

ITEM NO. 14

**FILE NO: 21/250545
EDRMS NO: PSC2017-00180**

PORT STEPHENS COUNCIL FINANCIAL SUSTAINABILITY AND PROSPERITY FUND

REPORT OF: TIMOTHY CROSDALE - GROUP MANAGER CORPORATE SERVICES
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Endorse the key directions for ongoing financial sustainability as detailed in this report.
- 2) Endorse the establishment of the Prosperity Fund.
- 3) Receives a report within 6 months to endorse associated governance processes for the Prosperity Fund.

**ORDINARY COUNCIL MEETING - 26 OCTOBER 2021
MOTION**

292	<p>Councillor Chris Doohan Councillor John Nell</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Endorse the key directions for ongoing financial sustainability as detailed in this report.2) Endorse the establishment of the Prosperity Fund.3) Receives a report within 6 months to endorse associated governance processes for the Prosperity Fund.
------------	--

The motion was carried.

BACKGROUND

Council's financial sustainability has been achieved and enhanced through the implementation of a range of strategies since the early 2010's. A central aspect of this has been maintaining approximately 1% of budget as an underlying operating surplus. This has enabled ongoing reinvestment into critical works and services.

Achieving this metric has been supported by our rolling Service Review program that provides for ongoing efficiency reviews of Council services and aims to deliver ongoing budget savings.

Effective financial reserve management and ongoing success with grant funding has also supported Council's ongoing achievement of key metrics, such as reduction of asset backlog, as well as the attainment of financial reporting metrics as determined by the Office of Local Government. Council has been able to increase its capital works spend considerably over time as financial sustainability has been achieved.

Council has also pursued a strategy of increasing sources of non-rate revenue to support the provision of Council services to the community. This has been embedded into Council's Delivery Program and Operational Plans. This strategy has been successful and has enabled Council to maintain the lowest rates in the region whilst continuing to deliver services valued by the community.

The key sources of non-rate revenue for Council include returns from:

- Council's property development and investment portfolio – managed in accordance with the Property Investment Strategy.
- Council's Beachside Holiday Parks (BSHP) operations – managed in accordance with the 4 Year Delivery Program.
- A dividend from the operations of Newcastle Airport Pty Limited (NAPL) – managed in accordance with separate NAPL governance processes.

In addition to these key sources of non-rate revenue Council has also initiated strategies around additional revenue from Smart Parking in town centres across the LGA.

The key tool for Council to effectively plan for, and deliver, ongoing financial sustainability is the Long Term Financial Plan (LTFP). For some time the LTFP has identified 2021/2022 and 2022/2023 financial years as being tight with predicted underlying surplus generally being lower than Council's target of 1% of budget. This prediction was on account of expected legislated increases in superannuation contributions amongst other factors.

From 2020, Council has been faced with a challenging financial position as a result of the COVID-19 pandemic (the pandemic). This included the loss of an annual dividend from NAPL and impacts to commercial operations from public health orders. The pressure of the pandemic forced Council to reassess capital projects and discretionary spending, including recruitment, and produced a small operating deficit of \$185k in the 2019/2020 financial year. This is the first reported underlying deficit since 2012.

At the time of setting the 2020/2021 budget the impacts of COVID-19 were thought to result in a budgeted underlying deficit of \$4.4 million. Council's results for the 2020/2021 financial year have resulted in an underlying surplus of \$583,000. This has been achieved through managing discretionary aspects of Council's budget as

well as performance from non-rate revenue sources such as the Beachside Holiday Parks.

Despite Council's demonstrated ability to implement effective short term strategies, the ongoing effects of COVID-19, including lockdown periods through the first part of 2021/2022 are continuing to impact Council's financial position. The updated LTFP projections highlight that Council requires the re-setting of strategies to attain ongoing financial sustainability into the future.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

These recent results indicate that Council is effective in implementing clear business decisions to minimise short term impacts to Council's financial position.

A range of external factors (**ATTACHMENT 1**) will continue to present ongoing challenges to the financial sustainability of Council.

Accordingly, Council will implement a range of strategies, initiatives and plans across a range of focus areas as shown in (**ATTACHMENT 2**) and include the following key directions:

- Avoid shocks – focus on reserve management and cash forecasting in order to recover from recent impacts and continue to have resilience to meet ongoing impacts.
- Attain underlying surplus – move back to achieving 1% underlying surplus as a key metric of financial sustainability and review the need to increase this target over time.
- Prosperity Fund – establish an internally governed reserve for significant organisational projects, financial sustainability or commercial reinvestment funded through excess non-rate revenue (as detailed below).
- Increase income – to continue to meet community expectations further opportunities will be examined to increase income sources to Council including statutory processes relating to rates, fees and charges as well as increasing non-rate revenue.
- Review and adjust services – continue existing Service Review program to drive operational efficiencies (budget savings) and reinvest in services and works expected from the community.
- Advocacy and partnerships – to assist with the success of grants and to minimise external impacts to the organisation.

What has also been evident in recent history is the growing importance of non-rate revenue streams. Based on Council's ongoing management, non-rate revenue

streams can generate revenue in excess of what is required to maintain services and reinvest in these revenue sources. In these instances Council have episodically allocated these excess funds into specific projects or initiatives, commonly infrastructure projects across the LGA.

Whilst this has enabled Council to fund projects outside of rate revenue or grant based sources, this has typically been one off projects. Accordingly, there is also an opportunity for Council to improve decision making around the use of excess non-rate revenue sources to ensure that Council is strategic in its use of these funds.

Moreover, the ability to align and pool these funds also provides a unique opportunity for Council to utilise this funding for large scale strategic projects and initiatives such as:

- Infrastructure in demand for the community.
- Contribute to Council's financial sustainability such as providing a cash backed reserve to assist funding emergency response.
- Investment in initiatives to extend and or provide additional returns to Council.

Council has developed the Port Stephens Council Prosperity Fund to provide this governance and decision framework for the use of excess non-rate revenue for Council. An overview of the Prosperity Fund is provided at **(ATTACHMENT 3)**.

The overall aim of the Prosperity Fund is to ensure that the use of excess non-rate revenue is directed towards significant projects, investments or initiatives to achieve the strategies of Council. The Prosperity Fund includes:

- Clear objectives and criteria for the use of funds towards significant projects, investments or initiatives to achieve the strategies of Council.
- Clarity on the use of non-rate revenue streams to ensure that these streams can be perpetuated and enhanced over time to continue to offset Council services and reliance on rate based revenue.
- Details on the management of the reserve including cash and minimum reserve levels to maintain effectiveness of this fund.
- Governance processes including the establishment of a Prosperity Fund Oversight Committee to administer the fund.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	Yes		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

There are no legal, policy or risk implications from the adoption of the recommendations of this report. Should Council endorse the broad directions outlined in this report further detailed governance processes will be developed.

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council face an increasingly uncertain long term financial outlook that may affect ongoing financial sustainability.	Medium	Adopt the recommendations.	Yes
There is a risk that Council miss the opportunity to align the use of excess non-rate revenue that would contribute to financial sustainability and significant community projects.	Medium	Adopt the recommendations.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council’s ability to continue to deliver services valued by our community in the best possible way.

CONSULTATION

Consultation with key stakeholders has been undertaken in the development of the key directions for financial sustainability and the Prosperity Fund.

Internal

- Senior Leadership Team
- Executive Team
- Property Advisory Panel
- Mayor and Councillors

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Key internal and external impacts.
- 2) Key directions for financial sustainability.
- 3) PSC Prosperity Fund flow chart.

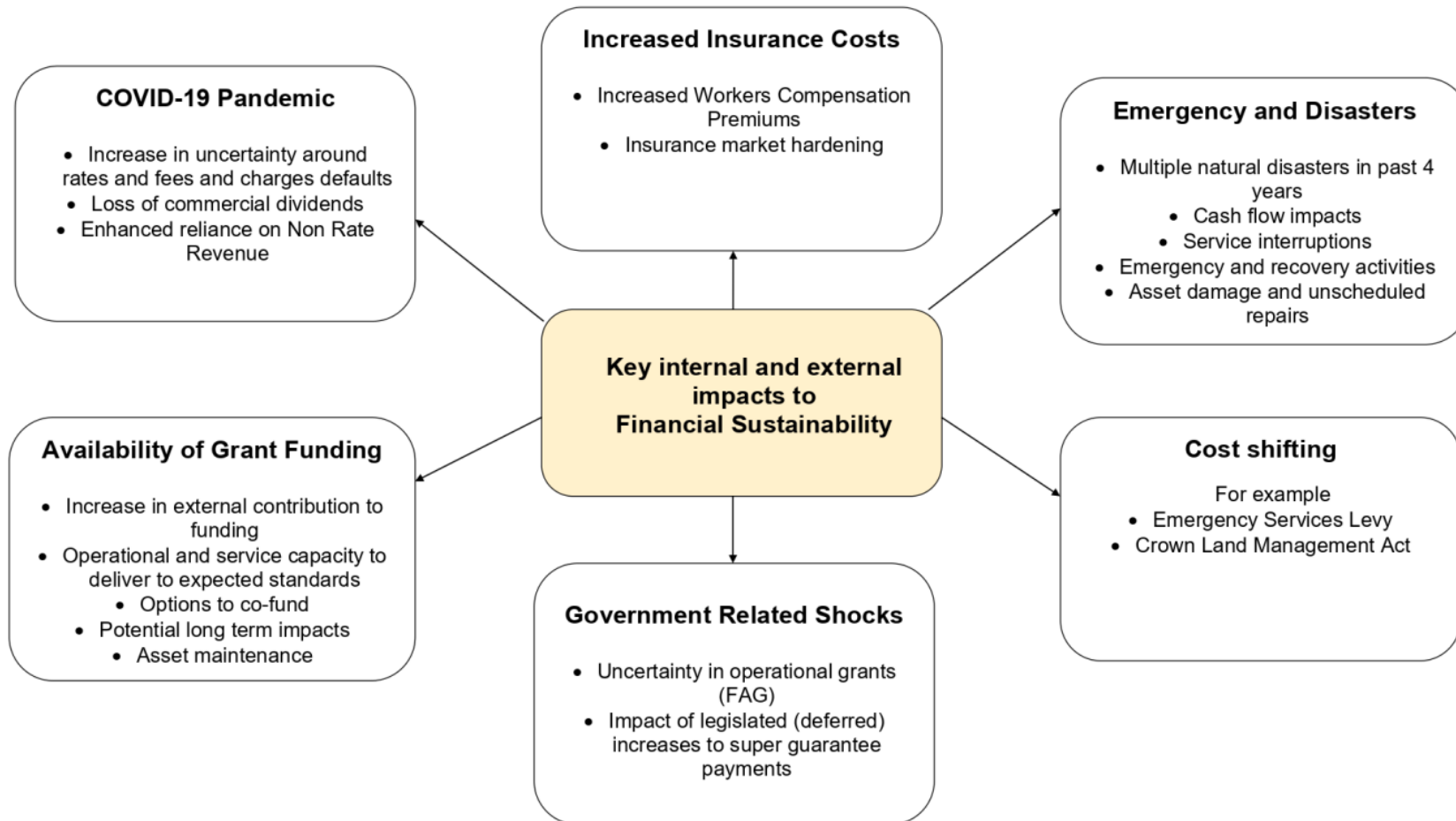
COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

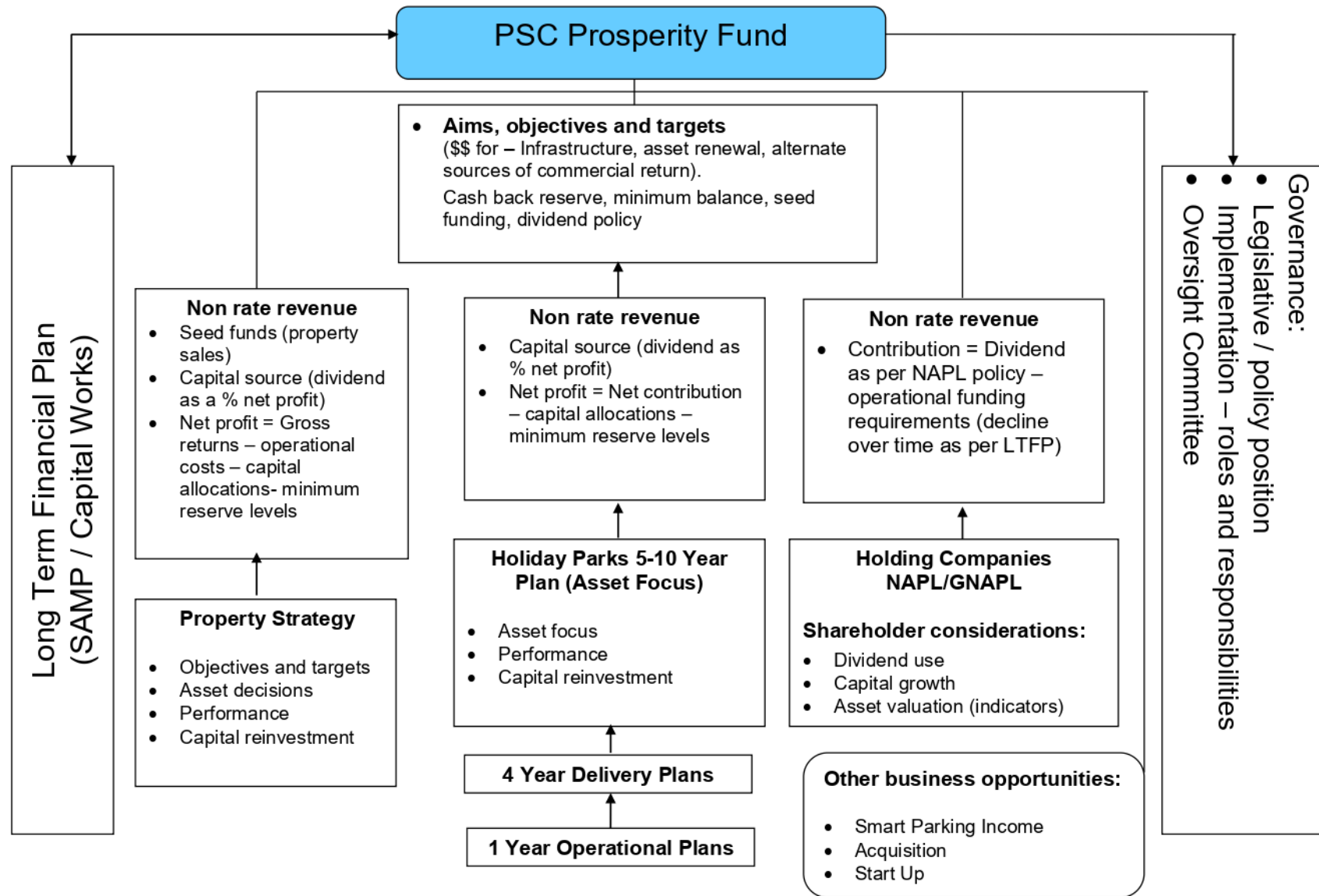
ITEM 14 - ATTACHMENT 1 KEY INTERNAL AND EXTERNAL IMPACTS.



KEY DIRECTIONS FOR FINANCIAL SUSTAINABILITY



ITEM 14 - ATTACHMENT 3 PSC PROSPERITY FUND FLOW CHART.



ITEM NO. 1

**FILE NO: 22/145962
EDRMS NO: PSC2022-145962**

2022-2032 INTEGRATED PLANNING AND REPORTING DOCUMENTS AND 2022-2023 FEES AND CHARGES

REPORT OF: TIMOTHY CROSDALE - GROUP MANAGER CORPORATE SERVICES
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Receive and note the community submissions received and responses in relation to the draft 2022 to 2032 Integrated Planning and Reporting documents and draft Fees and Charges 2022 to 2023 (**ATTACHMENT 1**).
- 2) Note the recommendations relating to changes to the Integrated Planning and Reporting documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 (**ATTACHMENT 2**).
- 3) Adopt the Integrated Planning and Report documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 with amendments as provided in (**ATTACHMENT 2**).
- 4) Make the rates and charges for 2022 to 2023 in accordance with (**ATTACHMENT 3**).

**ORDINARY COUNCIL MEETING - 28 JUNE 2022
MOTION**

160	<p>Councillor Leah Anderson Councillor Chris Doohan</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Receive and note the community submissions received and responses in relation to the draft 2022 to 2032 Integrated Planning and Reporting documents and draft Fees and Charges 2022 to 2023 (ATTACHMENT 1).
------------	---

- | | |
|--|--|
| | <ol style="list-style-type: none">2) Note the recommendations relating to changes to the Integrated Planning and Reporting documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 (ATTACHMENT 2).3) Adopt the Integrated Planning and Report documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 with amendments as provided in (ATTACHMENT 2).4) Make the rates and charges for 2022 to 2023 in accordance with (ATTACHMENT 3). |
|--|--|

Councillor Jason Wells left the meeting at 5:34pm.

Councillor Jason Wells returned to the meeting at 5:34pm.

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Giacomo Arnott, Matthew Bailey, Chris Dohan, Peter Francis, Steve Tucker and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

BACKGROUND

The purpose of this report is to provide Council with information on the community submissions received during the public exhibition period and changes proposed to the Integrated Planning and Reporting documents and Fees and Charges for 2022 to 2023, along with making the rates and charges for 2022 to 2023.

Why these documents are necessary

The Integrated Planning and Reporting documents consist of the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032). The Fees and Charges 2022 to 2023 are also a key resource.

The 2022 to 2023 financial year is the first year of the next Integrated Planning and Reporting cycle, with all councils required to review and endorse a 10 year Community Strategic Plan prior to 30 June 2022 following the local government election. The Community Strategic Plan (the Plan) is the highest level of strategic planning that a council will prepare on behalf of its community, with Council playing a custodial role in collating the Plan and engaging with the community on priorities and aspirations for the next 10 years.

Many community priorities are beyond Council's sphere of control, involving partnerships and advocacy with many other government departments, private enterprises, agencies and the community. Establishing community priorities is critical in informing what services, facilities and programs Council should sustainably deliver and how we assign and balance our resourcing to support delivery while balancing affordability.

Our Delivery Program outlines a 4 year program that Council commits to delivering within the resources available. It translates the Plan's goals into clear activities and actions. Our Operational Plan is Council's annual action plan which contributes to our 4 year Delivery Program. It outlines what Council proposes to deliver in 2022 to 2023 along with which area of Council is responsible for delivery. The Operational Plan includes the Statement of Revenue Policy and Statement of Waste Management and is implemented with a supporting annual budget to fund the necessary work.

Our Resourcing Strategy enables us to implement these plans with the appropriate human, capital and asset resources. It consists of 3 interrelated plans; the Long Term Financial Plan, Strategic Asset Management Plan and Workforce Management Strategy which provide more detail on the financial, asset and workforce matters that Council is responsible for.

Council, also in accordance with the Local Government Act 1993 and other applicable legislation, charges and recovers approved fees and charges for any services it provides as contained within its schedule of fees and charges. As with the Delivery Program, Operational Plan and Resourcing Strategy, Council cannot implement these fees, actions, works or budget until they have been on public exhibition, submissions considered and adopted by Council.

Additional Special Variation

The Independent Pricing and Regulatory Tribunal (IPART) has approved Council's application for a one-off additional special variation. This will see the less than anticipated 2022-2023 rate peg lift from 1.3% back to the instructed figure of 2.5% and is reflected in the Schedule of Rates and Charges 2022 to 2023 (**ATTACHMENT 3**). This outcome will assist in delivering planned services to the community and closing the financial sustainability gap that is being driven by the implications of the COVID-19 pandemic and recent weather events.

The proposed rates and charges reflect those included in the amended Statement of Revenue Policy which will be included in the revised Operational Plan 2022 to 2023

as outlined in **(ATTACHMENT 2)**. Legislation requires the rates to be calculated using 1 July 2019 base date land values.

COVID-19 and other Natural Disasters

As was the case last year, Council developed and prepared the Integrated Planning and Reporting documents at a point in time. Like all organisations, communities and individuals we have and continue to adjust our thinking and planning to respond to COVID-19 and other natural disasters.

These documents were prepared in times of increased uncertainty which are subject to change as we adapt, revise and re-baseline our work programs as circumstances evolve.

Public Exhibition and Submissions

During the public exhibition period 12 submissions were received with a summary of submissions outlined in **(ATTACHMENT 1)** and recommended changes to the documents, where deemed appropriate from community submissions or administrative corrections detailed within **(ATTACHMENT 2)**.

Further detail on the public submissions and exhibition process is outlined under the consultation section of this paper.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Governance	Provide a strong ethical governance structure.

FINANCIAL/RESOURCE IMPLICATIONS

The Independent Pricing and Regulatory Tribunal (IPART) has set the rate peg for Port Stephens Council for 2022 to 2023 at 2.5%. The outstanding rates and charges interest rate will be the maximum rate as determined by the Minister for Local Government.

Rates and charges income must be collected in a timely manner to ensure cash flow to fund Council operations.

At the time of drafting the Long Term Financial Plan as part of the Resourcing Strategy a Consumer Price Index (CPI) of 3.5% had been assumed. During the public exhibition period, the ABS released a new CPI figure of 5.1%. The Materials and Contracts assumption has now been updated to 5.1% to reflect this change, resulting in a flow-on effect on the long-term financial outlook. These changes are reflected in the amendments to the Resourcing Strategy **(ATTACHMENT 2)**. The cost of printing the revised documents can be substantial. For this reason, a limited amount of copies will be produced (following Council adoption of the proposed

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

amendments) for inspection at Council Libraries and Administration Building. The documents will also be available on Council's website.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Council is required to undertake integrated planning and report activities in accordance with the Local Government Act, Local Government (General) Regulation 2021 (Local Government Regulation) and the NSW Government's Integrated Planning and Reporting Guidelines (IPR Guidelines) and Handbook (IPR Handbook) September 2021. Sections 402 to 406 and 608 to 610 of the Local Government Act outline the specific requirements for developing the IPR documents and Fees and Charges.

In summary, under this legislation and guidelines Council is required to:

- Engage with the community and review the Community Strategic Plan before 30 June following the Council election.
- Prepare a long-term strategy (Resourcing Strategy which includes the Long Term Financial Plan, Workforce Management Strategy and Strategic Asset Management Plan) for the provision of resources required to perform its functions.
- Establish a new Delivery Program after the Council election to cover the principal activities of the Council for the 4-year period commencing on 1 July following the election.
- Have its Operational Plan adopted before the beginning of each financial year and detail the activities to be engaged in by the Council during the year as part of the Delivery Program covering that year.
- Set its Fees and Charges prior to 1 July 2022, and make the rates prior to 1 August 2022.
- Publicly exhibit all of the IPR documents and Fees and Charges for a period of at least 28 days, considering submissions prior to adoption of the final documents.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council's IPR documents and Fees and Charges may not comply with legislation leading to a loss of Council's reputation.	Low	Staff cross reference legislative requirements of the documents with the Office of Local Government requirements as best as possible.	Yes
There is a risk that Council does not have an understanding of community priorities.	Low	The Community Strategic Plan has been reviewed and revised based on integrated engagement over the past 20 months.	Yes
There is a risk that Council does not have the resources to meet its Delivery Program and annual Operational Plan.	Medium	Staff continue to realistically plan and investigate resourcing opportunities as outlined in the Delivery Program and Resourcing Strategy. Financial sustainability continues to remain a key focus for Council.	Yes
There is a risk that the Operational Plan and Resourcing Strategy (containing the Long Term Financial Plan) which include the budget for 2022 to 2023 is not adopted in the timeframe required to implement the budget and raise Rates and Charges from 1 July 2023.	High	Adopt the recommendations.	Yes
There is a risk that failure to make and serve the Rate Notices by 1 August 2022 will defer the due date for the first instalment payment to 30 November 2022 adversely affecting cash flow.	High	Council will make Rates and serve Notice before 1 August 2022.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

As required by the Local Government Act, the Integrated Planning and Reporting documents and the Fees and Charges 2022 to 2023 were developed and reviewed in accordance with the principles of equity, social justice and sustainability. The Plan has been developed in alignment with these principles addressing social, economic, environmental and governance factors (quadruple bottom line) through 4 interconnected focus areas: Our Community, Our Place, Our Environment and Our Council. The 4 focus areas provide a structure for planning in each of the documents, enabling Council to address key actions while aiming to holistically meet the community's vision of 'A great lifestyle in a treasured environment'.

Rates and charges income is necessary for Council to deliver the services outlined in the Delivery Program and the Operational Plan.

CONSULTATION

Consultation with internal and external stakeholders has been undertaken in accordance with Council's Community Engagement Strategy to develop the final documents. This has included:

Internal

- Input on key priorities from Councillors was sought at a workshop in February 2022.
- The draft documents were developed in consultation with the Senior Leadership Team and discussed as part of a workshop with the Combined Leadership Team.
- A cross Council project team was established to guide the development and integration of various facets of the IPR documents from community engagement to finance, workforce to assets. This team will continue to monitor the progress of the documents following their formal adoption by Council.
- Responsible officers from across Council have reviewed the Fees and Charges.
- Proposed changes to the final documents have been discussed with the Executive Team, relevant Section Managers and staff, which has included detailed input from the sections responsible for Finance, Assets and Strategy & Environment.

External

Council has an integrated approach to engaging with the community, engaging on a number of fronts since 2020 to help inform the review of the Plan and associated documents. Over the past 20 months, Council have been talking with and listening to our community on various projects and plans to understand the aspirations and priorities of Port Stephens. Council has taken a phased approach, delving deeper into what we have heard to make sure we clearly understand what the community is looking for in the future. This has been through:

Phase 1 – Broad engagement, base data collection:

- Liveability Index Survey: conducted September to December 2020. 3700 surveys were completed on community values and priorities.
- Youth Strategy: adopted November 2020. 450 people were involved in an 18 month consultation phase.
- Our Incredible Place Strategy: adopted 24 November 2020. 327 people were involved in a 12-month consultation phase.
- Coastal Management Program Stage 2: completed November 2020. 3 webinars were conducted with 208 views.
- Wellbeing Strategy Engagement: conducted over April to May 2021. 177 survey responses received and 48 workshop attendances.
- Community Satisfaction Survey 2021: conducted over May to June 2021. 2187 survey responses received.
- Economic Development Strategy: adopted 26 October 2021. 286 survey responses were received and 12 key partner consultations occurred.
- End of Term Report 2017 to 2021: updated the community on how we were progressing with achieving the 2018-2028 Community Strategic Plan. Noted by Council in October 2021.

Phase 2 – Targeted engagement, deeper dive:

- Targeted place workshops: conducted over September to December 2021. 224 expressions of interest, 12 workshops, 191 workshop attendances.

