above. This program has been compiled and described in the Asset Creation/Acquisition section of each asset chapter.

It should be noted that these works will only go ahead if future funding is obtained that is as yet unidentified. These works are **in addition** to the Works Program.

Asset Risk Management

Council's Corporate Risk Management system integrates all risks, including safety, environmental risks and business risks (financial, property, security, commercial, etc.), into our decision making, business planning and reporting at all levels. This approach aligns with ISO31000:2009 *Risk Management* and provides a consistent, holistic approach to risk management that strengthens our ability to deliver more efficient and effective facilities and services to our community and stakeholders.

The following general categories of risk are used to help focus the identification of risk and prevent risks from being overlooked:

- Assets
- Governance
- Financial
- Knowledge
- Resilience
- Environment
- Reputation
- Compliance
- People
- Technology

Identified risks are then assessed using likelihood and consequence tables including a 5x5 matrix. Given the number of categories of risk and variety of assets for which Council is responsible, the risk assessment for our assets is quite detailed. To provide a summary of the risk assessments undertaken for assets, the following overarching risks are common across all asset classes:

Table 1: Risk and Risk Controls

Category of Risk and Risk	Control to Mitigate Risk	Residual Risk
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Category of Risk and Risk	Control to Mitigate Risk	Residual Risk
ASSET		
There is a risk that failure to adequately maintain assets may affect Council's objective to provide a safe environment for people to enjoy their lifestyle leading to increased costs, injury and litigation.	<ul style="list-style-type: none"> Document Service Level agreements with maintenance service providers. Complete the regular periodic maintenance inspections as per the Asset Inspection program. Undertake maintenance as per the agreed timeframes for each asset class. Review market options to shift risk. Review the maintenance schedule for critical infrastructure with funding limits and organisations appetite for risk. Review community service level expectations. Complete the documentation of leases and license of service in assets to ensure maintenance is undertaken. 	High
There is a risk that lack of, or inconsistent asset management data may affect Council's objective to manage assets in accordance with best practice asset lifecycle practices.	<ul style="list-style-type: none"> Document Service Level agreements with Asset Data Collection service providers. Complete the regular periodic Asset Data Collection inspections as per the Asset Inspection program. Create a single point of truth for asset data, which is linked to the corporate forward works planning, accounting and end of year finance systems. 	High
There is a risk that an asset may fail/collapse and affect Council's objective to provide a safe environment for people to enjoy their lifestyle leading to personal injury and property damage.	<ul style="list-style-type: none"> Utilise asset data to make informed decisions for asset maintenance and renewal. Complete the regular periodic asset inspection for aging and critical assets as per the Asset Inspection program. 	High

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FINANCIAL		
There is a risk that inadequate budget allocation to assets may affect Council's objective to reduce infrastructure backlog.	<ul style="list-style-type: none"> Document annual and future asset funding gaps. Document the Works program based on funding levels. Review the risks of not undertaking asset maintenance and renewal works due to funding levels. Accept the risk or change the Works program. 	High
There is a risk that the asset accounting depreciation models do not reflect the true asset deterioration leading to an inaccurate organisation financial position.	<ul style="list-style-type: none"> Review the accounting depreciation models through the Fit of the Future program and the Fair Value asset re-evaluation program. Align the depreciation models with true actual asset deterioration and the levels of service to the community. Engage external auditors to review the models. 	High
COMPLIANCE		
<p>There is a risk that failure to conduct asset inspections (condition, testing and compliance) may affect Council's objective to manage assets in accordance with best practice asset lifecycle practices leading to increased litigation, fines and penalties, and not knowing the asset condition.</p> <p>These include, but are not limited to, fire safety statements, periodic verification of electrical installations, hazardous materials, and backflow and tempering valves.</p>	<ul style="list-style-type: none"> Document Service Level agreements with inspection service providers. Complete the regular periodic inspections as per the Asset Inspection program. Document and utilise collected data to undertake maintenance OR and Works programs. This will inform our Long Term Financial plan. 	High