Phase 3 – Community check in:

- Community Strategic Plan check-in: conducted from 28 February to 14 March 2022 involving a pre-recorded video, Facebook live event, online survey and photo competition:
 - promoted via 4 Social media posts.
 - the Facebook live event reached 4,500 people with 115 comments and 174 reactions.
 - the pre-recorded video received 113 views.
 - the online survey received 59 survey responses.
 - the photo competition received 23 entries.

Phase 4 – Public Exhibition:

Occurred from 28 April 2022 until 5pm on Thursday 26 May 2022.

Exhibition of the documents and opportunities to make a submission were promoted on Council's website, social media and in the local paper. Hard copies of the documents were also made available at the Administration Building and Council's Libraries, with submissions able to be made via mail or email.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Council received 12 community submissions with nearly half being from residents and the other half from organisations.

We value the time and effort taken by community members in reviewing the documents and providing submissions. As some of the submissions were lengthy, not every point raised has been listed, with key issues summarised as shown in **(ATTACHMENT 1)**. Contact will be made with applicants to close the loop on queries raised in their submission.

Councillors have been provided with a full set of un-redacted submissions available in the Councillors Room for their consideration. For privacy and consistency reasons, full submissions have not publicly been made available.

Submissions have been reviewed by the Executive Team, relevant Section Managers and staff for key issues. Submissions topics ranged from the need for a performing arts/museum facility through to the importance of providing/planning for shade in reducing skin cancer. A number of recurring topics that occurred in the submissions were relating to:

- Capital Works: timing, cost and prioritisation.
- Place Planning Engagement: need for further engagement.
- Community Strategic Plan Indicators: Liveability Index is good for community perception, although real/tangible measures of success are also needed.
- Our Environment (Focus Area): more delineation between action by Council on carbon neutrality/climate change concerning Council facilities and also efforts to assist the community on these matters.

Recommended changes to the documents, where deemed appropriate from community submissions or administrative corrections are detailed within **(ATTACHMENT 2)**.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Summary of submissions.
- 2) Recommended changes to the Integrated Planning and Reporting documents.
- 3) Rates and Charges 2022 to 2023.

COUNCILLORS ROOM

- 1) Copy of submissions.

TABLED DOCUMENTS

Nil.

ITEM NO. 2

**FILE NO: 22/152740
EDRMS NO: PSC2017-00180**

FINANCIAL SUSTAINABILITY

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Note and endorse this report.
 - 2) Commence an engagement process to discuss the financial sustainability of the Council over the next 10 years with the community, including but not limited to the prospect of submitting a Special Rate Variation to the Independent Pricing and Regulatory Tribunal (IPART) for consideration for the 2023-2024 financial year.
 - 3) Note and endorse the attached Communications and Engagement Plan – Our Funded Future (**ATTACHMENT 3**).
-

**ORDINARY COUNCIL MEETING - 28 JUNE 2022
MOTION**

161	<p>Councillor Leah Anderson Councillor Matthew Bailey</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Note and endorse this report.2) Commence an engagement process to discuss the financial sustainability of the Council over the next 10 years with the community, including but not limited to the prospect of submitting a Special Rate Variation to the Independent Pricing and Regulatory Tribunal (IPART) for consideration for the 2023-2024 financial year.3) Note and endorse the Communications and Engagement Plan – Our Funded Future (ATTACHMENT 3).4) The following be included as part of the community engagement:<ol style="list-style-type: none">a) The additional information being all of the items that the councillors brought to the table throughout the past few months of finance committee meetings (Supplementary information)b) That the parcels of land identified for potential sale be made transparent to the community, along with an explanation of how long this will take to have them re-zoned and what potential revenue we could achieve from the sales.
------------	--

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

- | | |
|--|---|
| | c) When we anticipate the return of Airport Dividends and how they will be used to build a Prosperity Fund (and why) and not relied upon to fund our day to day operations in terms of this budget. |
|--|---|

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Chris Doohan, Steve Tucker and Jason Wells.

Those against the Motion: Crs Giacomo Arnott and Peter Francis.

The motion was carried.

BACKGROUND

One of the key resourcing strategies to be developed by Council each year is the Long Term Financial Plan, which forecasts the financial position of the Council over a 10 year time frame. The Long Term Financial Plan from as early as 2018-2019 was highlighting that from the 2022 financial year the Council would be facing some very difficult financial pressures. These were largely centred around the ongoing State imposed rate capping regime, where successive rate increases were limited to levels less than prevailing consumer price indexes and local government cost indices.

Legislative changes to costs such as superannuation contributions together with a difficult workers compensation insurance market added financial pressure to the organisation. Already faced with some difficult economic decisions to be made from the 2022 financial year onwards, the organisation was then shocked by the impacts of mandates resulting from the COVID-19 pandemic and a number of natural disasters affecting the Port Stephens local government area.

For 2 consecutive years, the ramifications of imposed lockdowns saw an \$8 million deterioration to the operating bottom line.

While this placed an economic strain on the organisation, Council was mindful of its civic leadership role, joining other levels of Government to ensure that the economy could be stimulated to lessen the overall impact to residents and ratepayers. On one hand, Council had to display prudent fiscal management, yet on the other it had a civic duty to assist with the stimulus of the economy. This to a greater degree for the Port Stephens local government area that is so reliant on the tourism and associated industries.

Port Stephens Council has operated on a very tight fiscal basis for a number of years. Previous policy decisions of Council have meant that ratepayers have historically enjoyed the lowest rate level of any of our contemporaries in the Hunter region, or other comparable councils as shown by the Office of Local Government categorisation. The rate level for Port Stephens in the residential category is typically up to 35 per cent less than our neighbouring Councils.

To ensure this low rate level was maintained, a strategy was deployed to develop a reliance on maximising commercial or 'own source' revenue. Council has proved

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

successful in managing 5 holiday parks, some on behalf of the Crown, but some in an outright capacity. Council as co-owner of the Newcastle Airport has also enjoyed the substantial increases in activity from that facility over the past number of years. These 2 business activities have been able to successfully supplement revenue streams to Council and thus reduce the overall quantum of financial reliance on rate revenue.

With the State mandated lockdowns introduced during the COVID-19 pandemic severely impacting both of these activities, holiday parks and the airport were unable to produce income. The dividend received from the airport activities, previously \$2 million per year, has yet to be reinstated and it is not certain to what level it will return.

In addition to the financial stressors from the lockdowns, Council also faced a significant natural disaster in March 2021. Some access was granted to disaster relief funds, however Council is required to incur the costs up front and can wait up to 3 years to seek even partial reimbursement. Works from this natural disaster are still being carried out and can be expected to continue for some time.

While the 2020-2021 financial year was forecast to have an operating deficit of over \$4.4 million, a number of measures were taken to mitigate this. Ultimately these measures proved effective and the financial result for the year was a modest surplus of \$583,000.

TABLE ONE		
	Surplus \$	Deficit \$
Original budget		(4,311,000)
September 2020 review		(692,000)
December 2020 review		(1,000)
March 2021 review	315,000	
June 2021 review	583,000	

Financial forecasting for the 2021-2022 financial year started with a small underlying surplus of \$66,000 and with the advent of the second State mandated lockdown was forecast to be a deficit of \$2.5 million for the financial year.

TABLE TWO		
	Surplus \$	Deficit \$
Original budget	66,000	
September 2021 review		(2,370,000)
December 2021 review		(974,000)
March 2022 review	147,000	

In order to return budgets to an underlying surplus a number of austerity measures have been implemented over previous years. Recruitment was effectively frozen and only positions regarded as essential or critical were actively recruited. Management

of staff costs were critically examined, with \$1 million cut directly from employment budgets. Discretionary spending, already curtailed from previous years was cut and a number of services had to be reduced. The effect of reduced revenue streams and limited funds has seen the level of responsiveness to community expectations decline. Clearly such an approach can only be sustained for the short term and is not considered a viable long term solution.

Given the current financial projections (**ATTACHMENT 2**) these measures will need to be continued into the 2022-2023 financial year. In short, the community can expect no relief from the current issues being faced with Council's capacity to continue to deliver current services, such as asset maintenance, being severely impacted.

As part of the ongoing discussions around financial sustainability, Council endorsed an ongoing financial strategy (**ATTACHMENT 1**) designed around 6 key fundamentals being:

- Avoiding shocks.
- Attaining underlying surplus.
- Refining approach to funding significant infrastructure projects and initiatives.
- Increasing income.
- Reviewing and adjust services.
- Increasing advocacy and partnerships.

With a new Council being elected in December 2021 and the need to further address Council's financial sustainability, the Council agreed to meet to workshop the financial strategic direction for the next 10 years. Meeting on a fortnightly basis, a number of initiatives were examined and include:

- Potential to make a special variation to rate capping to the Independent Pricing and Regulatory Tribunal (IPART).
- An increase in non-statutory fees & charges for 2022 – 2023 to 10%, creating an additional \$400,000 in income.
- Implementation of paid tourist parking to Birubi, One Mile, Fingal Bay, Shoal Bay and Nelson Bay, creating an additional \$750,000 per annum in income.
- Identification of surplus land assets for potential sale. A number of sites have been identified and will be reported to Council in the short term, with the sale process taking up to 24-36 months.

The current Long Term Financial Plan (**ATTACHMENT 2**) has factored income producing strategies recently undertaken by Council such as increasing fees and charges and additional smart parking income. In spite of these initiatives, Council is facing 10 years of consecutive operating deficits. It is unable to achieve an underlying surplus target in any year of the plan. This means Council for the entirety of the plan will be facing severe financial pressure, will not handle any future external shocks and cash flow management is in critical condition. Ultimately, Council will have to examine and reduce service level provisions and assets will be subject to heavy deterioration, without further intervention.

The financial position of the Council is not predicted to improve at any stage over the 10 year life of the plan, with deficits that will continue to grow, reaching more than \$14 million by the end of the plan.

While the original Long Term Financial Plan was on public exhibition the overall state of the economy continued to deteriorate with reasonable predictions of consumer price increases (CPI) over the next 3 years to be in excess of 5 percent. Our original model made allowance for a CPI movement of 3 to 4 per cent. This additional CPI projection effectively adds another \$1 million to the organisations cost structure and increases the deficit to over \$1 million for next year alone.

In this climate of financial difficulty, it was considered prudent to seek an independent evaluation of the organisations financial health. To this end a number of reports were commissioned and Professors Dollery and Drew were retained to provide the advice. This advice was commissioned in September 2021 and the 4 reports were delivered in February 2022. The reports included:

- Financial Sustainability.
- Efficiency.
- Capacity to Pay.
- Debt Capacity.

The reports were workshopped with Council by Professor Drew in March 2022 and essentially highlighted the findings that Council was not financially sustainable. The reports recognised the effects taken by the organisation over the past few years in providing for operations, but considered that such an ongoing approach or outcome could not be sustained. A number of specific recommendations were put forward and these were further workshopped with the Council throughout April to June 2022.

The major recommendations from this review to ensure financial sustainability were to increase fees and charges and make an application for a Special Rate Variation (SRV). More specifically, it was recommended to increase rates up to 10% per annum for 3 years to achieve financial sustainability. The review also recommended other initiatives such as a review of rates structure, which will continue to be examined.

Through workshops with Councillors a broad range of ideas to enhance Council's financial position were identified including:

- 2 items concerning avoiding shocks, specifically strategies relating to debt management and modelling.
- 5 items around attaining an underlying surplus, including a review of certain functions to reduce costs.
- 4 items on our approach to infrastructure, no specific savings identified.
- 9 items on increasing income, potential \$100,000 per year from additional developer contributions to fund infrastructure, and a potential \$100,000 from additional own source revenue opportunities.
- 10 further items on increasing income, around increasing rates and consideration

of a special rate variation application.

- 11 items on adjusting service levels and community expectations, generally around deferring discretionary funding levels, which will need to continue.
- 14 items on community engagement and discussing our financial position with the community.

While a detailed review of each item is to be completed, it is apparent that the direct increases in revenue or reductions in expenditure is likely to only net an improvement of \$250,000 per annum. While this is significant, it would provide only part of a solution to financial sustainability. Further work will be completed on these actions.

It is therefore considered imperative that a dialogue with the community commences around Council's financial sustainability. A Communications and Engagement Plan (**ATTACHMENT 3**) has been developed for Council's endorsement. The initial phases are to commence in July 2022, combining a mix of face to face and digital conversations and consultations. While the engagement process is about clearly communicating the current financial position and implications of current projections, a conversation about possible rate increases needs to take place. The engagement data will then be used by Council to make an informed decision as to the path forward.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

Council will continue to implement strategies, initiatives and plans to achieve the financial key directions as adopted in October 2021 (**ATTACHMENT 1**). The proposed engagement with the community will need to examine a range of options for Council to meet the goal of financial sustainability.

For financial sustainability into the future it is considered critical that:

- An underlying surplus is achieved for resilience and ability to reinvest into asset maintenance.
- Reserves for natural disaster response and grants attraction are established.
- Continue to develop the Prosperity Fund, renamed Resilience Fund, to provide alternate funding opportunities for significant initiatives, such as reinvestment, asset improvements or significant community infrastructure.

In anticipation of the community engagement phase commencing (**ATTACHMENT 3**) a number of different scenarios have been modelled. These options will form the basis of engagement with the community on Council's financial sustainability.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The cost of the engagement process (**ATTACHMENT 3**) can be met within existing budgets.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing operations without a significant change in service levels.	High.	Adopt the recommendations. Commence community engagement process on financial sustainability.	Yes.
There is a risk of engaging negative outcomes from the community regarding poor financial position and a potential rate increase.	High.	Adopt the recommendations. Clear and concise data driven communication and engagement on the reasoning, purpose, need and impact for financial sustainability measures.	Yes.
There is a risk that Council will face an increasingly uncertain long term financial outlook that will affect ongoing financial sustainability.	High.	Adopt the recommendations.	Yes.

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council's ability to continue to deliver services valued by the community in the best possible way.

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section.

Internal

- Executive Team.
- Senior Leadership Team.
- Project Control Group – Financial Sustainability.
- Councillor workshops.

External

- Community Strategic Plan 2022-2032.
- Long Term Financial Plan 2022-2032.
- Delivery Program and Operational Plan 2022-2032.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Financial Sustainability and Prosperity Fund - 26 October 2021.
- 2) Base Scenario.
- 3) Communications and Engagement Plan - Our Funded Future.

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

ITEM 2 - ATTACHMENT 1 FINANCIAL SUSTAINABILITY AND PROSPERITY FUND - 26 OCTOBER 2021.

ATTACHMENT 1

COUNCIL MEETING – 26 OCTOBER 2021

ITEM NO. 14

FILE NO: 21/250545
EDRMS NO: PSC2017-00180**PORT STEPHENS COUNCIL FINANCIAL SUSTAINABILITY AND PROSPERITY FUND**REPORT OF: TIMOTHY CROSDALE - GROUP MANAGER CORPORATE SERVICES
GROUP: CORPORATE SERVICES**RECOMMENDATION IS THAT COUNCIL:**

- 1) Endorse the key directions for ongoing financial sustainability as detailed in this report.
- 2) Endorse the establishment of the Prosperity Fund.
- 3) Receives a report within 6 months to endorse associated governance processes for the Prosperity Fund.

BACKGROUND

Council's financial sustainability has been achieved and enhanced through the implementation of a range of strategies since the early 2010's. A central aspect of this has been maintaining approximately 1% of budget as an underlying operating surplus. This has enabled ongoing reinvestment into critical works and services.

Achieving this metric has been supported by our rolling Service Review program that provides for ongoing efficiency reviews of Council services and aims to deliver ongoing budget savings.

Effective financial reserve management and ongoing success with grant funding has also supported Council's ongoing achievement of key metrics, such as reduction of asset backlog, as well as the attainment of financial reporting metrics as determined by the Office of Local Government. Council has been able to increase its capital works spend considerably over time as financial sustainability has been achieved.

Council has also pursued a strategy of increasing sources of non-rate revenue to support the provision of Council services to the community. This has been embedded into Council's Delivery Program and Operational Plans. This strategy has been successful and has enabled Council to maintain the lowest rates in the region whilst continuing to deliver services valued by the community.

The key sources of non-rate revenue for Council include returns from:

- Council's property development and investment portfolio – managed in accordance with the Property Investment Strategy.

ITEM 2 - ATTACHMENT 1 FINANCIAL SUSTAINABILITY AND PROSPERITY FUND - 26 OCTOBER 2021.**COUNCIL MEETING – 26 OCTOBER 2021**

- Council's Beachside Holiday Parks (BSHP) operations – managed in accordance with the 4 Year Delivery Program.
- A dividend from the operations of Newcastle Airport Pty Limited (NAPL) – managed in accordance with separate NAPL governance processes.

In addition to these key sources of non-rate revenue Council has also initiated strategies around additional revenue from Smart Parking in town centres across the LGA.

The key tool for Council to effectively plan for, and deliver, ongoing financial sustainability is the Long Term Financial Plan (LTFP). For some time the LTFP has identified 2021/2022 and 2022/2023 financial years as being tight with predicted underlying surplus generally being lower than Council's target of 1% of budget. This prediction was on account of expected legislated increases in superannuation contributions amongst other factors.

From 2020, Council has been faced with a challenging financial position as a result of the COVID-19 pandemic (the pandemic). This included the loss of an annual dividend from NAPL and impacts to commercial operations from public health orders. The pressure of the pandemic forced Council to reassess capital projects and discretionary spending, including recruitment, and produced a small operating deficit of \$185k in the 2019/2020 financial year. This is the first reported underlying deficit since 2012.

At the time of setting the 2020/2021 budget the impacts of COVID-19 were thought to result in a budgeted underlying deficit of \$4.4 million. Council's results for the 2020/2021 financial year have resulted in an underlying surplus of \$583,000. This has been achieved through managing discretionary aspects of Council's budget as well as performance from non-rate revenue sources such as the Beachside Holiday Parks.

Despite Council's demonstrated ability to implement effective short term strategies, the ongoing effects of COVID-19, including lockdown periods through the first part of 2021/2022 are continuing to impact Council's financial position. The updated LTFP projections highlight that Council requires the re-setting of strategies to attain ongoing financial sustainability into the future.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

These recent results indicate that Council is effective in implementing clear business decisions to minimise short term impacts to Council's financial position.

ITEM 2 - ATTACHMENT 1 FINANCIAL SUSTAINABILITY AND PROSPERITY FUND - 26 OCTOBER 2021.**COUNCIL MEETING – 26 OCTOBER 2021**

A range of external factors (**ATTACHMENT 1**) will continue to present ongoing challenges to the financial sustainability of Council.

Accordingly, Council will implement a range of strategies, initiatives and plans across a range of focus areas as shown in (**ATTACHMENT 2**) and include the following key directions:

- Avoid shocks – focus on reserve management and cash forecasting in order to recover from recent impacts and continue to have resilience to meet ongoing impacts.
- Attain underlying surplus – move back to achieving 1% underlying surplus as a key metric of financial sustainability and review the need to increase this target over time.
- Prosperity Fund – establish an internally governed reserve for significant organisational projects, financial sustainability or commercial reinvestment funded through excess non-rate revenue (as detailed below).
- Increase income – to continue to meet community expectations further opportunities will be examined to increase income sources to Council including statutory processes relating to rates, fees and charges as well as increasing non-rate revenue.
- Review and adjust services – continue existing Service Review program to drive operational efficiencies (budget savings) and reinvest in services and works expected from the community.
- Advocacy and partnerships – to assist with the success of grants and to minimise external impacts to the organisation.

What has also been evident in recent history is the growing importance of non-rate revenue streams. Based on Council's ongoing management, non-rate revenue streams can generate revenue in excess of what is required to maintain services and reinvest in these revenue sources. In these instances Council have episodically allocated these excess funds into specific projects or initiatives, commonly infrastructure projects across the LGA.

Whilst this has enabled Council to fund projects outside of rate revenue or grant based sources, this has typically been one off projects. Accordingly, there is also an opportunity for Council to improve decision making around the use of excess non-rate revenue sources to ensure that Council is strategic in its use of these funds.

Moreover, the ability to align and pool these funds also provides a unique opportunity for Council to utilise this funding for large scale strategic projects and initiatives such as:

- Infrastructure in demand for the community.
- Contribute to Council's financial sustainability such as providing a cash backed reserve to assist funding emergency response.
- Investment in initiatives to extend and or provide additional returns to Council.

ITEM 2 - ATTACHMENT 1 FINANCIAL SUSTAINABILITY AND PROSPERITY FUND - 26 OCTOBER 2021.

COUNCIL MEETING – 26 OCTOBER 2021

Council has developed the Port Stephens Council Prosperity Fund to provide this governance and decision framework for the use of excess non-rate revenue for Council. An overview of the Prosperity Fund is provided at **(ATTACHMENT 3)**.

The overall aim of the Prosperity Fund is to ensure that the use of excess non-rate revenue is directed towards significant projects, investments or initiatives to achieve the strategies of Council. The Prosperity Fund includes:

- Clear objectives and criteria for the use of funds towards significant projects, investments or initiatives to achieve the strategies of Council.
- Clarity on the use of non-rate revenue streams to ensure that these streams can be perpetuated and enhanced over time to continue to offset Council services and reliance on rate based revenue.
- Details on the management of the reserve including cash and minimum reserve levels to maintain effectiveness of this fund.
- Governance processes including the establishment of a Prosperity Fund Oversight Committee to administer the fund.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	Yes		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

There are no legal, policy or risk implications from the adoption of the recommendations of this report. Should Council endorse the broad directions outlined in this report further detailed governance processes will be developed.

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that Council face an increasingly uncertain long term financial outlook that may affect ongoing financial sustainability.	Medium	Adopt the recommendations.	Yes

ITEM 2 - ATTACHMENT 1 FINANCIAL SUSTAINABILITY AND PROSPERITY FUND - 26 OCTOBER 2021.**COUNCIL MEETING – 26 OCTOBER 2021**

There is a risk that Council miss the opportunity to align the use of excess non-rate revenue that would contribute to financial sustainability and significant community projects.	Medium	Adopt the recommendations.	Yes
---	--------	----------------------------	-----

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council's ability to continue to deliver services valued by our community in the best possible way.

CONSULTATION

Consultation with key stakeholders has been undertaken in the development of the key directions for financial sustainability and the Prosperity Fund.

Internal

- Senior Leadership Team
- Executive Team
- Property Advisory Panel
- Mayor and Councillors

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Key internal and external impacts.
- 2) Key directions for financial sustainability.
- 3) PSC Prosperity Fund flow chart.

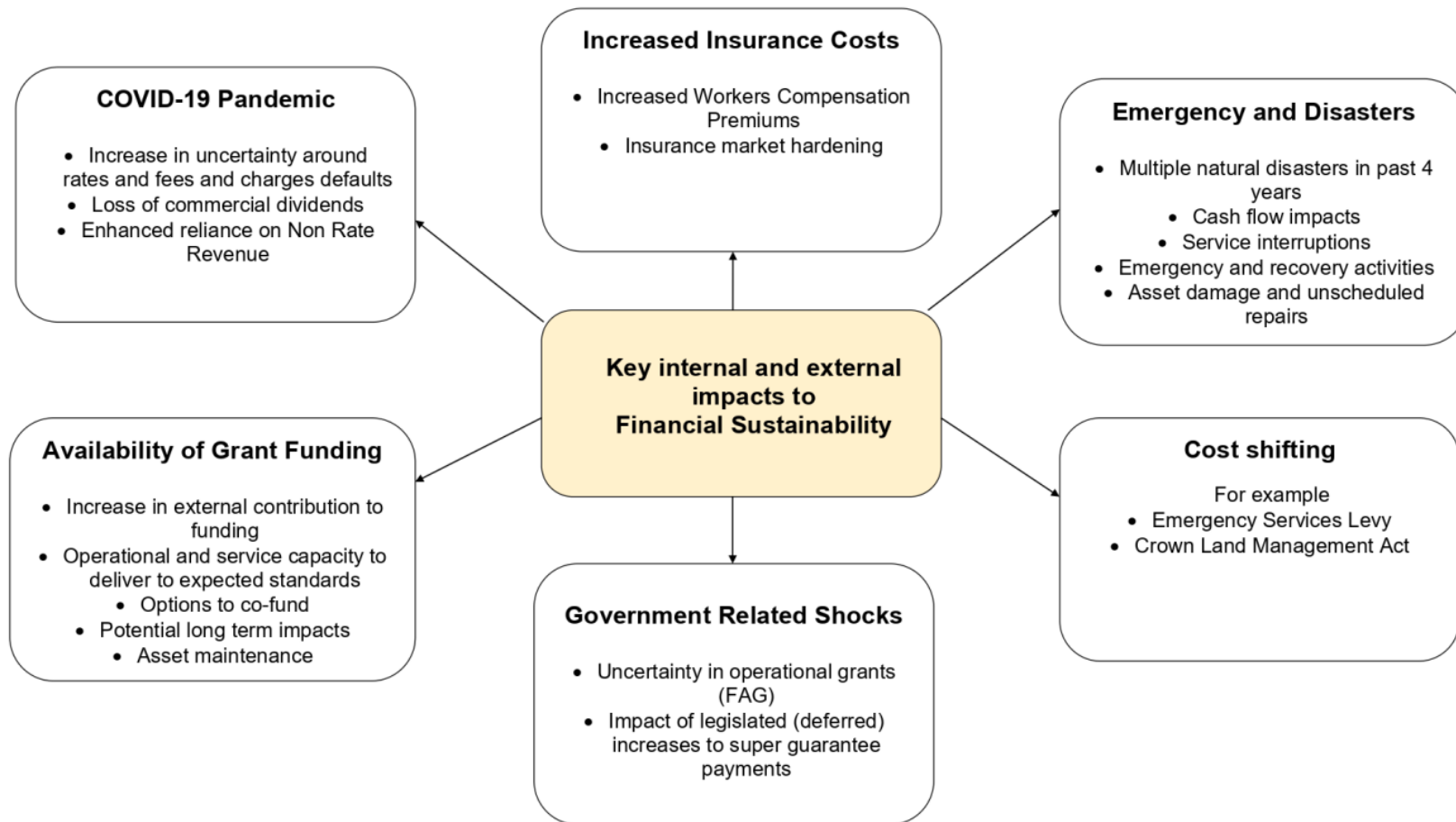
COUNCILLORS ROOM

Nil.