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There is a risk that failure of assets to comply with current standards may affect Council's objective to manage assets leading to asset failure litigation, fines and penalties.	<ul style="list-style-type: none"> Document register of non-complying assets. Create works program prioritised on the risk and place in Council's Works program. Upgrade the asset to meet current standards when the asset is renewed as per the prioritised list. 	High
ENVIRONMENT		
There is a risk that sea level rise and extreme weather events may affect Council's objective to manage assets leading to damage to assets, repair costs and reputational loss.	<ul style="list-style-type: none"> Identify assets potentially affected by sea level rise and extreme weather events. Implement planning controls for future works on these assets. Consider sea level rise and extreme weather events effects over the asset life when undertaking renewals. 	Medium
There is a risk that the environment is not considered in the asset management decision making process leading to lost opportunities to improve our impact on the environment.	<ul style="list-style-type: none"> Undertake capital works that reduce our greenhouse gas emissions. 	Medium

The four-tier risk rating is Extreme, High, Medium and Low.

In summary these asset risks revolve around:

- understanding what assets we have;
- knowing the condition they are in;
- understanding the community's expectation;
- maintaining the assets;
- creating a works program for compliance and asset renewal;
- developing a financial plan to fund compliance and future renewal works.

The risks to assets listed above are by no means exhaustive but provide an overview of the focus areas. Risks that are specific to each asset class are documented within the SAMP6. These controls are being implemented throughout the organisation.

Critical Assets

Assets are deemed critical if their impairment or failure would result in a detrimental effect on human safety or the services that enable social or economic transactions. Critical assets are inspected with a higher frequency and the risk appetite associated with their management is extremely low. Hence critical assets are maintained at a

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very high level and have an appropriate budget allocation. Individual critical assets are not identified in this SAMP, but they do include Council owned infrastructure such as bridges, large culverts, pump stations, designated dams, emergency evacuation centres to name a few.

Environmental Sustainability

Council is committed to "properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development" as per the Local Government Act 1993 (The Act). The principles of ecologically sustainable development (ESD) are defined in The Act as the "effective integration of economic and environmental considerations in decision-making processes".

Council is committed to effective implementation for the following principles of ESD as they relate to asset management decision making; the precautionary principle; intergenerational equity; conservation of biological diversity and ecological integrity; and improved valuation, pricing and incentive mechanisms.

Council's approach to environmental sustainability with an asset management context to date has focussed on achieving environmental and financial benefits through targeted energy and water efficiency projects at Council's largest energy and water consuming Council assets. This approach has been highly successful at delivering positive environmental and financial outcomes with minimal capital investment. These projects were implemented through Council's 10 year works program and included lighting retrofits, HVAC upgrades, solar and gas hot water system installations, and building management systems amongst others. Low capital cost opportunities to invest in asset management projects that deliver environmental benefits remain, however an ongoing environmental improvement program will likely involve greater investments of financial capital.

An Environmental Management System (EMS), consistent with ISO 14001:2015, is currently under development and forms an integral component of Council's Integrated Risk Management Framework. ISO 14001:2015 builds upon the existing focus areas of ISO 14001:2004 on legal compliance and prevention of pollution to provide clearer direction on resource efficiency, waste management, climate change and degradation of eco-systems. Council's ongoing approach to asset management, from sustainable design through construction, to operation and ongoing maintenance, will be consistent with the EMS and with ISO 14001:2015; Council's Integrated Risk Management Policy as it relates to Environmental Risks; and Council's draft Environment Policy.

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2016-2026.****Knowledge Capability Gap Analysis**

This review provides a synopsis of Port Stephens Council's "Capability" in undertaking asset management practices. Shortfalls in Capability or the "Capability Gaps", identified have been added to our asset management improvement program. Since 2011 this type of review has been labelled a "maturity assessment". This review was first conducted in 2008 and stimulated a number of changes that has progressed Asset Management in Port Stephens Council.

Capability Gap Analysis included staff undertaking an internal assessment using the Delphi method and the Capability Gap Matrix Tool for each asset category. The Capability Gap Matrix Tool assesses our ability to meet the requirements of the Asset Management Practice Elements and Asset Management Components. The Asset Management Practice Elements and Asset Management Components are described below:

Asset Management Practice Elements

1. Process and practices used in the completion of lifecycle asset management activities.
2. Information systems required to support the process and practices, store and manipulate the data and knowledge.
3. Data and knowledge of the assets such as performance, accuracy and reliability of data.
4. Commercial tactics such as documented service level agreement to efficiently carry out works in the asset lifecycle.
5. Organisational issues document structure, roles and responsibilities relating to asset management.
6. People issues include such things as attitudes and skills involved in asset management.
7. Asset management plans.

Asset Management Components

1. Background Data
2. Planning
3. Creation / Acquisition
4. Financial / Risk Management
5. Operations and Maintenance
6. Condition and Performance Monitoring
7. Rehabilitation and Replacement
8. Consolidation / Rationalisation
9. Audit
10. Levels of Service and Sustainability Gap
11. Future Demand
12. Financial Management
13. Asset Management Practices
14. Plan Improvement, Monitoring, and Reporting

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This 2012 review highlighted activities / recommendations that are now incorporated into the Improvement Program.

<ul style="list-style-type: none">• Document all known/proposed processes and practices, and then prioritise actions
<ul style="list-style-type: none">• Implement Asset Management as the Organisations centralised Asset Management System and source/create software that performs scenario optimised asset management forecasting
<ul style="list-style-type: none">• Where a gap is present, document a prioritised program for the collection / verification of asset data
<ul style="list-style-type: none">• Further build on Service Level Agreements to include asset service levels
<ul style="list-style-type: none">• Continue to improve the customer supplier value chain so that the asset management decisions are based on Condition, Function, and Utilisation of the asset
<ul style="list-style-type: none">• Educate the non-asset owners on asset management in the organisation
<ul style="list-style-type: none">• Document individual asset management plans per asset class OR centrally document the supporting documentation
<ul style="list-style-type: none">• Ensure the organisation's themes and messages are consistent to attain organisational maturity

Since 2012 most of these actions have been implemented or commenced. As the organisation matures with its capability in asset management, the more we become aware of changing needs of the community, the asset data required and the Council's organisation structure to deliver asset management.

Exclusions

Port Stephens Council does not provide water and sewerage services and has no assets in these categories. The Hunter Water Corporation provides those services to the LGA.

Environmental assets were not included in this review due to the complexity of analysing a natural resource in terms of asset management. Environmental assets will be included once the asset management industry has a reliable and consistent analysis method.

Newcastle Airport is part owned with Newcastle City Council and is excluded from the SAMP. The Airport is its own legal entity and management of the asset is delegated to Newcastle Airport.

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2016-2026.****Town Centres – Future Plans**

The NSW Department of Planning's Lower Hunter Regional Strategy 2006-2031 provides a clear and sustainable direction for growth to reflect long-term trends and build on the region's strengths. The strategy aims to harness the region's competitive advantages to maximise economic opportunities over 25 years. The population in the Hunter is anticipated to increase by 160,000 people and the strategy is indicative of population, housing and employment projections in sub regions of which Port Stephens is one of five. A key consideration for local government is the treatment of infrastructure and capital works in town centres to help maintain long term economic growth and sustainability throughout the region.

Raymond Terrace has been identified in the strategy as one of six major regional centres with a concentration of business, higher order retailing, employment, professional services and generally including civic functions and facilities, as well as a focal point for subregional road and transport networks. Medowie is recognised by 2031 as a town surrounded by rural and natural landscapes complete with facilities, services, businesses and employment activities making it healthy and sustainable, with a strong sense of community. Nelson Bay tourism precinct is flagged as a specialised centre, with concentrations of regionally significant economic activity and employment. Karuah is identified for a small amount of additional urban development on land immediately adjacent to the existing settlement to the north and south of Tarean Road. Lands within the green corridor surrounding the village of Karuah, including the Watagans, Stockton and Wallarah are proposed to be managed for conservation purposes. Anna Bay is recognised as an urban area with a range of land uses, locally available jobs, a range of housing choices, and with easy access to major town centres.