COUNCIL MEETING – 26 OCTOBER 2021

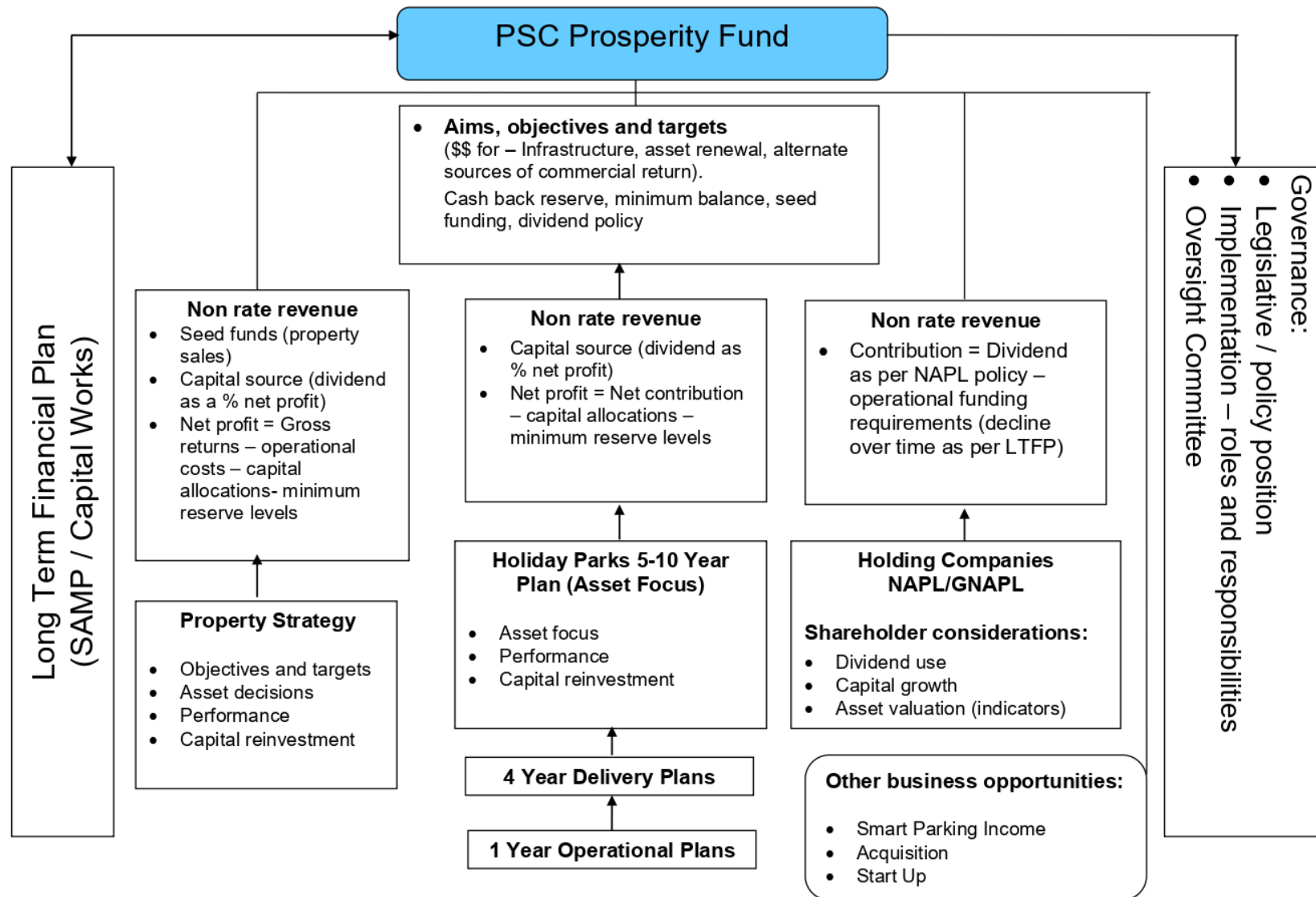
TABLED DOCUMENTS

Nil.



KEY DIRECTIONS FOR FINANCIAL SUSTAINABILITY



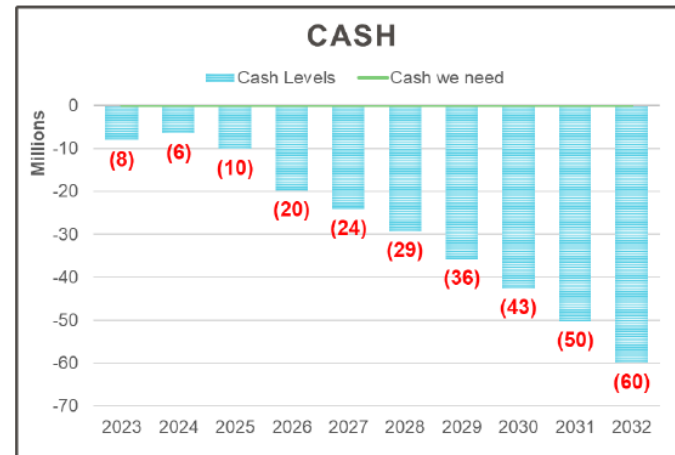
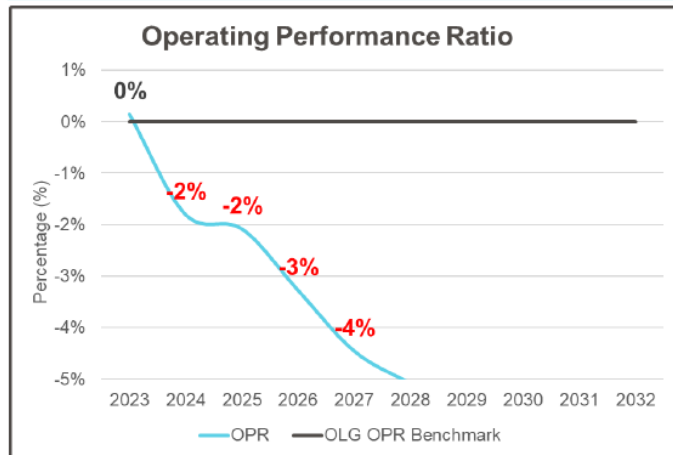
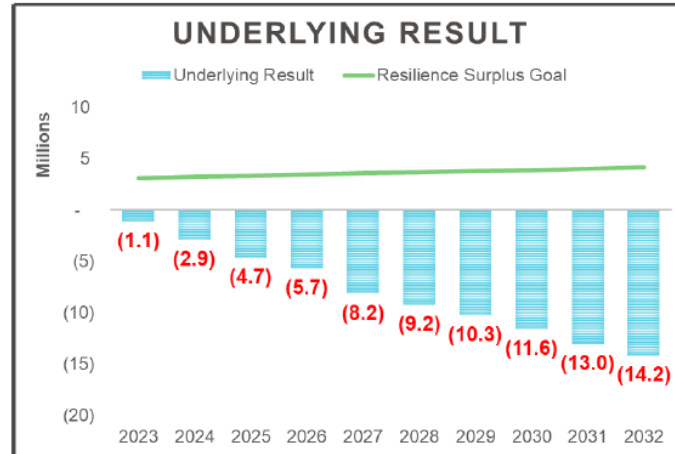


ATTACHMENT 2

Base Scenario – Current 2022 Long Term Financial Plan

Council’s current 2022 Long Term Financial Plan has factored income producing strategies recently undertaken by Council such as increasing fees and charges and additional smart parking income. Council is facing **10 years of consecutive operating deficits**. It is **unable** to achieve its **resilience** surplus target in **any year of the plan**. This means Council for the **entirety** of the plan will be in facing severe financial pressure, will not handle any future external shocks and cash flow management is in critical condition. Ultimately Council will have to examine and **reduce service level** provisions and **assets** will be subject to heavy **deterioration**.

(\$80,843,259)
10 Year Financial Sustainability Gap



Communications and Engagement Plan

Our Funded Future June 2022



It's time to look at how we do business, where Council can improve revenue, find savings and strike a balance between the needs of our community and Council's funded future.



A commitment to long term financial sustainability

Over the past 10 years, Council has maintained a strong and stable financial position achieving an underlying operating surplus of at least 1% of budget.

The key tool that Council uses to effectively plan for and deliver ongoing financial sustainability is the Long Term Financial Plan (LTFP). For some time the LTFP has identified the 2021/2022 and 2022/2023 financial years as being tough with the predicted underlying surplus lower than Council's target of 1% of budget. This prediction was based on Council's understanding of increasing operational costs including increasing insurance premiums and legislated changes in superannuation contributions.

Knowing this, Council has focused on streamlining services and reducing operational expenditure as well as growing sources of non-rate revenue. Central to this approach has been the implementation of our rolling Service Review program, which for over 10 years has provided a comprehensive process to reduce costs whilst still delivering services to meet community expectations.

Coupled with this, Council's approach has included increasing profits from non-rate sources including Council holiday parks, revenue from a diverse property and investment portfolio along with dividends from the operations of Newcastle Airport (of which Council is part owner).

This approach has allowed Council to reinvest funds into critical works and services, support opportunities to secure grant funds and deliver placed based programs which improve the liveability and wellbeing of the community.

At the same time, Council has reduced its asset backlog, achieved relevant financial reporting metrics with the Office of Local Government and slowly but surely, increased its capital work spend to a record \$26 million during 2020/2021.

However, 2020 came with a whole new set of unpredicted challenges with a major storm event and the COVID-19 pandemic impacting revenue streams and forcing Council to reassess capital projects and discretionary spending.

At the time of setting the 2020/2021 budget the impacts of COVID-19 were expected to result in an underlying deficit of \$4.4 million however, with careful planning and a commitment to further reducing expenditure a surplus of \$583,000 was achieved.

Despite Council's ability to implement effective short term strategies, the ongoing effects of COVID-19 and the lockdown periods through the first part of 2021/2022 have continued to negatively impact Council's financial position. Like most business the impacts of the past two years have forced Council to stop and reset.

With a new Council in place, it's time to look at how we do business, where Council can improve revenue, find savings and strike a balance between the needs of our community and Council's funded future.

This plan outlines Council's commitment to ensuring meaningful community engagement. This will ensure the community has an informed understanding of Council's current financial position and the ability to participate in decisions affecting financial sustainability for the residents of Port Stephens well into the future.



Objectives

-  **Increase community awareness** of Council's financial situation and its journey to date
-  **Inform the community** about Council's financial sustainability options
-  **Seek community feedback** on options for Council's financial sustainability
-  **Identify the community's views** on options for financial sustainability

ITEM 2 - ATTACHMENT 3 COMMUNICATIONS AND ENGAGEMENT PLAN - OUR FUNDED FUTURE.

Engagement approach

Engagement level

In the first instance, engagement will include 3 phases.

- **Phase 0** – inform the community on Council’s financial situation and the current and short term mitigation strategies that have been implemented to date.
- **Phase 1** – provide options to the community that creates a financially sustainable Council.
- **Phase 2** – publically exhibit the options within the Integrated Planning & Reporting documents or further discuss the community’s views on the preferred options if necessary (This phase is dependent on the outcome of Phase 1).

Further engagement phases are possible pending outcomes of Phases 1 and 2 and will be planned prior to commencement once the community’s desires are understood.

Engagement level	Phase 0	Phase 1	Phase 2
Level 1 – Inform Provide stakeholders with information to assist them in understanding the problems, alternatives and/or solutions.	✔		
Level 2 – Consult Obtain stakeholder feedback on the project to aid decision making.			
Level 3 – Involve Work with stakeholders throughout the project, ensuring issues and concerns are understood and incorporated in decision making.		✔	✔
Level 4 – Collaborate Partner with stakeholders throughout the project to develop alternatives and identify the preferred solution.			

Engagement methods

Phase	Engagement methods
Phase 0 Community education	Communications <ul style="list-style-type: none"> • Media release – Financial Sustainability Report Outcome • Media release – Independent financial reports • Media release – Save the Dates • Social media • Council website page with background and independent reports

ITEM 2 - ATTACHMENT 3 COMMUNICATIONS AND ENGAGEMENT PLAN - OUR FUNDED FUTURE.

Phase	Engagement methods
Phase 1 Financial suitability options	Communications <ul style="list-style-type: none"> • Media release • Social media including paid social • Newspaper notice Examiner • Your Port issue • Videos for website and socials • Community newsletters/notice – MyPort, Bizlink, Mylink • Direct email to Port Stephens Interagency • 'Have your Say' membership email distribution • Council website page including alert and navigation icon on home page, FAQs, links etc. • On hold messaging • Councillor social media toolkit
	Engagement <ul style="list-style-type: none"> • Ethelo as an online survey and deliberation tool • Interactive online rating calculator • Independent webinar – Professor Drew • 1 live Facebook Q&A • 3 x drop in face to face sessions with allocated presentation time • 1 x drop in session online with allocated presentation time • Meetings with special interest groups • Designated email address process • Officer call paths for direct calls to Customer Experience
Phase 2 Public exhibition	Communications <ul style="list-style-type: none"> • Media release • Social media including paid social • Newspaper advertisements – existing notices • Videos for website and socials • Community newsletters/notice – MyPort, Bizlink, Mylink • Direct email to Port Stephens Interagency • 'Have your Say' membership panel email distribution • Council website page • On hold messaging • Councillor social media toolkit
	Engagement <ul style="list-style-type: none"> • 1 x live Facebook Q&A session • 1 x drop in face to face session • Interactive online rating calculator • Online and hardcopy submissions • Designated email • Officer call paths for direct calls to Customer Experience

Success criteria



Engagement methods target all Port Stephens demographics



Minimal negative feedback on engagement process



Minimal negative submissions received during Phase 2 of engagement
(pending phase 1 completion)



Community feedback reflected in direction taken by Council

Stakeholders

Key:

- **High interest, high influence** — immediate and direct, tailored approach
- **High interest, low influence** — immediate, tailored approach
- **Low interest, high influence** — tailored approach
- **Low interest, low influence** — general approach

Name and contact	Interest	Influence
External		
Rate payers and residents	High	High
General community	High	High
Special interest groups	High	Medium
Independent Planning & Reporting Tribunal (IPART)	High	High
Media	High	Low

ITEM 2 - ATTACHMENT 3 COMMUNICATIONS AND ENGAGEMENT PLAN - OUR FUNDED FUTURE.



Key risks

Risk	Mitigation strategy
Previous rate increase proposal not supported by parts of the community or IPART	<ul style="list-style-type: none"> Community engagement campaign providing story and context. FAQ on website.
Financial situation a surprise to the community	<ul style="list-style-type: none"> Education and communication of financial sustainability. Communication campaign providing story and context. Communication campaign outlining strategies undertaken to reduce expenditure and create savings.
Community backlash	<ul style="list-style-type: none"> Information and education of Council's financial position and financial sustainability workshops (including independent reports). Status quo or no rate increase option available.
Engagement perceived as not genuine and transparent	<ul style="list-style-type: none"> Clear messaging about how community feedback will be used. Many engagement methods to be used and promotion of each. Reporting back to the community on link between decisions and community feedback.
Phase 1 formal report not prepared within timeframe	Pre-planned days scheduled for Council staff to analyse data and prepare report.

Key milestones

Milestone	Date
Engagement plan approval	28 June 2022
Phase 0 – communication commence	29 June 2022
Phase 1 - engagement opens	18 July 2022
Phase 1 - engagement closes	8 August 2022
Phase 1 - engagement report completed	25 August 2022

Key milestones for Phase 2 will be determined pending the outcome of Phase 1.

Engagement approach

Phase 0 and Phase 1

Key messages for Phase 0 include:

- We have been talking with and listening to our community over the past 2 years to understand the needs, priorities and aspirations for Port Stephens. Our community feedback has informed the direction of the new Integrated Planning & Reporting documentation including the 10 year Community Strategic Plan 'Our Place, Our Plan, Our Future'.
- From 2013 to 2019 Council has been making a consistent small surplus each year. Doing more with less.
- Unfortunately, the last 2 years of COVID-19 impacts have taken their toll. Income from our holiday parks, childcare centres and the Newcastle Airport has been slashed, while at the same time the construction, transport and insurance costs have continued to increase. These impacts have also been further exacerbated by 2 major storm events.
- Council's current and forecast financial situation will make it very difficult to meet the community needs, priorities and aspirations shared with Council over the past 2 years to the same level unless we develop a new approach.
- In September 2021, Council's quarterly budget review predicted a deficit of \$2.5 million and Council sought independent financial advice and assistance in financial forecasting. In response Council focused on finding internal savings and curbing discretionary spending. Council also adopted the key directions and strategies for ongoing financial sustainability.
- Independent experts were commissioned to delve into the finances of Council and provide an analysis of the overall financial sustainability of the organisation.
- Reports identified that Council was not financially sustainable and needed to urgently consider a recovery plan to ensure the financial health of the organisation could be turned around. Report recommendations outline that Council needs to carefully consider its ability to raise revenue.

ITEM 2 - ATTACHMENT 3 COMMUNICATIONS AND ENGAGEMENT PLAN - OUR FUNDED FUTURE.

- The independent reports were presented to the Council in March 2022 and led to the Council committing to numerous workshops on financial sustainability to take an in depth look at Council's finances and consider all possible solutions to strike a balance between the needs of our community and Council's financial future.
- Council has been considering all options to improve Council's financial situation including reducing service delivery, increasing fees and charges, a rate variation or investigating new revenue streams or property sales.

Phase 1

Additional key messages for phase 1 only.

- A strong financial future would mean a resilient underlying result.
- Changes to our rate revenue is definitely an option but if our community wants to keep rates low, we need to look at all other options as well to find other ways to fund services like our sports fields, infrastructure projects, libraries and events.
- Council has completed the initial investigations and Council is seeking community input on a number of options to shape our financial future.
- Find out more and review the options by visiting portstephens.nsw.gov.au/ourfundedfuture to watch the webinar by an independent expert, register to attend a community Q&A session or complete the online survey.
- The community can share their thoughts on the proposed options until Monday 8 August 2022.

Key messages for other phases to be developed post outcome of each previous phase.





ITEM 2 - ATTACHMENT 3 COMMUNICATIONS AND ENGAGEMENT PLAN - OUR FUNDED FUTURE.

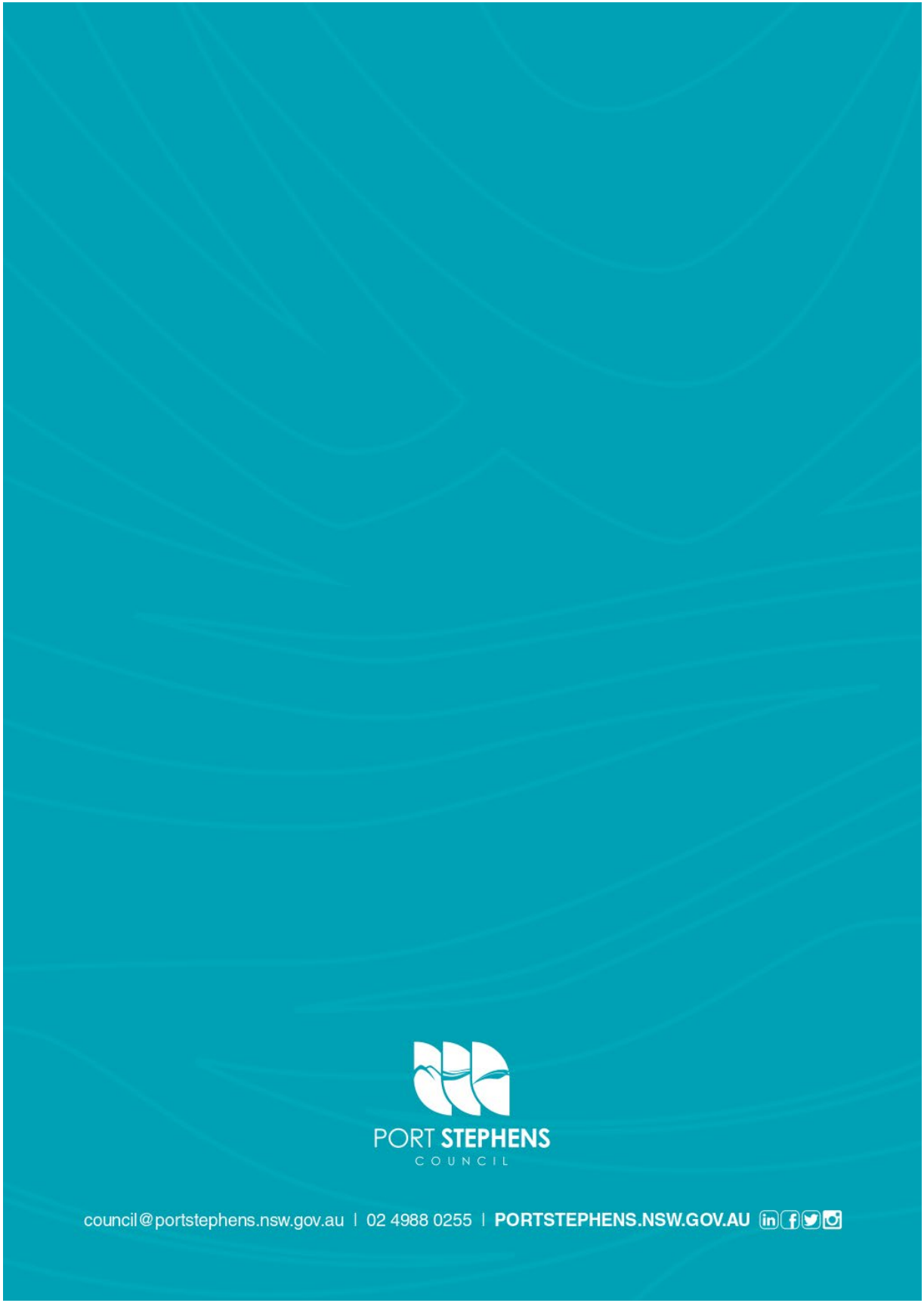
Action Plan

Detailed action plan for Phase 0 and Phase 1.

Activity	Date
Financial Sustainability Report – Endorsement of engagement plan	28 June 2022
Media Release/Social post – Financial Sustainability Report Outcome	29 June 2022
Council website page goes live	29 June 2022
Content to printers for YourPort	29 June 2022
Direct emails to stakeholder groups	29 June 2022
Media Release/social post – Independent Financial Reports	6 July 2022
Newspaper notice content to Examiner	8 July 2022
Media release/social post – Save the date for engagement sessions	14 July 2022
Content to printers for Rates Notice	15 July 2022
Social media toolkit to Councillors	15 July 2022
Media release/socials – Engagement commences	18 July 2022
Community newsletter notices distributed	18 July 2022
Webinar available	18 July 2022
Online calculator live	18 July 2022
Ethelo survey live	18 July 2022
On hold messaging live	18 July 2022
PS Facebook Live Q&A	20 July 2022
Community drop in session – Central Ward	27 July 2022
Community drop in session – East Ward	28 July 2022
Community drop in Session – West Ward	1 August 2022
Community drop in Session – Online	3 August 2022
Special interest group meetings	29 June to 5 August 2022
Engagement concludes and engagement tools close	8 August 2022
Phase 1 Engagement Report Completed	25 August 2022
Financial sustainability engagement results	25 August 2022

Further engagement with the community to occur after completion of Phase 1.

ITEM 2 - ATTACHMENT 3 COMMUNICATIONS AND ENGAGEMENT PLAN -
OUR FUNDED FUTURE.



PORT STEPHENS
COUNCIL

council@portstephens.nsw.gov.au | 02 4988 0255 | PORTSTEPHENS.NSW.GOV.AU    

ITEM NO. 4

**FILE NO: 22/218108
EDRMS NO: PSC2021-02359**

OUR FUNDED FUTURE - PHASE 0 AND PHASE 1 ENGAGEMENT

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Notes the outcomes of the community engagement for Phase 0 and Phase 1 of Our Funded Future, including a proposed Special Rate Variation **(ATTACHMENT 1)**.
- 2) Endorses the development of Our Funded Future Phase 2 Engagement Plan.
- 3) Endorses the development of revised Integrated Planning and Reporting documents, including Special Rate Variation options, to incorporate feedback gained from the community during Phase 0 and 1 whilst balancing Council's financial sustainability for further engagement with the community.

**ORDINARY COUNCIL MEETING - 23 AUGUST 2022
MOTION**

	<p>Councillor Leah Anderson Councillor Chris Doohan</p> <p>That Council:</p> <ol style="list-style-type: none">1) Notes the outcomes of the community engagement for Phase 0 and Phase 1 of Our Funded Future, including a proposed Special Rate Variation (ATTACHMENT 1).2) Endorses the development of Our Funded Future Phase 2 Engagement Plan.3) Endorses the development of revised Integrated Planning and Reporting documents, including Special Rate Variation options, to incorporate feedback gained from the community during Phase 0 and 1 whilst balancing Council's financial sustainability for further engagement with the community.
--	--

Councillor Peter Francis left the meeting at 7:16pm.
Councillor Peter Francis returned to the meeting at 7:20pm.

**ORDINARY COUNCIL MEETING - 23 AUGUST 2022
MOTION**

218	Councillor Giacomo Arnott Councillor Jason Wells It was resolved that Cr Peter Kafer be granted a 3 minutes extension of time to address Council.
------------	---

Those for the Motion: Crs Leah Anderson, Giacomo Arnott, Matthew Bailey, Chris Doohan, Glen Dunkley, Peter Francis, Mayor Ryan Palmer, Steve Tucker and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

**ORDINARY COUNCIL MEETING - 23 AUGUST 2022
AMENDMENT**

219	Councillor Giacomo Arnott Councillor Peter Kafer It was resolved that Council: 1) Notes the outcomes of the community engagement for Phase 0 and Phase 1 of Our Funded Future, including a proposed Special Rate Variation (ATTACHMENT 1). 2) Endorses the development of Our Funded Future Phase 2 Engagement Plan. 3) Endorses the development of revised Integrated Planning and Reporting documents, including Special Rate Variation options, to incorporate feedback gained from the community during Phase 0 and 1 whilst balancing Council's financial sustainability for further engagement with the community. 4) The name of the engagement will not be called 'Our Funded Future' going forward.
------------	---

Councillor Matthew Bailey left the meeting at 7:47pm.
Councillor Matthew Bailey returned to the meeting at 7:50pm.

Those for the Amendment: Mayor Ryan Palmer, Crs Leah Anderson, Giacomo Arnott, Peter Francis, Peter Kafer and Jason Wells.

Those against the Amendment: Crs Matthew Bailey, Chris Doohan, Glen Dunkley, Mayor Ryan Palmer and Steve Tucker.

The amendment on being put became the motion, which was carried.

Those for the Motion: Crs Leah Anderson, Matthew Bailey, Chris Doohan, Glen Dunkley, Peter Francis, Peter Kafer, Mayor Ryan Palmer, Steve Tucker and Jason Wells.

Those against the Motion: Cr Giacomo Arnott.

The motion was carried.

BACKGROUND

The purpose of this report is to advise Council on the outcomes of the Our Funded Future phase 0 and 1 community engagement undertaken to discuss the financial sustainability of the Council over the next 10 years with the community.

In June 2022, Council adopted its 2022-2023 Integrated Planning and Reporting (IP&R) documents which includes the Long Term Financial Plan. These documents stated Council's concern with its ongoing financial sustainability, and sought to inform the community of mitigation strategies that were already being undertaken, and predicted an \$80 million shortfall over the next 10 years.

In conjunction with the adoption of the IP&R documents Council considered the Financial Sustainability Report. The report detailed the financial history of the organisation, highlighted Council's reliance on non-rate revenues and external shocks faced by the organisation during and continued in the COVID-19 pandemic, as well as efforts made by the organisation and Councillors to address financial sustainability to date. With this report, Council endorsed to move forward with an engagement program to discuss financial sustainability with the community and seek feedback on a number of options to turn around the forecasted financial position.

The planned engagement approach consisted of 3 phases:

Phase 0 – inform the community about Council's financial situation and the current and short-term mitigation strategies that have been implemented to date.

Phase 1 – provide options to the community that create a financially sustainable Council.

Phase 2 - (dependent on outcomes of Phase 1) publically exhibit options within the Integrated Planning and Reporting documents and further discuss the community's views on the preferred path forward.

Phase 0 commenced on 29 June 2022 with Phase 1 following on 18 July 2022. During this period an extensive communication and engagement program, including a wide variety of methods, was undertaken and concluded on 8 August 2022.

The financial sustainability options that were put forward for community discussion included:

Potentially Reducing Service Delivery

- Explanation of what this means for the community and, if chosen, a further in-depth discussion with the community to identify what services that would see reduced or stopped in the future.

Non-rate Option

- Increase fees and charges by 10% for the 2023-2024 financial year.
- Remove exemption for local residents from smart parking in their towns and centres.
- Continue to seek additional grant funding via our dedicated grants office.
- Sell underperforming surplus assets.

Rate Income Options, Special Rate Variation (SRV)

All options have the key purpose of financial sustainability. Some options allow for additional funds to be used to enhance current services for areas that have been identified through the integrated engagement program over the past 2 years.

- Option 1 Steady Growth: 38.56% cumulative increase
Year 1 - 7%, Year 2 - 8%, Year 3 – 9%, Year 4 – 10%
- Option 2 Independent Recommendation: 34.92% cumulative increase
10.5% for 3 years
- Option 3 Short Term Solution: 29.68% cumulative increase
Year 1 – 11.5%, Year 2 – 5.5%, Year 3 – 4%, Year 4 – 6%
- Option 4 Single Year: 26% increase
26% for 1 year
- Option 5 Long Term Solution: 45.08% cumulative increase
9.75% for 4 years

A comprehensive report of all communications and engagement methods and outcomes is included in the Our Funded Future Phase 0 and 1 Engagement Report **(ATTACHMENT 1)**.

Key themes identified through the Phase 0 and 1 engagement and response are summarised below.

Level of understanding of complex local government financial matters

Summary

Areas of Council's operations and finances were found complex by some members of the community. Issues surrounding Council's operating and capital budgets, rate capping, land re-valuation, and developer contributions, as well as concerns around the analytical level of the independent reports were raised. The community put forward many other options to assist in turning Council's financial situation around, generating more income from developers and tourists, such as a bed tax or paid parking at boat ramps.

Response

The local government sector is heavily regulated and many functions of Council's processes are legislated by either state government or, in a financial sense, Australian Accounting Standards with the Local Government Accounting Code.

Recognising this the engagement plan included:

- Facebook Live Q&A event.
- Detailed FAQs that were located on the Our Funded Future Website and hard copies were available at the face-to-face sessions.
- A summary video of the independent reports in 'plain-English' was promoted.
- During each information session the Executive Team and staff made themselves available to answer questions from our community directly.

During the engagement period, Council added Frequently Asked Questions Answered Videos to our socials and website that were provided in direct response to concerns and questions raised by the community, in efforts to explain the complexity and regulations surrounding common misunderstandings.

During the information sessions, there were numerous clarifications made surrounding regulations and Council functions resulting in 'light bulb moments' or a greater understanding from community members. Pre and post-polling of the attendees showed that 80% left 'a fair bit' informed, being the highest level of informed selection compared to 33% before the session. Whilst the survey size was small, these results clearly show that the communications and presentations delivered were informative and effective.

Council welcomes options from the community to combat the projected financial position and will work through the feasibility of any viable option however, unfortunately, most options put forward Council is unable to implement with respect to current legislation restrictions.

Efficiency and cost containment

Summary

There were concerns raised around Council's efficiency and containing costs internally prior to discussing increasing non-rate and rate income options with the community. Statements with the sentiment of 'Live within Council's means' were commonly put forward.

Response

Council strives to deliver services demanded by the community in the most efficient and best way possible. In 2010 Council introduced a Service Review program based on the Australian Business Excellence Framework to regularly review operations to ensure significant and sustainable savings. Improving efficiency and finding productivity enhancements are supported by dedicated teams that drive efficiency.

Independent experts Professor Dollery and Professor Drew were commissioned to assess Council's efficiency. A comparison to other similar NSW local Councils and whether the services we provide are considered good value for money was conducted. Our efficiency was very close to the typical score when assessed against 67 Councils. These reports concluded that ratepayers and Councillors can be assured that Council was conducting its operations efficiently and providing good value for money.

Over the years Council has committed to cutting internal costs and, as such, any further significant internal cost-cutting would directly result in reducing services to the community.

Should an SRV application be submitted, Council will be assessed on its past and planned productivity and cost containment strategies.

Hardship and economic factors

Summary

The affordability of increasing non-rate and rate income was of concern for many respondents during the engagement. The current economy and rising costs of living were highlighted.

Response

Council understands that affordability or capacity to pay is an issue for some sections of our community with some people being more financially vulnerable than others. For some of these people, even a small rate increase would have an impact. Within Council's range of hardship policies, there are a number of mechanisms to act fairly and flexibly to assist a ratepayer who is experiencing hardship, whether it be temporary or more enduring. With these policies, Council aims to ensure that

hardship is recognised and people are treated with respect and compassion in considering their circumstances. The policies currently provide the following rate hardship assistance for all ratepayers including self-funded retirees:

- Flexible payment options
- Flexible repayments of overdue rates and charges
- Interest reduction
- Financial assistance in the year following a general revaluation
- Pensioner concession rebate
- Backdating and extenuation of pensioner concession rebates and
- Deferral of rates against estate

Council has an additional policy to assist its community experiencing hardship in the form of its Rates Assistance Program for non-pensioners. This program partners with local welfare and financial counselling services to act as referral points for ratepayers experiencing financial hardship and, through this process, Council can provide monetary rate relief.

Through the independent report that assessed the community's capacity to pay it was again highlighted that Port Stephens residents pay the lowest average residential rates by a significant 30 to 35% compared to similar and neighbouring councils and our outstanding rates ratio is far lower than the state benchmark.

The centre of this discussion with the community is financial sustainability and the financial outlook of Council. Issues are faced both by our community and Council itself. Council will need to balance the concerns raised by the community with its responsibility of being financially sustainable.

Should an SRV application be submitted, Council will be assessed on the impact on its ratepayers and Council's hardship provisions. Council will commit to strengthening/reviewing our Hardship Policy.

Opposing service levels preferences

Summary

Throughout all communication and engagement methods, there was mixed sentiments around service levels. Views held of 'cutting back to basic' were alongside the desire for enhancing current services and seeking more grant funding. The recurrent issue of the condition of roads was a key focus.

Response

Council serves many different stakeholders with a wide range of values and desires. It also has been combatting natural disasters, severe weather events, and financial pressures that have impacted our ability to deliver services. The path forward needs to balance all community views but reflect the community's message of focusing on current services and an ongoing commitment to focusing on services that meet expectations.

It is therefore considered imperative that the dialogue with the community continues and phase 2 of the Our Funded Future program, including revised Integrated Planning and Reporting documents, is developed. These documents would detail a narrow-down selection of options for further community consultation.

Inclusion of:

- Base Scenario: 2.5% rate cap and next steps towards reducing service delivery to meet projected deficits
- Scenario 1: SRV - Independent Recommendation 10.5% for 3 years
- Scenario 2: SRV – Single Year 26% for 1 year
- Increase of fees and charges for the 2023-2024 financial year at 5 percent
- Continue seeking grant funding
- Continue investigations and community consultation of selling underperforming assets, with any profits to be placed in the Resilience Fund
- Consideration of any further expansion of the paid parking outside of identified areas.

Exclusion of:

- Removal of residential exemption for paid parking.

Balancing feedback gained from Phase 0 and 1 with the financial sustainability of the organisation the above are to be modelled and reflected in the Integrated Planning and Reporting documents for further community consultation.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2022-2026
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

Council will continue to implement strategies, initiatives and plans to achieve the financial key directions as adopted in October 2021 and planned works with the Councillors.

The costs for the community consultation have been absorbed by Council’s operational budget. If Council proceeds with the Our Funded Future Engagement Plan, not limited to a Special Rate Variation application, these costs will also be absorbed by Council’s operating budget.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

Source of Funds	Yes/No	Funding (\$)	Comment
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Under the Local Government Act 1993, councils may apply to IPART for a Special Rate Variation under s508 (2) or s508A of the Act. IPART assesses these applications against criteria in guidelines set by the Office of Local Government.

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing operations without a significant change in service levels.	High	Adopt the recommendations. Commence Phase 2 of the Our Funded Future Engagement Plan surrounding financial sustainability.	Yes
There is a risk if no action is taken that Council will face an increasingly uncertain long term financial outlook that will directly impact ongoing financial sustainability.	High	Adopt the recommendations.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council's ability to continue to deliver services valued by the community in the best possible way.

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section in consultation with the Communications and Customer Experience Section.

The objectives of the consultation included:

- Increase community awareness of Council's financial situation and its journey to date.
- Inform the community about Council's financial sustainability options.
- Seek community feedback on options for Council's financial sustainability.
- Identify the community's views on options for financial sustainability.

Internal

- Executive Team
- Senior Leadership Team
- Project Control Group – Financial Sustainability
- Councillor workshops

External

- Our Funded Future Engagement Program Phase 0
- Our Funded Future Engagement Program Phase 1

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Our Funded Future Phase 0 and 1 Engagement Report. (Provided under separate cover)

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

ITEM NO. 10

**FILE NO: 22/223589
EDRMS NO: PSC2021-02359**

DRAFT INTEGRATED PLANNING AND REPORTING DOCUMENTS INCLUDING SPECIAL RATE VARIATION OPTIONS - PHASE 2 (RATE RISE OPTIONS)

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Endorse the draft Integrated Planning and Reporting documents, being the Delivery Program 2022 to 2026, incorporating the Operational Plan 2023 to 2024, Resourcing Strategy 2023 to 2033 incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033 that have been revised to model 2 options of a Special Rate Variation, as per amendments outlined in **(ATTACHMENT 1)**.
- 2) Note the proposed additional affordability measures, included as Appendix 4 of the draft Operational Plan 2023 to 2024 **(ATTACHMENT 1)**.
- 3) Place the draft revised documents on public exhibition for a period of 28 days, invite submissions and report back to Council.
- 4) Endorse the revised Phase 2 Rate Rise Options Engagement Plan **(ATTACHMENT 2)**.

**ORDINARY COUNCIL MEETING - 13 SEPTEMBER 2022
MOTION**

247	<p>Councillor Leah Anderson Councillor Steve Tucker</p> <p>It was resolve that Council:</p> <ol style="list-style-type: none">1) Endorse the draft Integrated Planning and Reporting documents, being the Delivery Program 2022 to 2026, incorporating the Operational Plan 2023 to 2024, Resourcing Strategy 2023 to 2033 incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033 that have been revised to model 2 options of a Special Rate Variation, as per amendments outlined in (ATTACHMENT 1).2) Note the proposed additional affordability measures, included as Appendix 4 of the draft Operational Plan 2023 to 2024 (ATTACHMENT 1).3) Place the draft revised documents on public exhibition for a period of 28 days, invite submissions and report back to Council.
------------	---

- | | |
|--|--|
| | 4) Endorse the revised Phase 2 Rate Rise Options Engagement Plan (ATTACHMENT 2) . |
|--|--|

Councillor Jason Wells left the meeting at 7:19pm.

Councillor Jason Wells returned to the meeting at 7:22pm.

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Peter Francis, Steve Tucker and Jason Wells.

Those against the Motion: Cr Giacomo Arnott.

The motion was carried.

BACKGROUND

The purpose of this report is to seek Council endorsement to place the following draft revised documents on public exhibition for a period of 28 days and invite submissions in accordance with the Local Government Act 1993 (Local Government Act).

- Draft revised Integrated Planning and Reporting (IP&R) documents to incorporate 2 proposed special rate variation options:
 - Delivery Program 2022 to 2026
 - Operational Plan 2023 to 2024
 - Resourcing Strategy 2023 to 2033 incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033

Following the Council meeting on 23 August 2022, Council endorsed the development of revised IP&R documentation to incorporate feedback gained from the community during Phases 0 and 1 of the Our Funded Future Engagement Plan whilst balancing Council's financial sustainability for further engagement with the community.

Further to the discussion at the Council meeting on 23 August 2022, it was resolved (Minute No. 219) **(ATTACHMENT 3)** to rename the engagement moving forward to ensure the narrowed focus is clear to the community.

The Delivery Program outlines a 4-year program that Council commits to delivering within the resources available. It translates the key directions/goals into clear activities and actions.

The Operational Plan is Council's annual action plan which contributes to the 4-year Delivery Program. It outlines what Council proposes to deliver for 2022 to 2023 and which area of Council is responsible for delivery.

To implement these plans they need to be appropriately resourced with human, capital and asset resources. The Resourcing Strategy consists of 3 interrelated plans - the Long Term Financial Plan, Strategic Asset Management Plan, and Workforce Management Strategy which provide more detail on the financial, workforce, and asset matters that Council is responsible for.

These documents provide further detail and a narrowed-down selection of options surrounding a Special Rate Variation for further community consultation. Amendments made to the documents are shown in **(ATTACHMENT 1)**.

Inclusion of:

- Base Scenario: 2.5% Rate cap and next steps toward reducing service delivery.
- Scenario 1: SRV - Independent Recommendation 10.5% for 3 years.
- Scenario 2: SRV – Single Year 26% for 1 year.
- Increase of fees and charges for the 2023 to 2024 financial year at 5 percent.
- Continue seeking grant funding.
- Continue investigations and community consultation of selling underperforming assets, with any profits to be placed in the Resilience Fund.

Exclusion of:

- Removal of any references to residential exemption for paid parking.

The key purpose for Council considering a Special Rate Variation is to be financially sustainable. It is unsustainable for Council to operate year after year with budget shortfalls. The additional income raised by any approved Special Rate Variation would be used to repair the budget. By eliminating the forecasted shortfalls that are associated with the rising costs, Council will be able to deliver the planned services to our community over the next 10 years.

Council understands that it may be difficult for some of our community to pay for an increase in rates or fees and charges. Therefore, Council is proposing additional affordability measures to ensure we have a range of initiatives in place to assist any members of our community experiencing hardship as a result of any potential rate rise. See appendix four in **(ATTACHMENT 1)** for proposed additional affordability measures.

To aid in the public exhibition phase and seek further community input on this important decision, Phase 2, now known as Rate Rise Options Engagement Plan, was also endorsed for revision following the Council meeting on 23 August 2022. This revised plan incorporates feedback on the engagement process and methods gained in Phase 0 and 1. Please refer to **(ATTACHMENT 2)** for detailed plan.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2022-2026
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

The cost of printing these draft documents can be substantial. For this reason, a limited number of copies are produced and will be made available for inspection at Council's libraries and Administration Building. They are also available for download from Council's website.

The costs for the community consultation have been absorbed by Council's operational budget. If Council proceeds with a Special Rate Variation application, these costs will also be absorbed by Council's operating budget.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Council is required to undertake integrated planning and report activities in accordance with the Local Government Act, Local Government (General) Regulation 2021 (Local Government Regulation) and the NSW Government's Integrated Planning and Reporting Guidelines (IPR Guidelines) and Handbook (IPR Handbook) September 2021. Sections 402 to 406 and 608 to 610 of the Local Government Act outline the specific requirements for developing the IPR documents and Fees and Charges.

Under the Local Government Act 1993, councils may apply to IPART for a Special Rate Variation under s508 (2) or s508A of the Act. IPART assesses these applications against criteria in guidelines set by the Office of Local Government.

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing levels of operations without significant change in service levels.	High	Adopt the recommendations. Publicly exhibit the revised IPR documents.	Yes
There is a risk of continuing these discussions including a Special Rate Variation will be received poorly by the community.	High	Adopt the recommendations. Clear and concise data-driven communication and engagement on the reasoning, purpose, need, and impact of financial sustainability measures.	Yes
There is a risk that if the revised draft documents are not exhibited as required plans will not be adopted. This could lead to Council being unable to implement the range of financial sustainability measures.	Low	Adopt the recommendations. Public exhibition of revised draft documents during September and October 2022 to allow sufficient time for public submissions and Council consideration and adoption of final documents.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The draft plans has been developed in alignment with the principles of sustainability and social justice addressing social, economic, environmental and governance factors (quadruple bottom line) through 4 interconnected focus areas: Our Community, Our Place, Our Environment and Our Council.

The 4 focus areas provide a structure for planning in each of the documents, enabling Council to address key actions while aiming to holistically meet the community’s vision of ‘A great lifestyle in a treasured environment’.

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section in consultation with the Integrated Planning and Excellence team and Communications and Engagement sections.

Internal

- Executive Team.
- Senior Leadership Team.
- Project Control Group – Financial Sustainability.
- Councillor workshops.

External

- Community Strategic Plan 2022 to 2032 – Adopted 28 June 2022.
- Long Term Financial Plan 2022 to 2032 – Adopted 28 June 2022.
- Delivery Program and Operational Plan 2022 to 2032 – Adopted 28 June 2022.
- Integrated Planning and Reporting Engagement Program.
- Our Funded Future Engagement Program Phase 0 and 1.
- Rate Rise Options Engagement Program Phase 2.

In accordance with local government legislation, the draft revised Integrated Planning and Reporting documents will go on public exhibition from 14 September 2022 to 12 October 2022.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Amendments to DRAFT IPR documents revised for a special rate variation.
(Provided under separate cover)
- 2) Rate Rise Options Engagement Plan.
- 3) Minute No. 219 - Council Meeting 23 August 2022.

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

ATTACHMENT 2

Communications and Engagement Plan Rate rise options



Continuing the conversation with our community about the preferred rate increase options to strike a balance between the needs of our community and Council's funded future.



A commitment to long term financial sustainability

In June this year, Council adopted the Our Funded Future Communication and Engagement Plan to commence the conversation with the community about Council's financial position and explore a number of non-rate increase and rate increase options. The plan outlined a series of engagement phases:

- **Phase 0** – informed the community on Council's financial situation and the current and short term mitigation strategies that have been implemented to date.
- **Phase 1** – explored non rate income and rate income options with the community that creates a financially sustainable Council.
- **Phase 2** – publically exhibit the options within the Integrated Planning & Reporting documents and further discuss the community's views on the narrowed down preferred options.

Phase 0 and Phase 1 are completed and we are now ready to progress to Phase 2 and discuss further with our community the preferred rate increase options from Phase 1. As the conversations has now progressed we are renaming the engagement moving forward from 'Our Funded Future' to 'Rate rise Options', making sure the purpose of the engagement is clear to the community.

Council will continue efforts made to increase participation through the use of a refined short survey, attending community events, and as planned Council's messaging will now focus clearly on the rate rise options.

Engagement outcomes from Phase 0 and 1 can be viewed in the Our Funded Future Community Engagement Report



Objectives



Continue to increase community awareness of Council's financial situation and its journey to date



Inform the community about the preferred rate increase options for Council's financial sustainability



Seek community feedback on the preferred rate increase options for Council's financial sustainability




Identify the community's views on the preferred rate increase scenarios

Engagement approach

Engagement level

The engagement level for Phase 2: Rate rise options is an 'Involve' engagement level working directly with the community to ensure that their thoughts are understood and considered.

Engagement level	Phase 2
Level 1 – Inform Provide stakeholders with information to assist them in understanding the problems, alternatives and/or solutions.	
Level 2 – Consult Obtain stakeholder feedback on the project to aid decision making.	
Level 3 – Involve Work with stakeholders throughout the project, ensuring issues and concerns are understood and incorporated in decision making.	
Level 4 – Collaborate Partner with stakeholders throughout the project to develop alternatives and identify the preferred solution.	

Engagement methods

Phase	Engagement methods
Phase 2 Public exhibition	Communications <ul style="list-style-type: none"> • Media release • Social media including paid social • Newspaper advertisements – existing notices • Direct email • Council website page • On hold messaging • Councillor social media toolkit
	Engagement <ul style="list-style-type: none"> • Drop in / engagement booths • Online short survey • Recorded presentation webinar (three-part series) • Independent video – Professor Drew • Shopping Centre drop in stall • Interactive online rating calculator • Online and hardcopy submissions • Designated email • Officer call paths for direct calls to Customer Experience

Success criteria



Engagement methods target all Port Stephens demographics



Minimal negative feedback on engagement process



Minimal negative submissions received during Phase 2 of engagement



Community feedback reflected in direction taken by Council

Stakeholders

Key:

- **High interest, high influence** — immediate and direct, tailored approach
- **High interest, low influence** — immediate, tailored approach
- **Low interest, high influence** — tailored approach
- **Low interest, low influence** — general approach

Name and contact	Interest	Influence
External		
Rate payers and residents	High	High
General community	High	High
Special interest groups	High	Medium
Independent Planning & Reporting Tribunal (IPART)	High	High
Media	High	Low



Key risks

Risk	Mitigation strategy
Previous rate increase proposal not supported by parts of the community or IPART	<ul style="list-style-type: none"> Continued communication campaign providing story and context. FAQ on website.
Financial situation a surprise to the community	<ul style="list-style-type: none"> Continued education and communication of financial sustainability story and context. Continued communication campaign outlining strategies undertaken to reduce expenditure and create savings.
Community backlash	<ul style="list-style-type: none"> Continued information and education of Council's financial position and our independent assessment Base rates and reduced services options available.
Engagement perceived as not genuine and transparent	<ul style="list-style-type: none"> Clear messaging about how community feedback will be used. Many engagement methods to be used and promotion of each. Reporting back to the community on link between decisions and community feedback.
Phase 2 formal report not prepared within timeframes	<ul style="list-style-type: none"> Pre-planned days scheduled for council staff to analyse data and prepare report.

Key milestones

Milestone	Date
Engagement plan approval	13 September 2022
Phase 2 – engagement commences	14 September 2022
Phase 2 – engagement concludes	14 October 2022
Phase 2 – engagement report presented to Council	25 October 2022

Engagement approach

Key Messages

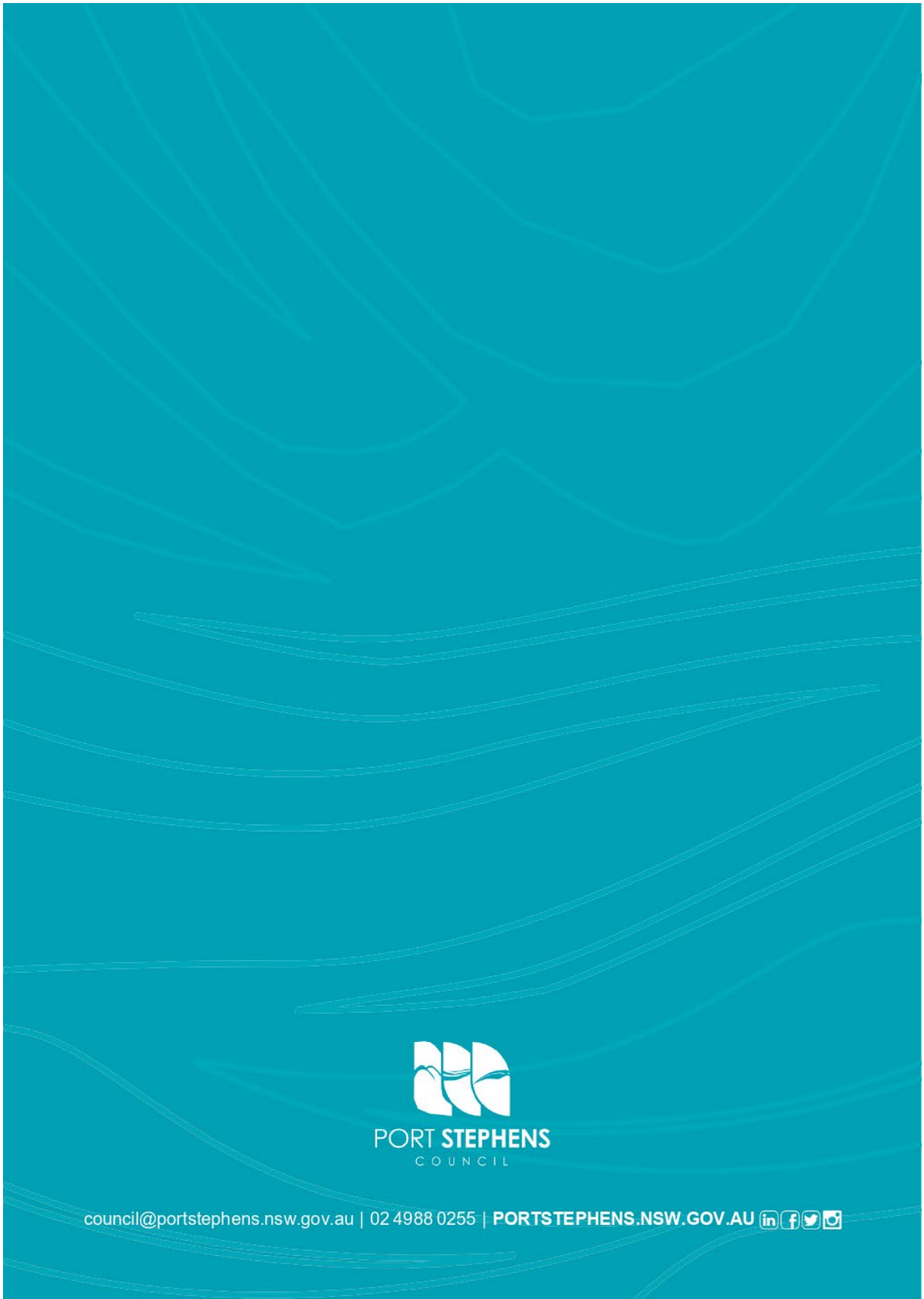
- Councils financial forecasting estimates a budget shortfall of \$80 million over the next 10 years.
- The last 2 years of COVID-19 impacts have taken their toll. Income from our holiday parks, childcare centres and the Newcastle Airport has been slashed, while at the same time the construction, transport and insurance costs have continued to increase. These impacts have also been further exacerbated by 2 major storm events.
- Council's current and forecast financial situation will make it very difficult to meet the community needs, priorities and aspirations they have shared with Council over the past 2 years to the same level unless we take a new approach.
- Council has been considering all options to improve our financial situation including reducing service delivery, increasing fees and charges, a rate variation or investigating new revenue streams or property sales.
- We've been talking to our community about a range of non-rate income and rate income options to ensure Council is financially sustainable for the future.
- Five rate increase options ranging from a 26% to 45% overall rate increase, either in a single year or over a number of years, were explored with the community.
- We have collated all community feedback and used this to revise our draft Integrated Planning & Reporting plans.
- The revised plans incorporate increasing fees and charges, continuing efforts made for external grant funding, working with the Councillors and community on the sale of underperforming land identified, an option of reducing service levels and two options for a special rate variation (rate increase).
- Within the two rate increase scenarios, there are some enhanced services as identified through the integrated engagement program over the past two years and prioritised by the community in Phase 1. Some enhancements are proposed for increased maintenance of roads, the environment and waterways, and public space.
- We are now seeking community feedback on the draft Integrated Planning & Reporting Plans including two rate increase options.
- You can share your thoughts via an online survey, at a drop in session or by providing a submission
- Find out more by visiting portstephens.nsw.gov.au.
- The community can share their thoughts until Wednesday 12 October 2022.