The Draft Hunter Regional Plan, November 2015 identifies the Hunter as the most populous region outside Sydney and the largest regional economy in Australia, with a predicted increase of 750,000 people in the region's metropolitan and hinterland over the next 40 to 50 years. Once finalised this draft Plan will replace the Lower Hunter Regional Strategy 2006-2031. The draft plan recognises that growth and change will occur differently across the region and identifies four distinct landscape subregions: 1) Hunter City; 2) Western Hunter; 3) Northern Tops; and, 4) Hunter's North East Coast. Raymond Terrace and Medowie are contained within Hunter City, whilst Nelson Bay and surrounds is within Hunter's North East Coast. The plan notes the importance of infrastructure to move goods and services to market and improve access to skilled labour as one of the key drivers to grow the regional economy and provide competitive international gateways for economic success.

Town centres included in the Strategic Asset Management Plan based on existing town centre strategies include:

Raymond Terrace and Heatherbrae (Raymond Terrace and Heatherbrae Strategy, 2015)

Medowie (Draft Medowie Planning Strategy and Town Centre Masterplan, 2015)

Nelson Bay (Nelson Bay Town Centre & Foreshore Strategy, 2012)

Karuah (Karuah Growth Strategy, 2011)

Anna Bay (Anna Bay Strategy and Town Plan, 2008)

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2016-2026.****Raymond Terrace and Heatherbrae**

Raymond Terrace is the primary commercial centre within Port Stephens and home to over 12,000 people. The neighbouring centre of Heatherbrae is a key destination for bulky goods and light industrial, and is in close proximity to Tomago which has the largest concentration of industrial land in Port Stephens.

Raymond Terrace and Heatherbrae Strategy 2015

The *Raymond Terrace & Heatherbrae Strategy* adopted by Council in November 2015 is an action plan designed to develop the area as a strong regional centre and a great place to live, work and play.

Aims of the Strategy

The *Raymond Terrace & Heatherbrae Strategy* has identified four key goals: 1) A competitive economy with regional services including transport, health, justice, government, commercial, retail, industrial and entertainment; 2) A city of housing choice with homes that meet needs and lifestyle with a focus on providing for affordable accommodation; 3) A great place to live with a quality public and private spaces that are accessible; and 4) A resilient city with clear directions for improved social, environmental and economic outcomes.

Infrastructure and Assets

The *Raymond Terrace & Heatherbrae Strategy* identifies infrastructure and capital improvements as part of the strategy implementation framework to help make Raymond Terrace and Heatherbrae a strong regional centre, as detailed in the following table. Importantly, this includes a major upgrade to William Street, the main street of Raymond Terrace and associated urban design elements and car parking, to achieve a quality outcome in the urban centre.

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Table 2: Raymond Terrace and Heatherbrae Infrastructure Aims