Action Plan

Action plan for Phase 2.

Activity	Date
Media release – Engagement opens	14 September
Designated webpage updated including rates calculator	14 September
On hold messaging	14 September
Draft Integrated Planning & Reporting plans published (website and hardcopy)	14 September
Online and hardcopy submissions	14 September – 14 October
Online short survey	14 September – 14 October
Special interest groups	14 September – 14 October
Social media (paid and organic) – including Councillor social media toolkit	14 September – 14 October
Direct email – inform/invite for the short survey	16 September
Shopping Centre drop-in stall	19 September – 23 September
Recorded presentation webinar	21 September
Newspaper public notices	22 September
Independent Video - Professor Drew	27 September
Face-to-face drop-in/short survey booth – Visitor Information Center	21 September
Face-to-face drop-in/short survey booth – Raymond Terrace – start 4:45 pm	27 September
Face-to-face drop-in/short survey booth – Medowie – start 4:45 pm	29 September
Face-to-face drop-in/short survey booth – Nelson Bay – start 4:45 pm	1 October



PORT STEPHENS
COUNCIL

council@portstephens.nsw.gov.au | 02 4988 0255 | PORTSTEPHENS.NSW.GOV.AU 

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

ITEM NO. 4

**FILE NO: 22/218108
EDRMS NO: PSC2021-02359**

OUR FUNDED FUTURE - PHASE 0 AND PHASE 1 ENGAGEMENT

**REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES**

RECOMMENDATION IS THAT COUNCIL:

- 1) Notes the outcomes of the community engagement for Phase 0 and Phase 1 of Our Funded Future, including a proposed Special Rate Variation (**ATTACHMENT 1**).
- 2) Endorses the development of Our Funded Future Phase 2 Engagement Plan.
- 3) Endorses the development of revised Integrated Planning and Reporting documents, including Special Rate Variation options, to incorporate feedback gained from the community during Phase 0 and 1 whilst balancing Council's financial sustainability for further engagement with the community.

**ORDINARY COUNCIL MEETING - 23 AUGUST 2022
MOTION**

**Councillor Leah Anderson
Councillor Chris Doohan**

That Council:

- 1) Notes the outcomes of the community engagement for Phase 0 and Phase 1 of Our Funded Future, including a proposed Special Rate Variation (**ATTACHMENT 1**).
- 2) Endorses the development of Our Funded Future Phase 2 Engagement Plan.
- 3) Endorses the development of revised Integrated Planning and Reporting documents, including Special Rate Variation options, to incorporate feedback gained from the community during Phase 0 and 1 whilst balancing Council's financial sustainability for further engagement with the community.

Councillor Peter Francis left the meeting at 7:16pm.
Councillor Peter Francis returned to the meeting at 7:20pm.

ITEM 10 - ATTACHMENT 3 MINUTE NO. 219 - COUNCIL MEETING 23 AUGUST 2022.**MINUTES ORDINARY COUNCIL - 23 AUGUST 2022****ORDINARY COUNCIL MEETING - 23 AUGUST 2022****MOTION**

218	Councillor Giacomo Arnott Councillor Jason Wells It was resolved that Cr Peter Kafer be granted a 3 minutes extension of time to address Council.
------------	---

Those for the Motion: Crs Leah Anderson, Giacomo Arnott, Matthew Bailey, Chris Dohhan, Glen Dunkley, Peter Francis, Mayor Ryan Palmer, Steve Tucker and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

ORDINARY COUNCIL MEETING - 23 AUGUST 2022**AMENDMENT**

219	Councillor Giacomo Arnott Councillor Peter Kafer It was resolved that Council: <ol style="list-style-type: none">1) Notes the outcomes of the community engagement for Phase 0 and Phase 1 of Our Funded Future, including a proposed Special Rate Variation (ATTACHMENT 1).2) Endorses the development of Our Funded Future Phase 2 Engagement Plan.3) Endorses the development of revised Integrated Planning and Reporting documents, including Special Rate Variation options, to incorporate feedback gained from the community during Phase 0 and 1 whilst balancing Council's financial sustainability for further engagement with the community.4) The name of the engagement will not be called 'Our Funded Future' going forward.
------------	--

Councillor Matthew Bailey left the meeting at 7:47pm.

Councillor Matthew Bailey returned to the meeting at 7:50pm.

Those for the Amendment: Mayor Ryan Palmer, Crs Leah Anderson, Giacomo Arnott, Peter Francis, Peter Kafer and Jason Wells.

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

Those against the Amendment: Crs Matthew Bailey, Chris Doohan, Glen Dunkley, Mayor Ryan Palmer and Steve Tucker.

The amendment on being put became the motion, which was carried.

Those for the Motion: Crs Leah Anderson, Matthew Bailey, Chris Doohan, Glen Dunkley, Peter Francis, Peter Kafer, Mayor Ryan Palmer, Steve Tucker and Jason Wells.

Those against the Motion: Cr Giacomo Arnott.

The motion was carried.

BACKGROUND

The purpose of this report is to advise Council on the outcomes of the Our Funded Future phase 0 and 1 community engagement undertaken to discuss the financial sustainability of the Council over the next 10 years with the community.

In June 2022, Council adopted its 2022-2023 Integrated Planning and Reporting (IP&R) documents which includes the Long Term Financial Plan. These documents stated Council's concern with its ongoing financial sustainability, and sought to inform the community of mitigation strategies that were already being undertaken, and predicted an \$80 million shortfall over the next 10 years.

In conjunction with the adoption of the IP&R documents Council considered the Financial Sustainability Report. The report detailed the financial history of the organisation, highlighted Council's reliance on non-rate revenues and external shocks faced by the organisation during and continued in the COVID-19 pandemic, as well as efforts made by the organisation and Councillors to address financial sustainability to date. With this report, Council endorsed to move forward with an engagement program to discuss financial sustainability with the community and seek feedback on a number of options to turn around the forecasted financial position.

The planned engagement approach consisted of 3 phases:

Phase 0 – inform the community about Council's financial situation and the current and short-term mitigation strategies that have been implemented to date.

Phase 1 – provide options to the community that create a financially sustainable Council.

Phase 2 - (dependent on outcomes of Phase 1) publically exhibit options within the Integrated Planning and Reporting documents and further discuss the community's views on the preferred path forward.

Phase 0 commenced on 29 June 2022 with Phase 1 following on 18 July 2022. During this period an extensive communication and engagement program, including a wide variety of methods, was undertaken and concluded on 8 August 2022.

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

The financial sustainability options that were put forward for community discussion included:

Potentially Reducing Service Delivery

- Explanation of what this means for the community and, if chosen, a further in-depth discussion with the community to identify what services that would see reduced or stopped in the future.

Non-rate Option

- Increase fees and charges by 10% for the 2023-2024 financial year.
- Remove exemption for local residents from smart parking in their towns and centres.
- Continue to seek additional grant funding via our dedicated grants office.
- Sell underperforming surplus assets.

Rate Income Options, Special Rate Variation (SRV)

All options have the key purpose of financial sustainability. Some options allow for additional funds to be used to enhance current services for areas that have been identified through the integrated engagement program over the past 2 years.

- Option 1 Steady Growth: 38.56% cumulative increase
Year 1 - 7%, Year 2 - 8%, Year 3 - 9%, Year 4 - 10%
- Option 2 Independent Recommendation: 34.92% cumulative increase
10.5% for 3 years
- Option 3 Short Term Solution: 29.68% cumulative increase
Year 1 - 11.5%, Year 2 - 5.5%, Year 3 - 4%, Year 4 - 6%
- Option 4 Single Year: 26% increase
26% for 1 year
- Option 5 Long Term Solution: 45.08% cumulative increase
9.75% for 4 years

A comprehensive report of all communications and engagement methods and outcomes is included in the Our Funded Future Phase 0 and 1 Engagement Report (**ATTACHMENT 1**).

Key themes identified through the Phase 0 and 1 engagement and response are summarised below.

Level of understanding of complex local government financial mattersSummary

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

Areas of Council's operations and finances were found complex by some members of the community. Issues surrounding Council's operating and capital budgets, rate capping, land re-valuation, and developer contributions, as well as concerns around the analytical level of the independent reports were raised. The community put forward many other options to assist in turning Council's financial situation around, generating more income from developers and tourists, such as a bed tax or paid parking at boat ramps.

Response

The local government sector is heavily regulated and many functions of Council's processes are legislated by either state government or, in a financial sense, Australian Accounting Standards with the Local Government Accounting Code.

Recognising this the engagement plan included:

- Facebook Live Q&A event.
- Detailed FAQs that were located on the Our Funded Future Website and hard copies were available at the face-to-face sessions.
- A summary video of the independent reports in 'plain-English' was promoted.
- During each information session the Executive Team and staff made themselves available to answer questions from our community directly.

During the engagement period, Council added Frequently Asked Questions Answered Videos to our socials and website that were provided in direct response to concerns and questions raised by the community, in efforts to explain the complexity and regulations surrounding common misunderstandings.

During the information sessions, there were numerous clarifications made surrounding regulations and Council functions resulting in 'light bulb moments' or a greater understanding from community members. Pre and post-polling of the attendees showed that 80% left 'a fair bit' informed, being the highest level of informed selection compared to 33% before the session. Whilst the survey size was small, these results clearly show that the communications and presentations delivered were informative and effective.

Council welcomes options from the community to combat the projected financial position and will work through the feasibility of any viable option however, unfortunately, most options put forward Council is unable to implement with respect to current legislation restrictions.

Efficiency and cost containmentSummary

There were concerns raised around Council's efficiency and containing costs internally prior to discussing increasing non-rate and rate income options with the community. Statements with the sentiment of 'Live within Council's means' were commonly put forward.

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022Response

Council strives to deliver services demanded by the community in the most efficient and best way possible. In 2010 Council introduced a Service Review program based on the Australian Business Excellence Framework to regularly review operations to ensure significant and sustainable savings. Improving efficiency and finding productivity enhancements are supported by dedicated teams that drive efficiency.

Independent experts Professor Dollery and Professor Drew were commissioned to assess Council's efficiency. A comparison to other similar NSW local Councils and whether the services we provide are considered good value for money was conducted. Our efficiency was very close to the typical score when assessed against 67 Councils. These reports concluded that ratepayers and Councillors can be assured that Council was conducting its operations efficiently and providing good value for money.

Over the years Council has committed to cutting internal costs and, as such, any further significant internal cost-cutting would directly result in reducing services to the community.

Should an SRV application be submitted, Council will be assessed on its past and planned productivity and cost containment strategies.

Hardship and economic factorsSummary

The affordability of increasing non-rate and rate income was of concern for many respondents during the engagement. The current economy and rising costs of living were highlighted.

Response

Council understands that affordability or capacity to pay is an issue for some sections of our community with some people being more financially vulnerable than others. For some of these people, even a small rate increase would have an impact. Within Council's range of hardship policies, there are a number of mechanisms to act fairly and flexibly to assist a ratepayer who is experiencing hardship, whether it be temporary or more enduring. With these policies, Council aims to ensure that hardship is recognised and people are treated with respect and compassion in considering their circumstances. The policies currently provide the following rate hardship assistance for all ratepayers including self-funded retirees:

- Flexible payment options
- Flexible repayments of overdue rates and charges
- Interest reduction
- Financial assistance in the year following a general revaluation
- Pensioner concession rebate

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

- Backdating and extenuation of pensioner concession rebates and
- Deferral of rates against estate

Council has an additional policy to assist its community experiencing hardship in the form of its Rates Assistance Program for non-pensioners. This program partners with local welfare and financial counselling services to act as referral points for ratepayers experiencing financial hardship and, through this process, Council can provide monetary rate relief.

Through the independent report that assessed the community's capacity to pay it was again highlighted that Port Stephens residents pay the lowest average residential rates by a significant 30 to 35% compared to similar and neighbouring councils and our outstanding rates ratio is far lower than the state benchmark.

The centre of this discussion with the community is financial sustainability and the financial outlook of Council. Issues are faced both by our community and Council itself. Council will need to balance the concerns raised by the community with its responsibility of being financially sustainable.

Should an SRV application be submitted, Council will be assessed on the impact on its ratepayers and Council's hardship provisions. Council will commit to strengthening/reviewing our Hardship Policy.

Opposing service levels preferencesSummary

Throughout all communication and engagement methods, there was mixed sentiments around service levels. Views held of 'cutting back to basic' were alongside the desire for enhancing current services and seeking more grant funding. The recurrent issue of the condition of roads was a key focus.

Response

Council serves many different stakeholders with a wide range of values and desires. It also has been combatting natural disasters, severe weather events, and financial pressures that have impacted our ability to deliver services. The path forward needs to balance all community views but reflect the community's message of focusing on current services and an ongoing commitment to focusing on services that meet expectations.

It is therefore considered imperative that the dialogue with the community continues and phase 2 of the Our Funded Future program, including revised Integrated Planning and Reporting documents, is developed. These documents would detail a narrow-down selection of options for further community consultation.

Inclusion of:

- Base Scenario: 2.5% rate cap and next steps towards reducing service delivery to meet projected deficits

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

- Scenario 1: SRV - Independent Recommendation 10.5% for 3 years
- Scenario 2: SRV – Single Year 26% for 1 year
- Increase of fees and charges for the 2023-2024 financial year at 5 percent
- Continue seeking grant funding
- Continue investigations and community consultation of selling underperforming assets, with any profits to be placed in the Resilience Fund
- Consideration of any further expansion of the paid parking outside of identified areas.

Exclusion of:

- Removal of residential exemption for paid parking.

Balancing feedback gained from Phase 0 and 1 with the financial sustainability of the organisation the above are to be modelled and reflected in the Integrated Planning and Reporting documents for further community consultation.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2022-2026
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

Council will continue to implement strategies, initiatives and plans to achieve the financial key directions as adopted in October 2021 and planned works with the Councillors.

The costs for the community consultation have been absorbed by Council's operational budget. If Council proceeds with the Our Funded Future Engagement Plan, not limited to a Special Rate Variation application, these costs will also be absorbed by Council's operating budget.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022**LEGAL, POLICY AND RISK IMPLICATIONS**

Under the Local Government Act 1993, councils may apply to IPART for a Special Rate Variation under s508 (2) or s508A of the Act. IPART assesses these applications against criteria in guidelines set by the Office of Local Government.

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing operations without a significant change in service levels.	High	Adopt the recommendations. Commence Phase 2 of the Our Funded Future Engagement Plan surrounding financial sustainability.	Yes
There is a risk if no action is taken that Council will face an increasingly uncertain long term financial outlook that will directly impact ongoing financial sustainability.	High	Adopt the recommendations.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council's ability to continue to deliver services valued by the community in the best possible way.

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section in consultation with the Communications and Customer Experience Section.

The objectives of the consultation included:

- Increase community awareness of Council's financial situation and its journey to date.
- Inform the community about Council's financial sustainability options.
- Seek community feedback on options for Council's financial sustainability.
- Identify the community's views on options for financial sustainability.

MINUTES ORDINARY COUNCIL - 23 AUGUST 2022

Internal

- Executive Team
- Senior Leadership Team
- Project Control Group – Financial Sustainability
- Councillor workshops

External

- Our Funded Future Engagement Program Phase 0
- Our Funded Future Engagement Program Phase 1

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Our Funded Future Phase 0 and 1 Engagement Report. (Provided under separate cover)

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

Councillor Steve Tucker left the meeting at 6:50pm.

ITEM NO. 1

**FILE NO: 22/254564
EDRMS NO: PSC2017-00180**

SPECIAL RATE VARIATION - REVISED INTEGRATED PLANNING AND REPORTING DOCUMENTS - RATE RISE OPTIONS ENGAGEMENT

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Receive and note the Independent Financial Analysis 2022 – Consolidated Reports from UNE Emeritus Professor Brian Dollery and Professor Joseph Drew (**ATTACHMENT 1**).
- 2) Adopt the Integrated Planning and Reporting documents, being the Delivery Program 2022 to 2026 incorporating the Operational Plan 2023 to 2024, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033) revised for a Special Rate Variation.
- 3) Apply to the Independent Pricing and Regulatory Tribunal under Section 508 of the Local Government Act for a Special Rate Variation, to be a permanent increase that will be retained within the rate base with financial sustainability being the key purpose of the application.
- 4) Subject to an approval of a Special Rate Variation endorse the inclusion of the proposed additional affordability measures into the Debt Recovery & Hardship Policy.

**ORDINARY COUNCIL MEETING - 25 OCTOBER 2022
MOTION**

	<p>Councillor Leah Anderson Councillor Jason Wells</p> <p>That Council:</p> <ol style="list-style-type: none">1) Receive and note the Independent Financial Analysis 2022 – Consolidated Reports from UNE Emeritus Professor Brian Dollery and Professor Joseph Drew (ATTACHMENT 1).2) Receive and note the community submissions and responses in relation to the Draft 2023 to 2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (ATTACHMENT 3).3) Receive and note outcomes of the community engagement provided in the Rate Rise Options Engagement Report (ATTACHMENT 4).
--	--

MINUTES ORDINARY COUNCIL - 25 OCTOBER 2022

	<ol style="list-style-type: none">4) Note the recommendations relating to amendments to the 2023 to 2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (ATTACHMENT 5).5) Adopt the Integrated Planning and Reporting documents, being the Delivery Program 2022 to 2026 incorporating the Operational Plan 2023 to 2024, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033) revised for a Special Rate Variation with amendments provided in (ATTACHMENT 5).6) Apply to the Independent Pricing and Regulatory Tribunal under Section 508(2) of the Local Government Act for a 2023-2024 Special Rate Variation of 26%, to be a permanent increase that will be retained within the rate base with financial sustainability being the key purpose of the application.7) Subject to the approval of a Special Rate Variation endorse the inclusion of the proposed additional affordability measures into the Debt Recovery & Hardship Policy to further support ratepayers should a Special Rate Variation be approved.
--	--

Councillor Steve Tucker returned to the meeting at 6:55pm.

Councillor Matthew Bailey left the meeting at 6:55pm.

Councillor Matthew Bailey returned to the meeting at 6:56pm.

ORDINARY COUNCIL MEETING - 25 OCTOBER 2022 AMENDMENT

290	<p>Councillor Leah Anderson Councillor Jason Wells</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Deferred Item 1 until the Council meeting of 8 November 2022 to allow the Mayor and Councillors to read all of the 138 written submissions, and 264 online survey comments from the community, and the additional information provided in the Supplementary Report received on 24 October 2022.2) Request that the Mayor and Councillors have a Two way conversation during the next 2 weeks before the next council meeting to discuss the community feedback and additional information provided by Council, and discuss ways to move forward with the rate rise options and our written intention to IPART.
------------	--

Councillor Peter Kafer left the meeting at 6:57pm.

Councillor Peter Kafer returned to the meeting at 7:01pm.

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Steve Tucker and Jason Wells.

Those against the Motion: Crs Giacomo Arnott and Peter Kafer.

The motion was carried.

BACKGROUND

The purpose of this report is to provide Council with information on the Rate Rise Options public exhibition period along with the additional community engagement undertaken for the Draft 2023-2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (SRV) with the key purpose of financial sustainability.

Financial sustainability and a small 1% surplus budget target have always been a key focus of Council. Combining factors such as the Long Term Financial Plan (LTFP) predicting financial strain on the organisation in 2022 due to rising legislative costs, the financial impacts of the state-mandated lockdowns for the COVID-19 pandemic, and numerous weather events have highlighted Council's reliance on non-rate revenue. These factors have further emphasized the organisation's vulnerability to external shocks given Council's relatively low rate base.

At its meeting in October 2021, Council acknowledged the ongoing impacts on its financial sustainability outlook and endorsed the Financial Sustainability and Prosperity Fund (later renamed Resilience Fund) to set key directions for ongoing financial sustainability. Based on the current LTFP projections Council will see consecutive deficits for the next 10 years and will be considered unsustainable if no corrective action is taken.

Council engaged Professor Dollery and Professor Drew through the University of New England (UNE) for an independent assessment, in which Council opted to forgo traditional commercial consultants as the Professors are widely accepted by the sector as independent voices with a level of depth and insight beyond standard practices within the local government sector. The reports recognised the effects taken by the organisation over the past few years in delivering services valued by the community under relatively low rate income compared to other councils of the same size and nature, but considered that such an ongoing approach could not be sustained. Numerous recommendations were made and have since been implemented, one that is now for consideration by the Council is a Special Rate Variation (**ATTACHMENT 1**).

At the Council meeting on 28 June 2022, Council adopted its 2022-2032 Long Term Financial Plan (Minute No. 160) (**ATTACHMENT 2**) which projected a 10 year \$80 million dollar operating shortfall. Along with the LTFP, Council endorsed the Financial

Sustainability Report and a detailed engagement program, named Our Funded Future (Minute No. 161) (**ATTACHMENT 2**), to discuss financial sustainability with the community and seek feedback on a number of options.

In July/August 2022, Council undertook extensive community engagement that included 5 different options for a Special Rate Variation, ranging from 26% to 45% cumulative. This was alongside options for increasing fees and charges, reducing service delivery, selling underperforming assets, removal of the residential paid parking exemption and continuing efforts to seek grant funding.

Council considered the community feedback from the Our Funded Future engagement at its meeting at the end of August 2022 and resolved to endorse the development of revised IP&R documents. These documents include 2 Special Rate Variation scenarios, the base scenario of reducing services, inclusion of a one-off 5% increase in fees and charges, continued efforts in seeking grant funding and the continued investigation with community consultation of selling underperforming assets. It was decided that any net profits from the sale of underperforming assets were to be placed in the Resilience Fund. Council also sought to exclude the removal of the residential paid parking exemption option from being further considered.

Through the engagement, it was clear the support for having a financially sustainable Council was high, as was the desire for enhanced services in particular areas of roads maintenance, waterways and drainage, protecting our natural environment and looking after our public space. These priorities are consistent with the outcomes of Council's Integrated Engagement Program undertaken over the past 2 years. This includes decreases in community satisfaction for road maintenance activities through Council's annual satisfaction survey through to 2022.

Following the Council meeting on 13 September 2022, Council endorsed the following:

- Draft Delivery Program 2022 to 2026 and Operational Plan 2023 to 2024, revised for a proposed SRV.
- Resourcing Strategy 2023 to 2033 incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033, and Strategic Asset Management Plan 2023 to 2033 revised for a proposed SRV.
- Noting and incorporating the proposed additional affordability measures held within the IP&R documents.
- Place the IP&R documents on public exhibition for a period of 28 days.
- The revised Rate Rise Options engagement plan.

The plans modelled 3 scenarios for community consultation:

- **Base Scenario** – 2.5% state imposed rate cap assumption.
- **Single Year Scenario** – a 26% increase for a single year, being 2023-2024 only.
- **Independent Recommendation Scenario** - a cumulative increase of 34.92%, being a 10.5% increase for 3 consecutive years 2023-2024 to 2025-2026.

Through the IP&R documentation both SRV scenarios show the increased income raised by an SRV would be used to eliminate forecasted shortfalls, covering the rising costs associated with delivering planned services to our community over the next 10 years. Where additional funds are generated Council proposed to increase funding into community priorities being road maintenance, condition of public spaces, and protecting our waterways and natural environment.

Four proposed additional affordability measures were included in the IP&R documents to be considered as part of the proposed Special Rate Variation in order to mitigate the impact of a special rate increase on those ratepayers who may experience financial stress. These measures included both pensioners and non-pensioner ratepayers. Subject to an approval of a Special Rate Variation these additional affordability measures will be incorporated into Council's existing Debt Recovery and Hardship Policy.

RATE CAP ANNOUNCEMENT

During the public exhibition period, IPART announced the 2023-2024 financial rate cap amount set at 3.7%. In addition, Port Stephens has been recognised as a population growth area and can apply an additional 0.7% - taking the total rate increase to 4.4%. As the 4.4% for the 2023-2024 financial year is greater than the modelled and exhibited 2.5% rate cap that IPART had instructed Council to use, the Rate Rise Options website, fact sheets and FAQs were updated to reflect this change, as well as additional communication about the change.

Whilst the 4.4% rate cap assists with Council's financial sustainability it still does not meet the anticipated Consumer Price Index or inflation factor that IPART have been reported to estimate to be 5.3% for the next financial year. IPART have also indicated that Councils should continue to forward project rate capping increases of only 2.5% for the next 10 years.

PUBLIC EXHIBITION AND SUBMISSIONS

The IP&R documents were on public exhibition from Wednesday 14 September 2022 until Wednesday 12 October 2022.

During the public exhibition period, numerous submissions were received. Key issues have been summarised and recommended changes to the documents, where deemed appropriate from the community submissions/engagement or administrative corrections, have been considered. For privacy and consistency reasons, full submissions have not been made publicly available.

A full listing of summarised submissions and responses will be provided by a supplementary report before the Council meeting of 25 October 2022.

RATE RISE OPTIONS ENGAGEMENT

Phase 2 - Rate Rise Options engagement was revised to incorporate feedback on the engagement process and methods gained in Phase 0 and 1, known as Our Funded Future. The engagement period ran concurrently with the public exhibition period being 14 September 2022 until 12 October 2022.

The engagement was extensive and aimed to continue to increase the community's awareness of Council's financial situation and its journey to date, and further discuss the community's views on the streamlined preferred options.