INFRASTRUCTURE/ASSET	AIM	ACTION/OUTCOME
1. Transport Hub	Enhance transport and mode connectivity	<ul style="list-style-type: none"> Finalise the construction and maintenance of the multi-transport hub at 'The Close'
2. Walkways and Cycleways	Provide safe and accessible walkways and cycleways for locals and tourists to the area	<ul style="list-style-type: none"> Update and implement the Raymond Terrace Pedestrian and Cycle Strategy and complete priority links
3. Transport	Identify opportunities for improved accessibility in Heatherbrae, to support additional lands for bulky goods premises	<ul style="list-style-type: none"> Undertake a detailed traffic analysis/management plan to determine the future traffic environment of Heatherbrae
4. Roads	Improve access and connectivity	<ul style="list-style-type: none"> Consolidate the identified portions of roads within Riverside Park and the Raymond Terrace Trotting Track into the adjoining Crown Land Reserves Complete the grid network to improve connectivity such as extending Bourke Street to Adelaide Street
5. Community facilities	Sufficient community facilities to accommodate urban development and associated population growth	<ul style="list-style-type: none"> Implementation of the Boomerang Park Masterplan subject to securing appropriate funding, which includes quality paths, play equipment, etc.
6. Main street	Upgrade the main street to increase activation and activity in the commercial centre	<ul style="list-style-type: none"> Identify funding solutions to consider the three options for the upgrade of William Street, Raymond Terrace as identified within the Raymond Terrace & Heatherbrae Strategy 2015 Develop concept designs for the upgrade of Adelaide and Port Stephens Streets
7. Streetscape	Consideration of urban design elements to provide a quality outcome in the town centre and open spaces	<ul style="list-style-type: none"> Develop and implement Streetscape Design Guidelines for consistency in the town centre
8. Car parking	Improve parking in the commercial centre	<ul style="list-style-type: none"> Develop a parking management plan for Raymond Terrace defining the goals for parking provision and incorporate a Parking Structure Plan with a hierarchy of users, links to policies and controls.
9. CCTV System in the commercial centre	Improve safety in the main commercial precinct	<ul style="list-style-type: none"> It is proposed that Council take up ownership and ongoing maintenance of this asset (currently a lapsed MOU exists identifying Council as the interim custodian in the absence of the Lower Port Stephens Chamber of Commerce)

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2016-2026.****Medowie**

Medowie is characterised by a lifestyle and social environment close to National Parks, with proximity to clean beaches and waterways. The town is surrounded by rural and natural landscapes with the beauty of its location, tree lined streets, parks and homes along with a strong sense of community attracting growing families, retirees, young adults and the elderly to live in the area, with a wide variety of housing choices available for those seeking the lifestyle of an inland coastal town.

Medowie Planning Strategy and Town Centre Masterplan 2015

The *Draft Medowie and Planning Strategy and Town Centre Master Plan* were endorsed by Council in November 2015 to go on public exhibition with the intent of updating the existing Medowie Strategy that was adopted by Council in 2009. The *Medowie Strategy* has been prepared to provide local strategic planning guidance for land use planning in Medowie over the next 20 to 25 years and aims to accommodate future urban growth identified for the Port Stephens Local Government Area by the *Lower Hunter Regional Strategy 2006-2031* and the *Port Stephens Planning Strategy 2011-2031*. Prepared in consultation with a *Medowie Strategy Review Consultative Panel* established by Council in 2013, the following vision statement was created with input from Panel members: *'Medowie is a place of tall trees beside the waters of Grahamstown Dam, with a plan to coordinate future growth that is supported by infrastructure and involves the community'*

Aims of the Strategy

The Medowie Strategy is based on the following 6 key principles:

Principle 1 - Urban development is underpinned by the provision of appropriate infrastructure

Principle 2 - Water quality is improved or maintained within the Grahamstown Dam Drinking Water Catchment

Principle 3 - Future urban development on flood prone land is avoided

Principle 4 - Key koala habitat and corridors are identified and maintained

Principle 5 - Commercial development is focused on the existing town centre

Principle 6 - Rural residential development continues to contribute to the character of Medowie

Infrastructure and Assets

The *Draft Medowie and Planning Strategy and Town Centre Master Plan* identify key infrastructure requirements to underpin future growth of Medowie. The following table provides an overview of community and recreation facility requirements, water management and traffic and transport for Medowie over the life of the Strategy, based on an estimated population of 9,400 people in 2014 and an estimated future population of 16,100 to 17,200 in 2036.

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DRAFT STRATEGIC ASSET MANAGEMENT PLAN

INFRASTRUCTURE/ASSET	AIM	ACTION/OUTCOME
1.Community facilities	Sufficient community facilities to accommodate urban development and associated population growth	<ul style="list-style-type: none"> With the population in 2014 at 9,400 Medowie is on the threshold of requiring an additional (second) community space. Consider expanding the existing Community Centre; or new facilities on Council-owned land (e.g. as part of the Ferodale Park Sports Complex)
2.Library	Service provision to local residents outside of the main library branch at Raymond Terrace	<ul style="list-style-type: none"> A library lounge in Medowie with options including: inclusion with the existing Community Centre; new facilities on Council owned land (e.g. as part of the Ferodale Park Sports Complex or on Council owned land in proximity to the town centre)
3.Sports fields and associated facilities	To accommodate future population growth with adequate modern facilities	<ul style="list-style-type: none"> Focus on ongoing improvements to existing local and district facilities within Medowie (e.g. implementation of adopted Ferodale Park Sports Complex Master Plan and adding to existing skate park and tennis facilities at Boyd Oval)
4.Drainage/Water management	Identify a catchment wide solution to drainage and water quality in collaboration with Hunter Water because large areas of Medowie are located within the Grahamstown Dam Drinking Water Catchment which is a major source of drinking water for the Region and also significant areas within Medowie are flood prone and are subject to stormwater detention requirements. Additional urban development identified in the Medowie Strategy has the potential to impact water quality, flooding and stormwater issues and requires careful consideration	<ul style="list-style-type: none"> Drainage Strategy developed in partnership with Hunter Water Corporation
5.Traffic and transport	<p>Need for better connectivity and accessibility and to improve amenity for residents with consideration of existing infrastructure, intersections and property access points</p> <p>Upgrade intersection treatments for the safety of pedestrians and cyclists</p> <p>Establish a road network that will accommodate future bus routes within 400m radius to the nearest bus stop</p> <p>Integration of future land release and connection to urban release areas</p>	<ul style="list-style-type: none"> Improve amenity to eliminate trips through neighbourhoods (e.g. less use of Fairlands Road) Provide traffic and transport infrastructure upgrades as identified in the tables below

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INFRASTRUCTURE/ASSET	AIM	ACTION/OUTCOME
6. Public toilets	Provision of public amenities in the town centre	<ul style="list-style-type: none"> Currently public toilets are located on the southern side of Ferodale Drive, adjoining a small park and the community buildings. Public amenities are required centrally located to the retail and business areas of town
7. Kerbs and guttering	Amenity and functionality of the town centre	<ul style="list-style-type: none"> Not all parts of the town centre have kerb and guttering and should be prioritised to service local business and shoppers in the town centre

Table 3: Medowie Infrastructure Aims

Table 4: Medowie - Road Transport Infrastructure

Location	Works
Medowie Road (North of Boundary Road)	Gateway treatment at entrance to Medowie and change in speed zone from 100km/h to 70km/h
Medowie Road (between Boundary Road and Kirrang Drive)	Horizontal displacement mid-block treatment
Medowie Road (North of Kindelbark Drive)	Gateway treatment and change in speed zone from 90km/h to 50km/h
Medowie Road (South of Ferodale Road)	Gateway treatment at change in speed zone from 70km/h to 50km/h
Medowie Road (South of South Street)	Gateway treatment at entry to Medowie and change in speed zone from 80km/h to 70km/h
Lisadell and Abundance Roads (Fairlands Road to Industrial Road)	Maintain 70km/h speed zone to promote this route as the western entry into Medowie. Investigate widening of road pavement to provide a minimum carriageway width of 11m (2 x 3.5m wide traffic, 2 x 2m wide road shoulders. Current width varies but has a general minimum of 7m (2 x 3.0m wide traffic lanes 2 x 0.5m wide road shoulders)
Lisadell Road (at Fairlands Road)	Roundabout intersection. Short-term priority to widen road shoulder for left turn into Fairlands Road
Lisadell Road (at Abundance Road)	Investigate possible road realignment – introduce horizontal curve to create a T intersection with priority given to the through movement
Abundance Drive (South of Industrial Road)	Gateway treatment at change in speed zone from 70km/h to 50km/h
Abundance Drive (at Ferodale Road)	Roundabout intersection. Signpost Abundance Road as the route to Raymond Terrace
Ferodale Road (at Kirrang Drive)	Existing roundabout – upgrade to current geometric standards
Ferodale Road (at Peppertree Road)	Roundabout intersection to replace existing T intersection
Ferodale Road (at main access to commercial land)	Roundabout intersection to replace several access driveways
Peppertree Road (Ferodale Road to Medowie Road)	Extension (at the same width of Peppertree Road) including kerb and gutter and bus zone to the north, then east to connect through to Medowie Road between properties at 785 and 787 Medowie Road along with upgrading of intersection