A comprehensive report of all communications and engagement methods with outcomes will be provided by a supplementary report before the Council meeting of 25 October 2022.

Council has considered all feedback gained through this extensive engagement process. Council value the time and effort taken by community members in participating in the process and providing their feedback and submissions. Council has and continues to investigate and implement a range of alternative measures to address financial sustainability prior to coming to the decision to apply for a SRV. The critical issue for the future is to safeguard Council's long-term financial sustainability and to ensure generations to come are well placed to both benefit from and enjoy living a great lifestyle in a treasured environment.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2022-2026
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

The costs for the public exhibition, community engagement, and the development of an application to IPART have been absorbed by Council's operational budget.

If a Special Rate Variation was approved by IPART in May 2023, Council's subsequent IP&R documentation will reflect Council's strategic intent and new income streams.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		

MINUTES ORDINARY COUNCIL - 25 OCTOBER 2022

Source of Funds	Yes/No	Funding (\$)	Comment
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Council is required to undertake integrated planning and reporting activities in accordance with the Local Government Act, Local Government (General) Regulation 2021 (Local Government Regulation) and the NSW Government's Integrated Planning and Reporting Guidelines (IPR Guidelines) and Handbook (IPR Handbook) September 2021.

Under the Local Government Act 1993, councils may apply to IPART for a Special Rate Variation under Section 508 of the Act. IPART assesses these applications against criteria in guidelines set by the Office of Local Government.

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing levels of operations without significant change in service levels.	High.	Adopt the recommendations. Apply to IPART for a Special Rate Variation.	Yes.
There is a risk that applying to IPART for a Special Rate Variation will be received poorly by some members of the community.	High.	Adopt the recommendations. Continued communication with the community on the purpose, need, and process of a Special Rate Variation application.	Yes.
There is a risk that failure to revise the Debt Recovery and Hardship Policy to include the additional affordability measures might demonstrate inadequate hardship assistance for individuals if an SRV was approved.	Medium.	Adopt the recommendations. Move to revise the Debt Recovery and Hardship Policy with proposed inclusions.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The plans have been developed in alignment with the principles of sustainability and social justice addressing social, economic, environmental, and governance factors (quadruple bottom line) through 4 interconnected focus areas: Our Community, Our Place, Our Environment, and Our Council.

The 4 focus areas provide a structure for planning in each of the documents, enabling Council to address key actions while aiming to holistically meet the community's vision of 'A great lifestyle in a treasured environment'.

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section in collaboration with the Integrated Planning and Excellence team and the Communications and Engagement Section.

Internal

- Executive Team.
- Senior Leadership Team.
- Project Control Group – Financial Sustainability.
- Councillor workshops.

External

- Community Strategic Plan 2022 to 2032 – Adopted 28 June 2022.
- Long Term Financial Plan 2022 to 2032 – Adopted 28 June 2022.
- Delivery Program and Operational Plan 2022 to 2032 – Adopted 28 June 2022.
- Integrated Planning and Reporting Engagement Program.
- Our Funded Future Engagement Program Phase 0 and 1.
- Rate Rise Options Engagement Program Phase 2.
- Public exhibition period for the Draft IP&R documents revised for a Special Rate Variation.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Consolidated Report - Independent Financial Analysis 2022. (Provided under separate cover)
- 2) Minute No. 160 & Minute No. 161 - 28 June 2022.

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

ITEM NO. 1

**FILE NO: 22/145962
EDRMS NO: PSC2022-145962**

2022-2032 INTEGRATED PLANNING AND REPORTING DOCUMENTS AND 2022-2023 FEES AND CHARGES

REPORT OF: TIMOTHY CROSDALE - GROUP MANAGER CORPORATE SERVICES
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Receive and note the community submissions received and responses in relation to the draft 2022 to 2032 Integrated Planning and Reporting documents and draft Fees and Charges 2022 to 2023 (**ATTACHMENT 1**).
- 2) Note the recommendations relating to changes to the Integrated Planning and Reporting documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 (**ATTACHMENT 2**).
- 3) Adopt the Integrated Planning and Report documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 with amendments as provided in (**ATTACHMENT 2**).
- 4) Make the rates and charges for 2022 to 2023 in accordance with (**ATTACHMENT 3**).

**ORDINARY COUNCIL MEETING - 28 JUNE 2022
MOTION**

160	<p>Councillor Leah Anderson Councillor Chris Doohan</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Receive and note the community submissions received and responses in relation to the draft 2022 to 2032 Integrated Planning and Reporting documents and draft Fees and Charges 2022 to 2023 (ATTACHMENT 1).
------------	---

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

- | | |
|--|---|
| | <p>2) Note the recommendations relating to changes to the Integrated Planning and Reporting documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 (ATTACHMENT 2).</p> <p>3) Adopt the Integrated Planning and Report documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 with amendments as provided in (ATTACHMENT 2).</p> <p>4) Make the rates and charges for 2022 to 2023 in accordance with (ATTACHMENT 3).</p> |
|--|---|

Councillor Jason Wells left the meeting at 5:34pm.
Councillor Jason Wells returned to the meeting at 5:34pm.

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Giacomo Amott, Matthew Bailey, Chris Doohan, Peter Francis, Steve Tucker and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

BACKGROUND

The purpose of this report is to provide Council with information on the community submissions received during the public exhibition period and changes proposed to the Integrated Planning and Reporting documents and Fees and Charges for 2022 to 2023, along with making the rates and charges for 2022 to 2023.

Why these documents are necessary

The Integrated Planning and Reporting documents consist of the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032). The Fees and Charges 2022 to 2023 are also a key resource.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The 2022 to 2023 financial year is the first year of the next Integrated Planning and Reporting cycle, with all councils required to review and endorse a 10 year Community Strategic Plan prior to 30 June 2022 following the local government election. The Community Strategic Plan (the Plan) is the highest level of strategic planning that a council will prepare on behalf of its community, with Council playing a custodial role in collating the Plan and engaging with the community on priorities and aspirations for the next 10 years.

Many community priorities are beyond Council's sphere of control, involving partnerships and advocacy with many other government departments, private enterprises, agencies and the community. Establishing community priorities is critical in informing what services, facilities and programs Council should sustainably deliver and how we assign and balance our resourcing to support delivery while balancing affordability.

Our Delivery Program outlines a 4 year program that Council commits to delivering within the resources available. It translates the Plan's goals into clear activities and actions. Our Operational Plan is Council's annual action plan which contributes to our 4 year Delivery Program. It outlines what Council proposes to deliver in 2022 to 2023 along with which area of Council is responsible for delivery. The Operational Plan includes the Statement of Revenue Policy and Statement of Waste Management and is implemented with a supporting annual budget to fund the necessary work.

Our Resourcing Strategy enables us to implement these plans with the appropriate human, capital and asset resources. It consists of 3 interrelated plans; the Long Term Financial Plan, Strategic Asset Management Plan and Workforce Management Strategy which provide more detail on the financial, asset and workforce matters that Council is responsible for.

Council, also in accordance with the Local Government Act 1993 and other applicable legislation, charges and recovers approved fees and charges for any services it provides as contained within its schedule of fees and charges. As with the Delivery Program, Operational Plan and Resourcing Strategy, Council cannot implement these fees, actions, works or budget until they have been on public exhibition, submissions considered and adopted by Council.

Additional Special Variation

The Independent Pricing and Regulatory Tribunal (IPART) has approved Council's application for a one-off additional special variation. This will see the less than anticipated 2022-2023 rate peg lift from 1.3% back to the instructed figure of 2.5% and is reflected in the Schedule of Rates and Charges 2022 to 2023 (**ATTACHMENT 3**). This outcome will assist in delivering planned services to the community and closing the financial sustainability gap that is being driven by the implications of the COVID-19 pandemic and recent weather events.

The proposed rates and charges reflect those included in the amended Statement of Revenue Policy which will be included in the revised Operational Plan 2022 to 2023

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

as outlined in **(ATTACHMENT 2)**. Legislation requires the rates to be calculated using 1 July 2019 base date land values.

COVID-19 and other Natural Disasters

As was the case last year, Council developed and prepared the Integrated Planning and Reporting documents at a point in time. Like all organisations, communities and individuals we have and continue to adjust our thinking and planning to respond to COVID-19 and other natural disasters.

These documents were prepared in times of increased uncertainty which are subject to change as we adapt, revise and re-baseline our work programs as circumstances evolve.

Public Exhibition and Submissions

During the public exhibition period 12 submissions were received with a summary of submissions outlined in **(ATTACHMENT 1)** and recommended changes to the documents, where deemed appropriate from community submissions or administrative corrections detailed within **(ATTACHMENT 2)**.

Further detail on the public submissions and exhibition process is outlined under the consultation section of this paper.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Governance	Provide a strong ethical governance structure.

FINANCIAL/RESOURCE IMPLICATIONS

The Independent Pricing and Regulatory Tribunal (IPART) has set the rate peg for Port Stephens Council for 2022 to 2023 at 2.5%. The outstanding rates and charges interest rate will be the maximum rate as determined by the Minister for Local Government.

Rates and charges income must be collected in a timely manner to ensure cash flow to fund Council operations.

At the time of drafting the Long Term Financial Plan as part of the Resourcing Strategy a Consumer Price Index (CPI) of 3.5% had been assumed. During the public exhibition period, the ABS released a new CPI figure of 5.1%. The Materials and Contracts assumption has now been updated to 5.1% to reflect this change, resulting in a flow-on effect on the long-term financial outlook. These changes are reflected in the amendments to the Resourcing Strategy **(ATTACHMENT 2)**. The cost of printing the revised documents can be substantial. For this reason, a limited amount of copies will be produced (following Council adoption of the proposed

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

amendments) for inspection at Council Libraries and Administration Building. The documents will also be available on Council's website.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Council is required to undertake integrated planning and report activities in accordance with the Local Government Act, Local Government (General) Regulation 2021 (Local Government Regulation) and the NSW Government's Integrated Planning and Reporting Guidelines (IPR Guidelines) and Handbook (IPR Handbook) September 2021. Sections 402 to 406 and 608 to 610 of the Local Government Act outline the specific requirements for developing the IPR documents and Fees and Charges.

In summary, under this legislation and guidelines Council is required to:

- Engage with the community and review the Community Strategic Plan before 30 June following the Council election.
- Prepare a long-term strategy (Resourcing Strategy which includes the Long Term Financial Plan, Workforce Management Strategy and Strategic Asset Management Plan) for the provision of resources required to perform its functions.
- Establish a new Delivery Program after the Council election to cover the principal activities of the Council for the 4-year period commencing on 1 July following the election.
- Have its Operational Plan adopted before the beginning of each financial year and detail the activities to be engaged in by the Council during the year as part of the Delivery Program covering that year.
- Set its Fees and Charges prior to 1 July 2022, and make the rates prior to 1 August 2022.
- Publicly exhibit all of the IPR documents and Fees and Charges for a period of at least 28 days, considering submissions prior to adoption of the final documents.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that Council's IPR documents and Fees and Charges may not comply with legislation leading to a loss of Council's reputation.	Low	Staff cross reference legislative requirements of the documents with the Office of Local Government requirements as best as possible.	Yes
There is a risk that Council does not have an understanding of community priorities.	Low	The Community Strategic Plan has been reviewed and revised based on integrated engagement over the past 20 months.	Yes
There is a risk that Council does not have the resources to meet its Delivery Program and annual Operational Plan.	Medium	Staff continue to realistically plan and investigate resourcing opportunities as outlined in the Delivery Program and Resourcing Strategy. Financial sustainability continues to remain a key focus for Council.	Yes
There is a risk that the Operational Plan and Resourcing Strategy (containing the Long Term Financial Plan) which include the budget for 2022 to 2023 is not adopted in the timeframe required to implement the budget and raise Rates and Charges from 1 July 2023.	High	Adopt the recommendations.	Yes
There is a risk that failure to make and serve the Rate Notices by 1 August 2022 will defer the due date for the first instalment payment to 30 November 2022 adversely affecting cash flow.	High	Council will make Rates and serve Notice before 1 August 2022.	Yes

MINUTES ORDINARY COUNCIL - 28 JUNE 2022**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

As required by the Local Government Act, the Integrated Planning and Reporting documents and the Fees and Charges 2022 to 2023 were developed and reviewed in accordance with the principles of equity, social justice and sustainability. The Plan has been developed in alignment with these principles addressing social, economic, environmental and governance factors (quadruple bottom line) through 4 interconnected focus areas: Our Community, Our Place, Our Environment and Our Council. The 4 focus areas provide a structure for planning in each of the documents, enabling Council to address key actions while aiming to holistically meet the community's vision of 'A great lifestyle in a treasured environment'.

Rates and charges income is necessary for Council to deliver the services outlined in the Delivery Program and the Operational Plan.

CONSULTATION

Consultation with internal and external stakeholders has been undertaken in accordance with Council's Community Engagement Strategy to develop the final documents. This has included:

Internal

- Input on key priorities from Councillors was sought at a workshop in February 2022.
- The draft documents were developed in consultation with the Senior Leadership Team and discussed as part of a workshop with the Combined Leadership Team.
- A cross Council project team was established to guide the development and integration of various facets of the IPR documents from community engagement to finance, workforce to assets. This team will continue to monitor the progress of the documents following their formal adoption by Council.
- Responsible officers from across Council have reviewed the Fees and Charges.
- Proposed changes to the final documents have been discussed with the Executive Team, relevant Section Managers and staff, which has included detailed input from the sections responsible for Finance, Assets and Strategy & Environment.

External

Council has an integrated approach to engaging with the community, engaging on a number of fronts since 2020 to help inform the review of the Plan and associated documents. Over the past 20 months, Council have been talking with and listening to our community on various projects and plans to understand the aspirations and priorities of Port Stephens. Council has taken a phased approach, delving deeper into what we have heard to make sure we clearly understand what the community is looking for in the future. This has been through:

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Phase 1 – Broad engagement, base data collection:

- Liveability Index Survey: conducted September to December 2020. 3700 surveys were completed on community values and priorities.
- Youth Strategy: adopted November 2020. 450 people were involved in an 18 month consultation phase.
- Our Incredible Place Strategy: adopted 24 November 2020. 327 people were involved in a 12-month consultation phase.
- Coastal Management Program Stage 2: completed November 2020. 3 webinars were conducted with 208 views.
- Wellbeing Strategy Engagement: conducted over April to May 2021. 177 survey responses received and 48 workshop attendances.
- Community Satisfaction Survey 2021: conducted over May to June 2021. 2187 survey responses received.
- Economic Development Strategy: adopted 26 October 2021. 286 survey responses were received and 12 key partner consultations occurred.
- End of Term Report 2017 to 2021: updated the community on how we were progressing with achieving the 2018-2028 Community Strategic Plan. Noted by Council in October 2021.

Phase 2 – Targeted engagement, deeper dive:

- Targeted place workshops: conducted over September to December 2021. 224 expressions of interest, 12 workshops, 191 workshop attendances.

Phase 3 – Community check in:

- Community Strategic Plan check-in: conducted from 28 February to 14 March 2022 involving a pre-recorded video, Facebook live event, online survey and photo competition:
 - promoted via 4 Social media posts.
 - the Facebook live event reached 4,500 people with 115 comments and 174 reactions.
 - the pre-recorded video received 113 views.
 - the online survey received 59 survey responses.
 - the photo competition received 23 entries.

Phase 4 – Public Exhibition:

Occurred from 28 April 2022 until 5pm on Thursday 26 May 2022.

Exhibition of the documents and opportunities to make a submission were promoted on Council's website, social media and in the local paper. Hard copies of the documents were also made available at the Administration Building and Council's Libraries, with submissions able to be made via mail or email.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Council received 12 community submissions with nearly half being from residents and the other half from organisations.

We value the time and effort taken by community members in reviewing the documents and providing submissions. As some of the submissions were lengthy, not every point raised has been listed, with key issues summarised as shown in **(ATTACHMENT 1)**. Contact will be made with applicants to close the loop on queries raised in their submission.

Councillors have been provided with a full set of un-redacted submissions available in the Councillors Room for their consideration. For privacy and consistency reasons, full submissions have not publicly been made available.

Submissions have been reviewed by the Executive Team, relevant Section Managers and staff for key issues. Submissions topics ranged from the need for a performing arts/museum facility through to the importance of providing/planning for shade in reducing skin cancer. A number of recurring topics that occurred in the submissions were relating to:

- Capital Works: timing, cost and prioritisation.
- Place Planning Engagement: need for further engagement.
- Community Strategic Plan Indicators: Liveability Index is good for community perception, although real/tangible measures of success are also needed.
- Our Environment (Focus Area): more delineation between action by Council on carbon neutrality/climate change concerning Council facilities and also efforts to assist the community on these matters.

Recommended changes to the documents, where deemed appropriate from community submissions or administrative corrections are detailed within **(ATTACHMENT 2)**.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Summary of submissions.
- 2) Recommended changes to the Integrated Planning and Reporting documents.
- 3) Rates and Charges 2022 to 2023.

COUNCILLORS ROOM

- 1) Copy of submissions.

ITEM 1 - ATTACHMENT 2 MINUTE NO. 160 & MINUTE NO. 161 - 28 JUNE 2022.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

TABLED DOCUMENTS

Nil.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

ITEM NO. 2

**FILE NO: 22/152740
EDRMS NO: PSC2017-00180**

FINANCIAL SUSTAINABILITY

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Note and endorse this report.
- 2) Commence an engagement process to discuss the financial sustainability of the Council over the next 10 years with the community, including but not limited to the prospect of submitting a Special Rate Variation to the Independent Pricing and Regulatory Tribunal (IPART) for consideration for the 2023-2024 financial year.
- 3) Note and endorse the attached Communications and Engagement Plan – Our Funded Future (**ATTACHMENT 3**).

ORDINARY COUNCIL MEETING - 28 JUNE 2022

MOTION

161	<p>Councillor Leah Anderson Councillor Matthew Bailey</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Note and endorse this report.2) Commence an engagement process to discuss the financial sustainability of the Council over the next 10 years with the community, including but not limited to the prospect of submitting a Special Rate Variation to the Independent Pricing and Regulatory Tribunal (IPART) for consideration for the 2023-2024 financial year.3) Note and endorse the Communications and Engagement Plan – Our Funded Future (ATTACHMENT 3).4) The following be included as part of the community engagement:<ol style="list-style-type: none">a) The additional information being all of the items that the councillors brought to the table throughout the past few months of finance committee meetings (Supplementary information)b) That the parcels of land identified for potential sale be made transparent to the community, along with an explanation of how long this will take to have them re-zoned and what potential revenue we could achieve from the sales.
------------	--

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

- | | |
|--|---|
| | c) When we anticipate the return of Airport Dividends and how they will be used to build a Prosperity Fund (and why) and not relied upon to fund our day to day operations in terms of this budget. |
|--|---|

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Chris Doohan, Steve Tucker and Jason Wells.

Those against the Motion: Crs Giacomo Arnott and Peter Francis.

The motion was carried.

BACKGROUND

One of the key resourcing strategies to be developed by Council each year is the Long Term Financial Plan, which forecasts the financial position of the Council over a 10 year time frame. The Long Term Financial Plan from as early as 2018-2019 was highlighting that from the 2022 financial year the Council would be facing some very difficult financial pressures. These were largely centred around the ongoing State imposed rate capping regime, where successive rate increases were limited to levels less than prevailing consumer price indexes and local government cost indices.

Legislative changes to costs such as superannuation contributions together with a difficult workers compensation insurance market added financial pressure to the organisation. Already faced with some difficult economic decisions to be made from the 2022 financial year onwards, the organisation was then shocked by the impacts of mandates resulting from the COVID-19 pandemic and a number of natural disasters affecting the Port Stephens local government area.

For 2 consecutive years, the ramifications of imposed lockdowns saw an \$8 million deterioration to the operating bottom line.

While this placed an economic strain on the organisation, Council was mindful of its civic leadership role, joining other levels of Government to ensure that the economy could be stimulated to lessen the overall impact to residents and ratepayers. On one hand, Council had to display prudent fiscal management, yet on the other it had a civic duty to assist with the stimulus of the economy. This to a greater degree for the Port Stephens local government area that is so reliant on the tourism and associated industries.

Port Stephens Council has operated on a very tight fiscal basis for a number of years. Previous policy decisions of Council have meant that ratepayers have historically enjoyed the lowest rate level of any of our contemporaries in the Hunter region, or other comparable councils as shown by the Office of Local Government categorisation. The rate level for Port Stephens in the residential category is typically up to 35 per cent less than our neighbouring Councils.

To ensure this low rate level was maintained, a strategy was deployed to develop a reliance on maximising commercial or 'own source' revenue. Council has proved

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

successful in managing 5 holiday parks, some on behalf of the Crown, but some in an outright capacity. Council as co-owner of the Newcastle Airport has also enjoyed the substantial increases in activity from that facility over the past number of years. These 2 business activities have been able to successfully supplement revenue streams to Council and thus reduce the overall quantum of financial reliance on rate revenue.

With the State mandated lockdowns introduced during the COVID-19 pandemic severely impacting both of these activities, holiday parks and the airport were unable to produce income. The dividend received from the airport activities, previously \$2 million per year, has yet to be reinstated and it is not certain to what level it will return.

In addition to the financial stressors from the lockdowns, Council also faced a significant natural disaster in March 2021. Some access was granted to disaster relief funds, however Council is required to incur the costs up front and can wait up to 3 years to seek even partial reimbursement. Works from this natural disaster are still being carried out and can be expected to continue for some time.

While the 2020-2021 financial year was forecast to have an operating deficit of over \$4.4 million, a number of measures were taken to mitigate this. Ultimately these measures proved effective and the financial result for the year was a modest surplus of \$583,000.

TABLE ONE

	Surplus \$	Deficit \$
Original budget		(4,311,000)
September 2020 review		(692,000)
December 2020 review		(1,000)
March 2021 review	315,000	
June 2021 review	583,000	

Financial forecasting for the 2021-2022 financial year started with a small underlying surplus of \$66,000 and with the advent of the second State mandated lockdown was forecast to be a deficit of \$2.5 million for the financial year.

TABLE TWO

	Surplus \$	Deficit \$
Original budget	66,000	
September 2021 review		(2,370,000)
December 2021 review		(974,000)
March 2022 review	147,000	

In order to return budgets to an underlying surplus a number of austerity measures have been implemented over previous years. Recruitment was effectively frozen and only positions regarded as essential or critical were actively recruited. Management

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

of staff costs were critically examined, with \$1 million cut directly from employment budgets. Discretionary spending, already curtailed from previous years was cut and a number of services had to be reduced. The effect of reduced revenue streams and limited funds has seen the level of responsiveness to community expectations decline. Clearly such an approach can only be sustained for the short term and is not considered a viable long term solution.

Given the current financial projections (**ATTACHMENT 2**) these measures will need to be continued into the 2022-2023 financial year. In short, the community can expect no relief from the current issues being faced with Council's capacity to continue to deliver current services, such as asset maintenance, being severely impacted.

As part of the ongoing discussions around financial sustainability, Council endorsed an ongoing financial strategy (**ATTACHMENT 1**) designed around 6 key fundamentals being:

- Avoiding shocks.
- Attaining underlying surplus.
- Refining approach to funding significant infrastructure projects and initiatives.
- Increasing income.
- Reviewing and adjust services.
- Increasing advocacy and partnerships.

With a new Council being elected in December 2021 and the need to further address Council's financial sustainability, the Council agreed to meet to workshop the financial strategic direction for the next 10 years. Meeting on a fortnightly basis, a number of initiatives were examined and include:

- Potential to make a special variation to rate capping to the Independent Pricing and Regulatory Tribunal (IPART).
- An increase in non-statutory fees & charges for 2022 – 2023 to 10%, creating an additional \$400,000 in income.
- Implementation of paid tourist parking to Birubi, One Mile, Fingal Bay, Shoal Bay and Nelson Bay, creating an additional \$750,000 per annum in income.
- Identification of surplus land assets for potential sale. A number of sites have been identified and will be reported to Council in the short term, with the sale process taking up to 24-36 months.

The current Long Term Financial Plan (**ATTACHMENT 2**) has factored income producing strategies recently undertaken by Council such as increasing fees and charges and additional smart parking income. In spite of these initiatives, Council is facing 10 years of consecutive operating deficits. It is unable to achieve an underlying surplus target in any year of the plan. This means Council for the entirety of the plan will be facing severe financial pressure, will not handle any future external shocks and cash flow management is in critical condition. Ultimately, Council will have to examine and reduce service level provisions and assets will be subject to heavy deterioration, without further intervention.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The financial position of the Council is not predicted to improve at any stage over the 10 year life of the plan, with deficits that will continue to grow, reaching more than \$14 million by the end of the plan.

While the original Long Term Financial Plan was on public exhibition the overall state of the economy continued to deteriorate with reasonable predictions of consumer price increases (CPI) over the next 3 years to be in excess of 5 percent. Our original model made allowance for a CPI movement of 3 to 4 per cent. This additional CPI projection effectively adds another \$1 million to the organisations cost structure and increases the deficit to over \$1 million for next year alone.

In this climate of financial difficulty, it was considered prudent to seek an independent evaluation of the organisations financial health. To this end a number of reports were commissioned and Professors Dollery and Drew were retained to provide the advice. This advice was commissioned in September 2021 and the 4 reports were delivered in February 2022. The reports included:

- Financial Sustainability.
- Efficiency.
- Capacity to Pay.
- Debt Capacity.

The reports were workshopped with Council by Professor Drew in March 2022 and essentially highlighted the findings that Council was not financially sustainable. The reports recognised the effects taken by the organisation over the past few years in providing for operations, but considered that such an ongoing approach or outcome could not be sustained. A number of specific recommendations were put forward and these were further workshopped with the Council throughout April to June 2022.

The major recommendations from this review to ensure financial sustainability were to increase fees and charges and make an application for a Special Rate Variation (SRV). More specifically, it was recommended to increase rates up to 10% per annum for 3 years to achieve financial sustainability. The review also recommended other initiatives such as a review of rates structure, which will continue to be examined.

Through workshops with Councillors a broad range of ideas to enhance Council's financial position were identified including:

- 2 items concerning avoiding shocks, specifically strategies relating to debt management and modelling.
- 5 items around attaining an underlying surplus, including a review of certain functions to reduce costs.
- 4 items on our approach to infrastructure, no specific savings identified.
- 9 items on increasing income, potential \$100,000 per year from additional developer contributions to fund infrastructure, and a potential \$100,000 from additional own source revenue opportunities.
- 10 further items on increasing income, around increasing rates and consideration

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

- of a special rate variation application.
- 11 items on adjusting service levels and community expectations, generally around deferring discretionary funding levels, which will need to continue.
- 14 items on community engagement and discussing our financial position with the community.

While a detailed review of each item is to be completed, it is apparent that the direct increases in revenue or reductions in expenditure is likely to only net an improvement of \$250,000 per annum. While this is significant, it would provide only part of a solution to financial sustainability. Further work will be completed on these actions.

It is therefore considered imperative that a dialogue with the community commences around Council's financial sustainability. A Communications and Engagement Plan (**ATTACHMENT 3**) has been developed for Council's endorsement. The initial phases are to commence in July 2022, combining a mix of face to face and digital conversations and consultations. While the engagement process is about clearly communicating the current financial position and implications of current projections, a conversation about possible rate increases needs to take place. The engagement data will then be used by Council to make an informed decision as to the path forward.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

Council will continue to implement strategies, initiatives and plans to achieve the financial key directions as adopted in October 2021 (**ATTACHMENT 1**). The proposed engagement with the community will need to examine a range of options for Council to meet the goal of financial sustainability.

For financial sustainability into the future it is considered critical that:

- An underlying surplus is achieved for resilience and ability to reinvest into asset maintenance.
- Reserves for natural disaster response and grants attraction are established.
- Continue to develop the Prosperity Fund, renamed Resilience Fund, to provide alternate funding opportunities for significant initiatives, such as reinvestment, asset improvements or significant community infrastructure.

In anticipation of the community engagement phase commencing (**ATTACHMENT 3**) a number of different scenarios have been modelled. These options will form the basis of engagement with the community on Council's financial sustainability.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The cost of the engagement process (**ATTACHMENT 3**) can be met within existing budgets.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing operations without a significant change in service levels.	High.	Adopt the recommendations. Commence community engagement process on financial sustainability.	Yes.
There is a risk of engaging negative outcomes from the community regarding poor financial position and a potential rate increase.	High.	Adopt the recommendations. Clear and concise data driven communication and engagement on the reasoning, purpose, need and impact for financial sustainability measures.	Yes.
There is a risk that Council will face an increasingly uncertain long term financial outlook that will affect ongoing financial sustainability.	High.	Adopt the recommendations.	Yes.

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council's ability to continue to deliver services valued by the community in the best possible way.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section.

Internal

- Executive Team.
- Senior Leadership Team.
- Project Control Group – Financial Sustainability.
- Councillor workshops.

External

- Community Strategic Plan 2022-2032.
- Long Term Financial Plan 2022-2032.
- Delivery Program and Operational Plan 2022-2032.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Financial Sustainability and Prosperity Fund - 26 October 2021.
- 2) Base Scenario.
- 3) Communications and Engagement Plan - Our Funded Future.

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

ITEM NO. 1

**FILE NO: 22/287452
EDRMS NO: PSC2017-00180**

SPECIAL RATE VARIATION - REVISED INTEGRATED PLANNING AND REPORTING DOCUMENTS - RATE RISE OPTIONS ENGAGEMENT

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES

RECOMMENDATION IS THAT COUNCIL:

- 1) Receive and note the Independent Financial Analysis 2022 – Consolidated Reports from UNE Emeritus Professor Brian Dollery and Professor Joseph Drew (**ATTACHMENT 1**).
 - 2) Receive and note the community submissions and responses in relation to the Draft 2023 to 2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (**ATTACHMENT 3**).
 - 3) Receive and note outcomes of the community engagement provided in the Rate Rise Options Engagement Report (**ATTACHMENT 4**).
 - 4) Note the recommendations relating to amendments to the 2023 to 2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (**ATTACHMENT 5**).
 - 5) Adopt the Integrated Planning and Reporting documents, being the Delivery Program 2022 to 2026 incorporating the Operational Plan 2023 to 2024, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033) revised for a Special Rate Variation with amendments provided in (**ATTACHMENT 5**).
 - 6) Apply to the Independent Pricing and Regulatory Tribunal under Section 508(2) of the Local Government Act for a 2023-2024 Special Rate Variation of 26%, to be a permanent increase that will be retained within the rate base with financial sustainability being the key purpose of the application.
 - 7) Subject to the approval of a Special Rate Variation endorse the inclusion of the proposed additional affordability measures into the Debt Recovery & Hardship Policy to further support ratepayers should a Special Rate Variation be approved.
-

ORDINARY COUNCIL MEETING - 8 NOVEMBER 2022
MOTION

304	<p>Councillor Leah Anderson Councillor Jason Wells</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Receive and note the Independent Financial Analysis 2022 – Consolidated Reports from UNE Emeritus Professor Brian Dollery and Professor Joseph Drew (ATTACHMENT 1).2) Receive and note the community submissions and responses in relation to the Draft 2023 to 2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (ATTACHMENT 3).3) Receive and note outcomes of the community engagement provided in the Rate Rise Options Engagement Report (ATTACHMENT 4).4) Note the recommendations relating to amendments to the 2023 to 2033 Integrated Planning and Reporting documents revised for a Special Rate Variation (AMENDED ATTACHMENT 5).5) Adopt the Integrated Planning and Reporting documents, being the Delivery Program 2022 to 2026 incorporating the Operational Plan 2023 to 2024, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033 and Strategic Asset Management Plan 2023 to 2033) revised for a Special Rate Variation with amendments provided in (AMENDED ATTACHMENT 5) relating to the base scenario as well as amendments that reflect the special rate variation application type and percentage as stated in recommendation 6.6) Apply to the Independent Pricing and Regulatory Tribunal under Section 508(A) of the Local Government Act for a 2023-2024 Special Rate Variation of a cumulative increase of 31.29%, being a 9.5% increase for three consecutive years 2023-2024 to 2025-2026, to be a permanent increase that will be retained within the rate base with financial sustainability being the key purpose of the application.7) Subject to the approval of a Special Rate Variation endorse the inclusion of the proposed additional affordability measures into the Debt Recovery & Hardship Policy to further support ratepayers should a Special Rate Variation be approved.8) Requests the General Manager to provide information regarding its hardship policy & the process on the Rates Notices9) Requests the General Manager to provide a comprehensive monthly report at each month's council meeting detailing income and expenditure for each month and year to date actual v budget10) Requests the General Manager to provide a comprehensive quarterly two-way discussion with the Mayor and Councillors regarding Council's overall financial position, income, and expenditure, and that quarterly budget review reports are promptly made available to the Mayor and Councillors and the general public as close as possible after the end of each quarter
-----	--

MINUTES ORDINARY COUNCIL - 8 NOVEMBER 2022

	<p>11) Requests the General Manager to develop a program to address the additional recommendations of the independent financial review, specifically providing a two-way conversation on the following topics:</p> <ol style="list-style-type: none">1) Combat fiscal illusion ongoing by providing carefully constructed financial sustainability information with rates and charges notices.2) Review of its Corporate Structure3) Service Level Review program4) Internal efficiencies review, including potential deferral of discretionary projects, improved procurement practices, review of community grant schemes, and improved capture of tourist revenues including more appropriate use of tailored fees and charges.
--	---

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Chris Doohan, Peter Francis, Peter Kafer and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

ORDINARY COUNCIL MEETING - 8 NOVEMBER 2022 MOTION

305	<p>Councillor Chris Doohan Councillor Peter Francis</p> <p>It was resolved that Cr Leah Anderson be granted an extension of time to address Council.</p>
------------	--

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Chris Doohan, Peter Francis, Peter Kafer and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

BACKGROUND

The purpose of this report is to officially provide Council with the Rate Rise Options Engagement Report, the summary of public submissions and proposed amendments to the Draft 2023-2033 Integrated Planning and Reporting (IP&R) documents revised for a Special Rate Variation (SRV) with the key purpose of financial sustainability.

Financial sustainability and a small 1% surplus budget target has always been a key focus of Council. Combining factors including the Long Term Financial Plan (LTFP) predicting financial strain on the organisation in 2022 due to rising legislative costs, the financial impacts of the state mandated lockdowns for the COVID-19 pandemic and numerous weather events have highlighted Council's reliance on non-rate

revenue. These factors have further emphasised the organisation's vulnerability to external shocks given Council's relatively low rate base.

At its meeting in October 2021, Council acknowledged the ongoing impacts on its financial sustainability outlook and endorsed the Financial Sustainability and Prosperity Fund (later renamed Resilience Fund) to set key directions for ongoing financial sustainability. Based on the current LTFP projections, Council will see consecutive deficits for the next 10 years and will be considered unsustainable if no corrective action is taken.

Council engaged Professor Dollery and Professor Drew through the University of New England (UNE) for an independent assessment, in which Council opted to forgo traditional commercial consultants as the Professors are widely accepted by the sector as independent voices with a level of depth and insight beyond standard practices within the local government sector. The reports recognised the effects taken by the organisation over the past few years in delivering services valued by the community under relatively low rate income compared to other councils of the same size and nature, but considered that such an ongoing approach could not be sustained. Numerous recommendations were made and have since been implemented, one that is now for consideration by the Council is a SRV. **(ATTACHMENT 1)**.

Based on the current LTFP projections, Council will see consecutive deficits for the next 10 years and will be considered unsustainable if no corrective action is taken. This position was confirmed and presented to Council by Independent Analysis Reports commissioned through the UNE by Emeritus Professor Brian Dollery and Professor Joseph Drew.

At the Council meeting on 28 June 2022, Council adopted its 2022-2032 Long Term Financial Plan (Minute No. 160) **(ATTACHMENT 2)** which projected a 10 year \$80 million dollar operating shortfall. Along with the LTFP, Council endorsed the Financial Sustainability Report and a detailed engagement program, named 'Our Funded Future' (Minute No. 161) **(ATTACHMENT 2)**, to discuss financial sustainability with the community and seek feedback on a number of options.

In July/August 2022, Council undertook extensive community engagement that included 5 different options for a SRV, ranging from 26% to 45% cumulative. This was alongside options for increasing fees and charges, reducing service delivery, selling underperforming assets, removal of the residential paid parking exemption and continuing efforts to seek grant funding.

Council considered the community feedback from the Our Funded Future engagement at its meeting of 23 August 2022 and resolved to endorse the development of revised IP&R documents. These documents include 2 SRV scenarios, the base scenario of reducing services, inclusion of a one-off 5% increase in fees and charges, continued efforts in seeking grant funding and the continued investigation with community consultation of selling underperforming assets.

It was decided that any net profits from the sale of underperforming assets were to be placed in the Resilience Fund. Council also sought to exclude the removal of the residential paid parking exemption option from being further considered.

Through the engagement, it was clear the support for having a financially sustainable Council was high, as was the desire for enhanced services in particular areas of roads maintenance, waterways and drainage, protecting our natural environment and looking after our public space. These priorities are consistent with the outcomes of Council's Integrated Engagement Program undertaken over the past 2 years. This includes decreases in community satisfaction for road maintenance activities through Council's annual satisfaction survey through to 2022.

Following the Council meeting on 13 September 2022, Council endorsed the following:

- Draft Delivery Program 2022 to 2026 and Operational Plan 2023 to 2024, revised for a proposed SRV.
- Resourcing Strategy 2023 to 2033 incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2023 to 2033, and Strategic Asset Management Plan 2023 to 2033 revised for a proposed SRV.
- Noting and incorporating the proposed additional affordability measures held within the IP&R documents.
- Place the IP&R documents on public exhibition for a period of 28 days.
- The revised Rate Rise Options Engagement Plan.

The plans modelled 3 scenarios for community consultation:

- **Base Scenario** – 2.5% state imposed rate cap assumption.
- **Single Year Scenario** – A 26% increase for a single year, being 2023-2024 only.
- **Independent Recommendation Scenario** - A cumulative increase of 34.92%, being a 10.5% increase for 3 consecutive years 2023-2024 to 2025-2026.

Through the IP&R documentation both SRV scenarios show the increased income raised by an SRV would be used to eliminate forecasted shortfalls, covering the rising costs associated with delivering planned services to our community over the next 10 years. Where additional funds are generated Council proposed to increase funding into community priorities being road maintenance, condition of public spaces, and protecting our waterways and natural environment.

Four proposed additional affordability measures were included in the IP&R documents to be considered as part of the proposed SRV in order to mitigate the impact of a special rate increase on those ratepayers who may experience financial stress. These measures included both pensioners and non-pensioner ratepayers. Subject to an approval of a SRV, these additional affordability measures will be incorporated into Council's existing Debt Recovery and Hardship Policy.

RATE CAP ANNOUNCEMENT

During the public exhibition period, IPART announced the 2023-2024 financial rate cap amount set at 3.7%. In addition, Port Stephens has been recognized as a population growth area and can apply an additional 0.7% - taking the total rate increase to 4.4%. As the 4.4% for the 2023-2024 financial year is greater than the modelled and exhibited 2.5% rate cap that IPART had instructed Council to use, the Rate Rise Options website, fact sheets and FAQs were updated to reflect this change, as well as additional communication about the change.

Whilst the 4.4% rate cap assists with Council's financial sustainability it still does not meet the anticipated consumer price index or inflation factor that IPART have been reported to estimate to be 5.3% for the next financial year. IPART have also indicated that councils should continue to forward project rate capping increases of only 2.5% for the next 10 years.

Amendments to the IP&R documents relating to the announced rate cap have been summarised in **(ATTACHMENT 5)**.

PUBLIC EXHIBITION AND SUBMISSIONS

The IP&R documents were on public exhibition from 14 September 2022 until 12 October 2022.

During the public exhibition period, numerous submissions were received. Key issues have been summarised **(ATTACHMENT 3)** and recommended changes to the documents, where deemed appropriate from the community submissions/ engagement or administrative corrections are detailed within **(ATTACHMENT 5)**. For privacy and consistency reasons, full submissions have not been made publicly available.

RATE RISE OPTIONS ENGAGEMENT

Phase 2 of the Rate Rise Options engagement was revised to incorporate feedback on the engagement process and methods gained in Phase 0 and 1 known as Our Funded Future. The engagement period ran concurrently with the public exhibition period being 14 September 2022 until 12 October 2022.

The engagement was extensive and aimed to continue to increase the community's awareness of Council's financial situation and its journey to date, and further discuss the community's views on the streamlined preferred options.

The Rate Rise Options communication and engagement program had a community awareness reach of 83,999 and participation of 7,819. A number of key themes came from community input across all engagement opportunities which included online survey comments, community drop in sessions, special interest group presentations and Council interactions. The themes encompassed the community's understanding of the SRV application process and ratepaying in general.

Key themes surrounded the affordability of the proposed rate rise during a time where the cost of living is also rising, Council's financial accountability linked to current and proposed service levels as well as local and state based issues separate from the SRV process.

Following the extensive survey during Phase 1, a short 3 question survey was provided to clarify the community's views on narrowed-down scenarios. The survey had a total of 671 responses with 883 comments provided.

Question 1 in the survey sought to understand the community's preference between 2 different rate rise scenarios that had been streamlined from 5 original options during earlier phases, with results showing a preference for the Single Year Scenario, with 61% in favour. Question 2 asked respondents about how supportive they were of the proposed distributions of additional funds to enhance services. The community was generally in favour of the financial disbursement (54%) with 22% 'very supportive' and 32% 'supportive' of the split. Conversely, 26% were against the proposal, 9% being 'opposed' and 17% 'very opposed', with 19% of respondents 'unsure'. Question 3 asked whether the community wanted to pursue a rate rise option or the base scenario with a reduced services option. Over half of all respondents (53%) were in favour of a rate rise and the benefits that increased income would bring.

The Rate Rise Options Engagement Report (**ATTACHMENT 4**) provides a comprehensive overview of all communications, engagement methods and outcomes.

ISSUES

Council has and continues to investigate and implement a range of alternative measures to address financial sustainability. Council will continue to strive to contain costs and run more efficiently through our Service Review Program and affiliated processes that are engrained in our culture with reviews undertaken continuously and systematically.

In consideration of Council's engagement with the community on the 'Rate Rise Options' and the proposed SRV including face-to-face community sessions and online survey comments, it is quite clear that the condition of roads is of high priority and importance to the community, with the distribution of additional funds being generally supported.

In response, Council has modified the proposed schedule of enhanced services to ensure road maintenance expenditure is scheduled in the first 3 years of the approved rate rise implementation. This will see a faster injection of the allocated \$14 million into our road maintenance programs, \$6.5 million in year 1, \$5.3 million in year 2 and \$2.2 million in year 3. Whilst funding for road maintenance has been brought forward, Council is still committed to funding the 3 other focus areas of condition of public space, protecting our natural environment and waterways from 2025.

Amendments to the IP&R documents relating to the prioritisation of road maintenance have been summarised in **(ATTACHMENT 5)**.

Council has considered all feedback gained through this extensive engagement process. We value the time and effort taken by community members in participating in the process and providing their feedback and submissions. Council's critical issue for the future is to safeguard Council's long-term financial sustainability and to ensure generations to come are well placed to both benefit and enjoy living a great lifestyle in a treasured environment.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2022-2026
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

The costs for the public exhibition, community engagement, and the development of an application to IPART have been absorbed by Council's operational budget.

If a Special Rate Variation was approved by IPART in May 2023, Council's subsequent IP&R documentation will reflect Council's strategic intent and new income streams.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Council is required to undertake integrated planning and reporting activities in accordance with the Local Government Act, Local Government (General) Regulation 2021 (Local Government Regulation) and the NSW Government's Integrated Planning and Reporting Guidelines (IPR Guidelines) and Handbook (IPR Handbook) September 2021.

Under the Local Government Act 1993, councils may apply to IPART for a Special Rate Variation under Section 508 of the Act. IPART assesses these applications against criteria in guidelines set by the Office of Local Government.

MINUTES ORDINARY COUNCIL - 8 NOVEMBER 2022

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing levels of operations without significant change in service levels.	High.	Adopt the recommendations. Apply to IPART for a Special Rate Variation.	Yes.
There is a risk that applying to IPART for a Special Rate Variation will be received poorly by some members of the community.	High.	Adopt the recommendations. Continued communication with the community on the purpose, need, and process of a Special Rate Variation application.	Yes.
There is a risk that failure to revise the Debt Recovery and Hardship Policy to include the additional affordability measures might demonstrate inadequate hardship assistance for individuals if an SRV was approved.	Medium.	Adopt the recommendations. Move to revise the Debt Recovery and Hardship Policy with proposed inclusions.	Yes

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The plans have been developed in alignment with the principles of sustainability and social justice addressing social, economic, environmental, and governance factors (quadruple bottom line) through 4 interconnected focus areas: Our Community, Our Place, Our Environment, and Our Council.

The 4 focus areas provide a structure for planning in each of the documents, enabling Council to address key actions while aiming to holistically meet the community’s vision of ‘A great lifestyle in a treasured environment’.

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section in collaboration with the Integrated Planning and Excellence team and the Communications and Engagement Section.

Internal

- Executive Team.
- Senior Leadership Team.
- Project Control Group – Financial Sustainability.
- Councillor workshops.

External

- Community Strategic Plan 2022 to 2032 – Adopted 28 June 2022.
- Long Term Financial Plan 2022 to 2032 – Adopted 28 June 2022.
- Delivery Program and Operational Plan 2022 to 2032 – Adopted 28 June 2022.
- Integrated Planning and Reporting Engagement Program.
- Our Funded Future Engagement Program Phase 0 and 1.
- Rate Rise Options Engagement Program Phase 2.
- Public exhibition period for the Draft IP&R documents revised for a Special Rate Variation.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Consolidated Report - Independent Financial Analysis 2022. (Provided under separate cover)
- 2) Minute No. 160 and Minute No. 161 - 28 June 2022.
- 3) Summary of Submissions. (Provided under separate cover)
- 4) Rate Rise Options Communications and Engagement Report. (Provided under separate cover)
- 5) Changes to the 2023 to 2033 Integrated Planning and Reporting Documents Revised for a Special Rate Variation. (Provided under separate cover)

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

ITEM NO. 1

**FILE NO: 22/145962
EDRMS NO: PSC2022-145962**

2022-2032 INTEGRATED PLANNING AND REPORTING DOCUMENTS AND 2022-2023 FEES AND CHARGES

**REPORT OF: TIMOTHY CROSDALE - GROUP MANAGER CORPORATE SERVICES
GROUP: CORPORATE SERVICES**

RECOMMENDATION IS THAT COUNCIL:

- 1) Receive and note the community submissions received and responses in relation to the draft 2022 to 2032 Integrated Planning and Reporting documents and draft Fees and Charges 2022 to 2023 (**ATTACHMENT 1**).
- 2) Note the recommendations relating to changes to the Integrated Planning and Reporting documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 (**ATTACHMENT 2**).
- 3) Adopt the Integrated Planning and Report documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 with amendments as provided in (**ATTACHMENT 2**).
- 4) Make the rates and charges for 2022 to 2023 in accordance with (**ATTACHMENT 3**).

**ORDINARY COUNCIL MEETING - 28 JUNE 2022
MOTION**

160	Councillor Leah Anderson Councillor Chris Doohan It was resolved that Council: 1) Receive and note the community submissions received and responses in relation to the draft 2022 to 2032 Integrated Planning and Reporting documents and draft Fees and Charges 2022 to 2023 (ATTACHMENT 1).
------------	---

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

- | | |
|--|---|
| | <p>2) Note the recommendations relating to changes to the Integrated Planning and Reporting documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 (ATTACHMENT 2).</p> <p>3) Adopt the Integrated Planning and Report documents, being the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032) and the Fees and Charges 2022 to 2023 with amendments as provided in (ATTACHMENT 2).</p> <p>4) Make the rates and charges for 2022 to 2023 in accordance with (ATTACHMENT 3).</p> |
|--|---|

Councillor Jason Wells left the meeting at 5:34pm.
Councillor Jason Wells returned to the meeting at 5:34pm.

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Giacomo Arnott, Matthew Bailey, Chris Doohan, Peter Francis, Steve Tucker and Jason Wells.

Those against the Motion: Nil.

The motion was carried.

BACKGROUND

The purpose of this report is to provide Council with information on the community submissions received during the public exhibition period and changes proposed to the Integrated Planning and Reporting documents and Fees and Charges for 2022 to 2023, along with making the rates and charges for 2022 to 2023.

Why these documents are necessary

The Integrated Planning and Reporting documents consist of the Community Strategic Plan 2022 to 2032, Delivery Program 2022 to 2026 incorporating the Operational Plan 2022 to 2023, Resourcing Strategy 2022 to 2032 (incorporating the Workforce Management Strategy 2022 to 2026, Long Term Financial Plan 2022 to 2032 and Strategic Asset Management Plan 2022 to 2032). The Fees and Charges 2022 to 2023 are also a key resource.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The 2022 to 2023 financial year is the first year of the next Integrated Planning and Reporting cycle, with all councils required to review and endorse a 10 year Community Strategic Plan prior to 30 June 2022 following the local government election. The Community Strategic Plan (the Plan) is the highest level of strategic planning that a council will prepare on behalf of its community, with Council playing a custodial role in collating the Plan and engaging with the community on priorities and aspirations for the next 10 years.

Many community priorities are beyond Council's sphere of control, involving partnerships and advocacy with many other government departments, private enterprises, agencies and the community. Establishing community priorities is critical in informing what services, facilities and programs Council should sustainably deliver and how we assign and balance our resourcing to support delivery while balancing affordability.

Our Delivery Program outlines a 4 year program that Council commits to delivering within the resources available. It translates the Plan's goals into clear activities and actions. Our Operational Plan is Council's annual action plan which contributes to our 4 year Delivery Program. It outlines what Council proposes to deliver in 2022 to 2023 along with which area of Council is responsible for delivery. The Operational Plan includes the Statement of Revenue Policy and Statement of Waste Management and is implemented with a supporting annual budget to fund the necessary work.

Our Resourcing Strategy enables us to implement these plans with the appropriate human, capital and asset resources. It consists of 3 interrelated plans; the Long Term Financial Plan, Strategic Asset Management Plan and Workforce Management Strategy which provide more detail on the financial, asset and workforce matters that Council is responsible for.

Council, also in accordance with the Local Government Act 1993 and other applicable legislation, charges and recovers approved fees and charges for any services it provides as contained within its schedule of fees and charges. As with the Delivery Program, Operational Plan and Resourcing Strategy, Council cannot implement these fees, actions, works or budget until they have been on public exhibition, submissions considered and adopted by Council.

Additional Special Variation

The Independent Pricing and Regulatory Tribunal (IPART) has approved Council's application for a one-off additional special variation. This will see the less than anticipated 2022-2023 rate peg lift from 1.3% back to the instructed figure of 2.5% and is reflected in the Schedule of Rates and Charges 2022 to 2023 (**ATTACHMENT 3**). This outcome will assist in delivering planned services to the community and closing the financial sustainability gap that is being driven by the implications of the COVID-19 pandemic and recent weather events.

The proposed rates and charges reflect those included in the amended Statement of Revenue Policy which will be included in the revised Operational Plan 2022 to 2023

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

as outlined in **(ATTACHMENT 2)**. Legislation requires the rates to be calculated using 1 July 2019 base date land values.

COVID-19 and other Natural Disasters

As was the case last year, Council developed and prepared the Integrated Planning and Reporting documents at a point in time. Like all organisations, communities and individuals we have and continue to adjust our thinking and planning to respond to COVID-19 and other natural disasters.

These documents were prepared in times of increased uncertainty which are subject to change as we adapt, revise and re-baseline our work programs as circumstances evolve.

Public Exhibition and Submissions

During the public exhibition period 12 submissions were received with a summary of submissions outlined in **(ATTACHMENT 1)** and recommended changes to the documents, where deemed appropriate from community submissions or administrative corrections detailed within **(ATTACHMENT 2)**.

Further detail on the public submissions and exhibition process is outlined under the consultation section of this paper.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Governance	Provide a strong ethical governance structure.

FINANCIAL/RESOURCE IMPLICATIONS

The Independent Pricing and Regulatory Tribunal (IPART) has set the rate peg for Port Stephens Council for 2022 to 2023 at 2.5%. The outstanding rates and charges interest rate will be the maximum rate as determined by the Minister for Local Government.

Rates and charges income must be collected in a timely manner to ensure cash flow to fund Council operations.

At the time of drafting the Long Term Financial Plan as part of the Resourcing Strategy a Consumer Price Index (CPI) of 3.5% had been assumed. During the public exhibition period, the ABS released a new CPI figure of 5.1%. The Materials and Contracts assumption has now been updated to 5.1% to reflect this change, resulting in a flow-on effect on the long-term financial outlook. These changes are reflected in the amendments to the Resourcing Strategy **(ATTACHMENT 2)**. The cost of printing the revised documents can be substantial. For this reason, a limited amount of copies will be produced (following Council adoption of the proposed

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

amendments) for inspection at Council Libraries and Administration Building. The documents will also be available on Council's website.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Council is required to undertake integrated planning and report activities in accordance with the Local Government Act, Local Government (General) Regulation 2021 (Local Government Regulation) and the NSW Government's Integrated Planning and Reporting Guidelines (IPR Guidelines) and Handbook (IPR Handbook) September 2021. Sections 402 to 406 and 608 to 610 of the Local Government Act outline the specific requirements for developing the IPR documents and Fees and Charges.