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Location	Works
Medowie Road (at Brocklesby Road)	Roundabout intersection (to suit possible future development on west side of Medowie Road)
Medowie Road (at Blueberry Road)	Improve channelization of existing intersection – shoulder widening and left turn lane
Medowie Road (at Kindlebark Drive)	Roundabout intersection

Table 5: Future Pedestrian and Cycle Network Infrastructure

Location	Works
Various roads (on-road routes within residential areas)	Implement 50km/h area speed zoning with share the road signs supplemented with pavement markings (50 numerals and bicycle logos) at regular intervals throughout area
Off Medowie Road (Medowie Road to Cherry Tree Close)	Off-road shared path within cadastral corridor
Medowie Road (Silver Wattle Drive to Ferodale Road)	Off-road shared path on east side
Various Road (on-road routes within residential areas)	Implement 50km/h area speed zoning with share the road signs supplemented with pavement markings (50 numerals and bicycle logos) at regular intervals
Off Ford Avenue (Ford Avenue to Sylvan Avenue)	Complete off-road shared path within cadastral corridor
Medowie Road	At Silver Wattle Drive – Install pedestrian refuge island
Silver Wattle Drive (at Medowie Road)	Install pedestrian refuge island
Medowie Road (at Ferodale Road)	Upgrade pedestrian refuge island to current standards
Kirrang Drive (at Ferodale Road)	Install pedestrian refuge island
Brocklesby Road (at Ferodale Road)	Install pedestrian refuge island to replace existing median with no pedestrian refuge
Various intersections	Examples: Ferodale Road at Waropara Road Ferodale Road at Bottlebrush Avenue Ferodale Road at Kirrang Drive Install kerb returns Ease grades on shared path at approach to kerb ramps Install kerb ramps or modify to standards Install shared path and give way signage and logos
Medowie Road (Boundary Road to Kirrang Drive)	Off-road shared path on west side to future residential area. Investigate possible alternate route – Boundary Road to Federation Drive via Settlers Close/Overland Avenue/Explorers Close
Medowie Road (Federation Close to Kindlebark Drive)	Off-road shared path on east side
Medowie Road (at Kirrang Drive/Federation Drive)	Upgrade pedestrian refuge island to current standards
Medowie Road (south of Kindlebark Drive at existing bus stops)	Upgrade pedestrian refuge island to current standards

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Location	Works
Medowie Road (south of Ferodale Road at small commercial centre)	Install pedestrian refuge island
Medowie Road (at Blueberry Road)	Install pedestrian refuge island
Ferodale Road (west of Medowie Road)	Upgrade pedestrian refuge to current standards
Off Wilga Road (Wilga Road to town centre)	Off-road shared path with bridge over creek
Kirrang Drive (Ferodale Road to Medowie Road)	Off-road shared path west side
Brocklesby Rd (Medowie Road to Ferodale Road)	Off-road shared path north and west side
Medowie Road (Ferodale Road to South Street)	Off-road shared path east side
Ferodale Road	Off-road shared path south side – Kirrang Drive to Coachwood Drive: Medowie Road to Coachwood Drive & Kirrang Drive to Medowie Road
Medowie Road (Ferodale Road to approximately 500m south)	Off-road shared path west side
Waropara Road (Ferodale Road to Medowie Christian School)	Off-road shared path east side