In summary, under this legislation and guidelines Council is required to:

- Engage with the community and review the Community Strategic Plan before 30 June following the Council election.
- Prepare a long-term strategy (Resourcing Strategy which includes the Long Term Financial Plan, Workforce Management Strategy and Strategic Asset Management Plan) for the provision of resources required to perform its functions.
- Establish a new Delivery Program after the Council election to cover the principal activities of the Council for the 4-year period commencing on 1 July following the election.
- Have its Operational Plan adopted before the beginning of each financial year and detail the activities to be engaged in by the Council during the year as part of the Delivery Program covering that year.
- Set its Fees and Charges prior to 1 July 2022, and make the rates prior to 1 August 2022.
- Publicly exhibit all of the IPR documents and Fees and Charges for a period of at least 28 days, considering submissions prior to adoption of the final documents.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council's IPR documents and Fees and Charges may not comply with legislation leading to a loss of Council's reputation.	Low	Staff cross reference legislative requirements of the documents with the Office of Local Government requirements as best as possible.	Yes
There is a risk that Council does not have an understanding of community priorities.	Low	The Community Strategic Plan has been reviewed and revised based on integrated engagement over the past 20 months.	Yes
There is a risk that Council does not have the resources to meet its Delivery Program and annual Operational Plan.	Medium	Staff continue to realistically plan and investigate resourcing opportunities as outlined in the Delivery Program and Resourcing Strategy. Financial sustainability continues to remain a key focus for Council.	Yes
There is a risk that the Operational Plan and Resourcing Strategy (containing the Long Term Financial Plan) which include the budget for 2022 to 2023 is not adopted in the timeframe required to implement the budget and raise Rates and Charges from 1 July 2023.	High	Adopt the recommendations.	Yes
There is a risk that failure to make and serve the Rate Notices by 1 August 2022 will defer the due date for the first instalment payment to 30 November 2022 adversely affecting cash flow.	High	Council will make Rates and serve Notice before 1 August 2022.	Yes

MINUTES ORDINARY COUNCIL - 28 JUNE 2022**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

As required by the Local Government Act, the Integrated Planning and Reporting documents and the Fees and Charges 2022 to 2023 were developed and reviewed in accordance with the principles of equity, social justice and sustainability. The Plan has been developed in alignment with these principles addressing social, economic, environmental and governance factors (quadruple bottom line) through 4 interconnected focus areas: Our Community, Our Place, Our Environment and Our Council. The 4 focus areas provide a structure for planning in each of the documents, enabling Council to address key actions while aiming to holistically meet the community's vision of 'A great lifestyle in a treasured environment'.

Rates and charges income is necessary for Council to deliver the services outlined in the Delivery Program and the Operational Plan.

CONSULTATION

Consultation with internal and external stakeholders has been undertaken in accordance with Council's Community Engagement Strategy to develop the final documents. This has included:

Internal

- Input on key priorities from Councillors was sought at a workshop in February 2022.
- The draft documents were developed in consultation with the Senior Leadership Team and discussed as part of a workshop with the Combined Leadership Team.
- A cross Council project team was established to guide the development and integration of various facets of the IPR documents from community engagement to finance, workforce to assets. This team will continue to monitor the progress of the documents following their formal adoption by Council.
- Responsible officers from across Council have reviewed the Fees and Charges.
- Proposed changes to the final documents have been discussed with the Executive Team, relevant Section Managers and staff, which has included detailed input from the sections responsible for Finance, Assets and Strategy & Environment.

External

Council has an integrated approach to engaging with the community, engaging on a number of fronts since 2020 to help inform the review of the Plan and associated documents. Over the past 20 months, Council have been talking with and listening to our community on various projects and plans to understand the aspirations and priorities of Port Stephens. Council has taken a phased approach, delving deeper into what we have heard to make sure we clearly understand what the community is looking for in the future. This has been through:

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Phase 1 – Broad engagement, base data collection:

- Liveability Index Survey: conducted September to December 2020. 3700 surveys were completed on community values and priorities.
- Youth Strategy: adopted November 2020. 450 people were involved in an 18 month consultation phase.
- Our Incredible Place Strategy: adopted 24 November 2020. 327 people were involved in a 12-month consultation phase.
- Coastal Management Program Stage 2: completed November 2020. 3 webinars were conducted with 208 views.
- Wellbeing Strategy Engagement: conducted over April to May 2021. 177 survey responses received and 48 workshop attendances.
- Community Satisfaction Survey 2021: conducted over May to June 2021. 2187 survey responses received.
- Economic Development Strategy: adopted 26 October 2021. 286 survey responses were received and 12 key partner consultations occurred.
- End of Term Report 2017 to 2021: updated the community on how we were progressing with achieving the 2018-2028 Community Strategic Plan. Noted by Council in October 2021.

Phase 2 – Targeted engagement, deeper dive:

- Targeted place workshops: conducted over September to December 2021. 224 expressions of interest, 12 workshops, 191 workshop attendances.

Phase 3 – Community check in:

- Community Strategic Plan check-in: conducted from 28 February to 14 March 2022 involving a pre-recorded video, Facebook live event, online survey and photo competition:
 - promoted via 4 Social media posts.
 - the Facebook live event reached 4,500 people with 115 comments and 174 reactions.
 - the pre-recorded video received 113 views.
 - the online survey received 59 survey responses.
 - the photo competition received 23 entries.

Phase 4 – Public Exhibition:

Occurred from 28 April 2022 until 5pm on Thursday 26 May 2022.

Exhibition of the documents and opportunities to make a submission were promoted on Council's website, social media and in the local paper. Hard copies of the documents were also made available at the Administration Building and Council's Libraries, with submissions able to be made via mail or email.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

Council received 12 community submissions with nearly half being from residents and the other half from organisations.

We value the time and effort taken by community members in reviewing the documents and providing submissions. As some of the submissions were lengthy, not every point raised has been listed, with key issues summarised as shown in **(ATTACHMENT 1)**. Contact will be made with applicants to close the loop on queries raised in their submission.

Councillors have been provided with a full set of un-redacted submissions available in the Councillors Room for their consideration. For privacy and consistency reasons, full submissions have not publicly been made available.

Submissions have been reviewed by the Executive Team, relevant Section Managers and staff for key issues. Submissions topics ranged from the need for a performing arts/museum facility through to the importance of providing/planning for shade in reducing skin cancer. A number of recurring topics that occurred in the submissions were relating to:

- Capital Works: timing, cost and prioritisation.
- Place Planning Engagement: need for further engagement.
- Community Strategic Plan Indicators: Liveability Index is good for community perception, although real/tangible measures of success are also needed.
- Our Environment (Focus Area): more delineation between action by Council on carbon neutrality/climate change concerning Council facilities and also efforts to assist the community on these matters.

Recommended changes to the documents, where deemed appropriate from community submissions or administrative corrections are detailed within **(ATTACHMENT 2)**.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Summary of submissions.
- 2) Recommended changes to the Integrated Planning and Reporting documents.
- 3) Rates and Charges 2022 to 2023.

COUNCILLORS ROOM

- 1) Copy of submissions.

ITEM 1 - ATTACHMENT 2 MINUTE NO. 160 AND MINUTE NO. 161 - 28 JUNE 2022.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

TABLED DOCUMENTS

Nil.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

ITEM NO. 2

**FILE NO: 22/152740
EDRMS NO: PSC2017-00180**

FINANCIAL SUSTAINABILITY

**REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER
GROUP: CORPORATE SERVICES**

RECOMMENDATION IS THAT COUNCIL:

- 1) Note and endorse this report.
- 2) Commence an engagement process to discuss the financial sustainability of the Council over the next 10 years with the community, including but not limited to the prospect of submitting a Special Rate Variation to the Independent Pricing and Regulatory Tribunal (IPART) for consideration for the 2023-2024 financial year.
- 3) Note and endorse the attached Communications and Engagement Plan – Our Funded Future (**ATTACHMENT 3**).

ORDINARY COUNCIL MEETING - 28 JUNE 2022

MOTION

161	<p>Councillor Leah Anderson Councillor Matthew Bailey</p> <p>It was resolved that Council:</p> <ol style="list-style-type: none">1) Note and endorse this report.2) Commence an engagement process to discuss the financial sustainability of the Council over the next 10 years with the community, including but not limited to the prospect of submitting a Special Rate Variation to the Independent Pricing and Regulatory Tribunal (IPART) for consideration for the 2023-2024 financial year.3) Note and endorse the Communications and Engagement Plan – Our Funded Future (ATTACHMENT 3).4) The following be included as part of the community engagement:<ol style="list-style-type: none">a) The additional information being all of the items that the councillors brought to the table throughout the past few months of finance committee meetings (Supplementary information)b) That the parcels of land identified for potential sale be made transparent to the community, along with an explanation of how long this will take to have them re-zoned and what potential revenue we could achieve from the sales.
------------	--

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

- | | |
|--|---|
| | c) When we anticipate the return of Airport Dividends and how they will be used to build a Prosperity Fund (and why) and not relied upon to fund our day to day operations in terms of this budget. |
|--|---|

Those for the Motion: Mayor Ryan Palmer, Crs Leah Anderson, Matthew Bailey, Chris Doohan, Steve Tucker and Jason Wells.

Those against the Motion: Crs Giacomo Arnott and Peter Francis.

The motion was carried.

BACKGROUND

One of the key resourcing strategies to be developed by Council each year is the Long Term Financial Plan, which forecasts the financial position of the Council over a 10 year time frame. The Long Term Financial Plan from as early as 2018-2019 was highlighting that from the 2022 financial year the Council would be facing some very difficult financial pressures. These were largely centred around the ongoing State imposed rate capping regime, where successive rate increases were limited to levels less than prevailing consumer price indexes and local government cost indices.

Legislative changes to costs such as superannuation contributions together with a difficult workers compensation insurance market added financial pressure to the organisation. Already faced with some difficult economic decisions to be made from the 2022 financial year onwards, the organisation was then shocked by the impacts of mandates resulting from the COVID-19 pandemic and a number of natural disasters affecting the Port Stephens local government area.

For 2 consecutive years, the ramifications of imposed lockdowns saw an \$8 million deterioration to the operating bottom line.

While this placed an economic strain on the organisation, Council was mindful of its civic leadership role, joining other levels of Government to ensure that the economy could be stimulated to lessen the overall impact to residents and ratepayers. On one hand, Council had to display prudent fiscal management, yet on the other it had a civic duty to assist with the stimulus of the economy. This to a greater degree for the Port Stephens local government area that is so reliant on the tourism and associated industries.

Port Stephens Council has operated on a very tight fiscal basis for a number of years. Previous policy decisions of Council have meant that ratepayers have historically enjoyed the lowest rate level of any of our contemporaries in the Hunter region, or other comparable councils as shown by the Office of Local Government categorisation. The rate level for Port Stephens in the residential category is typically up to 35 per cent less than our neighbouring Councils.

To ensure this low rate level was maintained, a strategy was deployed to develop a reliance on maximising commercial or 'own source' revenue. Council has proved

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

successful in managing 5 holiday parks, some on behalf of the Crown, but some in an outright capacity. Council as co-owner of the Newcastle Airport has also enjoyed the substantial increases in activity from that facility over the past number of years. These 2 business activities have been able to successfully supplement revenue streams to Council and thus reduce the overall quantum of financial reliance on rate revenue.

With the State mandated lockdowns introduced during the COVID-19 pandemic severely impacting both of these activities, holiday parks and the airport were unable to produce income. The dividend received from the airport activities, previously \$2 million per year, has yet to be reinstated and it is not certain to what level it will return.

In addition to the financial stressors from the lockdowns, Council also faced a significant natural disaster in March 2021. Some access was granted to disaster relief funds, however Council is required to incur the costs up front and can wait up to 3 years to seek even partial reimbursement. Works from this natural disaster are still being carried out and can be expected to continue for some time.

While the 2020-2021 financial year was forecast to have an operating deficit of over \$4.4 million, a number of measures were taken to mitigate this. Ultimately these measures proved effective and the financial result for the year was a modest surplus of \$583,000.

TABLE ONE		
	Surplus \$	Deficit \$
Original budget		(4,311,000)
September 2020 review		(692,000)
December 2020 review		(1,000)
March 2021 review	315,000	
June 2021 review	583,000	

Financial forecasting for the 2021-2022 financial year started with a small underlying surplus of \$66,000 and with the advent of the second State mandated lockdown was forecast to be a deficit of \$2.5 million for the financial year.

TABLE TWO		
	Surplus \$	Deficit \$
Original budget	66,000	
September 2021 review		(2,370,000)
December 2021 review		(974,000)
March 2022 review	147,000	

In order to return budgets to an underlying surplus a number of austerity measures have been implemented over previous years. Recruitment was effectively frozen and only positions regarded as essential or critical were actively recruited. Management

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

of staff costs were critically examined, with \$1 million cut directly from employment budgets. Discretionary spending, already curtailed from previous years was cut and a number of services had to be reduced. The effect of reduced revenue streams and limited funds has seen the level of responsiveness to community expectations decline. Clearly such an approach can only be sustained for the short term and is not considered a viable long term solution.

Given the current financial projections (**ATTACHMENT 2**) these measures will need to be continued into the 2022-2023 financial year. In short, the community can expect no relief from the current issues being faced with Council's capacity to continue to deliver current services, such as asset maintenance, being severely impacted.

As part of the ongoing discussions around financial sustainability, Council endorsed an ongoing financial strategy (**ATTACHMENT 1**) designed around 6 key fundamentals being:

- Avoiding shocks.
- Attaining underlying surplus.
- Refining approach to funding significant infrastructure projects and initiatives.
- Increasing income.
- Reviewing and adjust services.
- Increasing advocacy and partnerships.

With a new Council being elected in December 2021 and the need to further address Council's financial sustainability, the Council agreed to meet to workshop the financial strategic direction for the next 10 years. Meeting on a fortnightly basis, a number of initiatives were examined and include:

- Potential to make a special variation to rate capping to the Independent Pricing and Regulatory Tribunal (IPART).
- An increase in non-statutory fees & charges for 2022 – 2023 to 10%, creating an additional \$400,000 in income.
- Implementation of paid tourist parking to Birubi, One Mile, Fingal Bay, Shoal Bay and Nelson Bay, creating an additional \$750,000 per annum in income.
- Identification of surplus land assets for potential sale. A number of sites have been identified and will be reported to Council in the short term, with the sale process taking up to 24-36 months.

The current Long Term Financial Plan (**ATTACHMENT 2**) has factored income producing strategies recently undertaken by Council such as increasing fees and charges and additional smart parking income. In spite of these initiatives, Council is facing 10 years of consecutive operating deficits. It is unable to achieve an underlying surplus target in any year of the plan. This means Council for the entirety of the plan will be facing severe financial pressure, will not handle any future external shocks and cash flow management is in critical condition. Ultimately, Council will have to examine and reduce service level provisions and assets will be subject to heavy deterioration, without further intervention.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The financial position of the Council is not predicted to improve at any stage over the 10 year life of the plan, with deficits that will continue to grow, reaching more than \$14 million by the end of the plan.

While the original Long Term Financial Plan was on public exhibition the overall state of the economy continued to deteriorate with reasonable predictions of consumer price increases (CPI) over the next 3 years to be in excess of 5 percent. Our original model made allowance for a CPI movement of 3 to 4 per cent. This additional CPI projection effectively adds another \$1 million to the organisations cost structure and increases the deficit to over \$1 million for next year alone.

In this climate of financial difficulty, it was considered prudent to seek an independent evaluation of the organisations financial health. To this end a number of reports were commissioned and Professors Dollery and Drew were retained to provide the advice. This advice was commissioned in September 2021 and the 4 reports were delivered in February 2022. The reports included:

- Financial Sustainability.
- Efficiency.
- Capacity to Pay.
- Debt Capacity.

The reports were workshopped with Council by Professor Drew in March 2022 and essentially highlighted the findings that Council was not financially sustainable. The reports recognised the effects taken by the organisation over the past few years in providing for operations, but considered that such an ongoing approach or outcome could not be sustained. A number of specific recommendations were put forward and these were further workshopped with the Council throughout April to June 2022.

The major recommendations from this review to ensure financial sustainability were to increase fees and charges and make an application for a Special Rate Variation (SRV). More specifically, it was recommended to increase rates up to 10% per annum for 3 years to achieve financial sustainability. The review also recommended other initiatives such as a review of rates structure, which will continue to be examined.

Through workshops with Councillors a broad range of ideas to enhance Council's financial position were identified including:

- 2 items concerning avoiding shocks, specifically strategies relating to debt management and modelling.
- 5 items around attaining an underlying surplus, including a review of certain functions to reduce costs.
- 4 items on our approach to infrastructure, no specific savings identified.
- 9 items on increasing income, potential \$100,000 per year from additional developer contributions to fund infrastructure, and a potential \$100,000 from additional own source revenue opportunities.
- 10 further items on increasing income, around increasing rates and consideration

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

of a special rate variation application.

- 11 items on adjusting service levels and community expectations, generally around deferring discretionary funding levels, which will need to continue.
- 14 items on community engagement and discussing our financial position with the community.

While a detailed review of each item is to be completed, it is apparent that the direct increases in revenue or reductions in expenditure is likely to only net an improvement of \$250,000 per annum. While this is significant, it would provide only part of a solution to financial sustainability. Further work will be completed on these actions.

It is therefore considered imperative that a dialogue with the community commences around Council's financial sustainability. A Communications and Engagement Plan (**ATTACHMENT 3**) has been developed for Council's endorsement. The initial phases are to commence in July 2022, combining a mix of face to face and digital conversations and consultations. While the engagement process is about clearly communicating the current financial position and implications of current projections, a conversation about possible rate increases needs to take place. The engagement data will then be used by Council to make an informed decision as to the path forward.

COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2022
Financial Management	Maintain strong financial sustainability.

FINANCIAL/RESOURCE IMPLICATIONS

Council will continue to implement strategies, initiatives and plans to achieve the financial key directions as adopted in October 2021 (**ATTACHMENT 1**). The proposed engagement with the community will need to examine a range of options for Council to meet the goal of financial sustainability.

For financial sustainability into the future it is considered critical that:

- An underlying surplus is achieved for resilience and ability to reinvest into asset maintenance.
- Reserves for natural disaster response and grants attraction are established.
- Continue to develop the Prosperity Fund, renamed Resilience Fund, to provide alternate funding opportunities for significant initiatives, such as reinvestment, asset improvements or significant community infrastructure.

In anticipation of the community engagement phase commencing (**ATTACHMENT 3**) a number of different scenarios have been modelled. These options will form the basis of engagement with the community on Council's financial sustainability.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

The cost of the engagement process (**ATTACHMENT 3**) can be met within existing budgets.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

LEGAL, POLICY AND RISK IMPLICATIONS

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that Council does not have adequate funding to ensure ongoing operations without a significant change in service levels.	High.	Adopt the recommendations. Commence community engagement process on financial sustainability.	Yes.
There is a risk of engaging negative outcomes from the community regarding poor financial position and a potential rate increase.	High.	Adopt the recommendations. Clear and concise data driven communication and engagement on the reasoning, purpose, need and impact for financial sustainability measures.	Yes.
There is a risk that Council will face an increasingly uncertain long term financial outlook that will affect ongoing financial sustainability.	High.	Adopt the recommendations.	Yes.

SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

The continued attainment and enhancement of financial sustainability is central to Council's ability to continue to deliver services valued by the community in the best possible way.

MINUTES ORDINARY COUNCIL - 28 JUNE 2022

CONSULTATION

Consultation with key stakeholders has been undertaken by the Financial Services Section.

Internal

- Executive Team.
- Senior Leadership Team.
- Project Control Group – Financial Sustainability.
- Councillor workshops.

External

- Community Strategic Plan 2022-2032.
- Long Term Financial Plan 2022-2032.
- Delivery Program and Operational Plan 2022-2032.

OPTIONS

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

ATTACHMENTS

- 1) Financial Sustainability and Prosperity Fund - 26 October 2021.
- 2) Base Scenario.
- 3) Communications and Engagement Plan - Our Funded Future.

COUNCILLORS ROOM

Nil.

TABLED DOCUMENTS

Nil.

Amended Attachment 5

CHANGES TO THE 2023 TO 2033 INTEGRATED PLANNING AND REPORTING DOCUMENTS REVISED FOR A SPECIAL RATE VARIATION

No. of change	Summarised key issues incorporated in the documents	Recommended changes to the documents
1.	Administrative correction - Formatting	Delete 'DRAFT' from document covers and footer of all Integrated Planning and Reporting documents.
2.	Administrative correction - Rate Cap Announcement The Independent Pricing and Regulatory Tribunal (IPART) announced the 2023-2024 rate cap for Port Stephens of 4.4% which is higher than the assumed 2.5%.	Replace '2.5%' with '4.4%' with the related commentary and forecasted financial modelling updated to reflect the rate cap announcement.
3.	Community feedback – Special Rate Variation % In consideration of the Council's engagement with the community on the 'Rate Rise Options' on the affordability of a rate increase and in conjunction with independent advice sought Council will apply for a 9.5% for three consecutive years.	Replace '10.5%' with '9.5%' with the related commentary and forecasted financial modelling updated to reflect the change in special rate variation percentage.
4.	Community feedback – Roads prioritisation In consideration of the Council's engagement with the community on the 'Rate Rise Options' with respect to enhanced services that would be funded by a Special Rate Variation. Council has modified the timing of expenditure to ensure that roads will be prioritised up front. The percentage of distribution of 'additional funds' will remain the similar across the four areas identified.	Modify the schedule of enhanced services works to prioritise road maintenance.
5.	Administrative correction / Community Feedback – Productivity and Cost Containment Council to provide further specific details of planned productivity and cost containment strategies that have been modelled into the Long Term Financial Plan.	Insert specific planned examples to the Productivity and Cost Containment Measures commentary. Council's current and ongoing strategies help Council save money and run efficiently. These practices are engrained in our culture and reviews are undertaken continuously and systematically. Scheduled for 2023, Council has planned productivity and cost containment initiatives such as Solar PV implementation, reduced contractor works and improved service delivery in our Holiday Parks and Cemeteries, and digitization projects that reduce printing costs. Council is committed to continual improvement and providing cost-effective and efficient services through Council's Service Review Program, Business Improvement Ideas, and our Problem/Opportunity 'Plan Do Study Act' program.

Proposed Special Rate Variation (SRV)

Council is considering making an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation (SRV). An SRV is a tool used by Councils to adjust its fixed income base when reducing operating expenditure alone does not balance the budget.

It is unsustainable for Council to operate year after year with budget shortfalls. The increased income raised by a Special Rate Variation would be used to eliminate forecasted shortfalls, covering the rising costs associated with delivering planned services to our community. Meaning council will be able to fund and meet community expectations as outlined in our Integrated Planning and Reporting suite of documents. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment.

Two special rate variation scenarios are being considered and have been modelled in these Integrated Planning and Reporting documents. Both scenarios are inclusive of the state imposed rate cap.

Single Year Scenario – A 26% increase for a single year, being 2023-2024 only.

Reduced Independent Recommendation Scenario - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years 2023-2024 to 2025-2026.

Council is proposing that the increase be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate cap set by the state government and rates will not be reduced to pre-SRV levels.

Council would need to adopt these suite of documents and submit an intent to apply to IPART, after which a formal application would be made to IPART in February 2023. IPART would then consider Council's application based on detailed criteria and guidelines, open their community consultation period to take submission and then make a determination in May 2023. An approved rate increase would commence 1 July 2023.

Rate rise options additional affordability measures

We understand that it may be difficult for some of our community to pay for an increase in rates. We have a range of current initiatives in place to assist ratepayers experiencing hardship, whether it be for a short or long time. These can be found in our existing Debt Recovery and Hardship Policy.

To ensure that there is ample assistance available to those who may experience financial stress as a result of an approved rate increase Council is proposing additional affordability measures that will be considered as part of the special rate variation. This would include,

- Include pensioners, and increase the amount of assistance for non-pensioners.
- Financial assistance to include waste charges reduction for koala carers and ratepayers with medical conditions that result in large amounts of waste.
- Include referral of financial hardship matters to Council in the event of a significant event affecting Port Stephens primary producers.
- Increase the debt balance threshold for commencement of legal action

We are asking our community to provide further feedback on these proposed additional affordability measures. Details of these proposed additional affordability measures can be found in appendix four in this document and on Council's website.

Productivity and Cost Containment Measures

Council runs a whole suite of strategies to help save money and run efficiently. These include our Service Review Program, Business Improvement Ideas, and our Problem/Opportunity 'Plan Do Study Act' program. All of these are designed to ensure business improvement and excellence. Since 2012 over \$7 million dollars in savings, (hard and reinvested efficiency savings) have been achieved.

These programs utilise the Australian Business Excellence Framework (ABEF), which ensures a consistent approach to continuous improvement across the whole organisation, while better managing scarce resources. PSC is one of the first councils in NSW to implement these types of regular efficiency reviews. Our focus on improving efficiency and finding productivity enhancements is supported by dedicated teams to do just that and we now average 30 reviews per annum and continually refine our process.



To contain our costs council use a centralised treasury model approach to budgeting. This means that our Executive set the overall budget parameters and our financial services team then ensure control over council's budget. This ensures a uniform approach and transparency. Deviations from the budget are highly scrutinised through a rigorous approval process. This budgeting approach encourages business units within Council to coordinate and collaborate with each other so that resources are optimally pooled and programs appropriately targeted to inclusively service the needs of the community.

Independent experts Professor Dollery and Professor Drew looked into how efficiently we are operating when compared to other similar NSW local Councils. Our efficiency was close to the typical score when assessed against 67 Councils. In their reports, the Professors assured that Council is providing good value for money.

Council's current and ongoing strategies help Council save money and run efficiently. These practices are engrained in our culture and reviews are undertaken continuously and systematically. For 2023, Council has planned productivity and cost containment initiatives estimated to save approximately \$135,000 of hard savings and further reinvested efficiency savings. These include Solar PV Implementation, reduced contractor works and improved service delivery in our Holiday Parks and Cemeteries, and digitization projects that reduce printing costs. Council is committed to continual improvement and providing cost effective and efficient services through Council's Service Review Program, Business Improvement Ideas, and our Problem/Opportunity 'Plan Do Study Act' program.

It goes without saying that Council will continue to implement strict budget controls and pursue productivity efficiencies. But it is clear that the current financial position is unsustainable, and that significant change will need to be made.



*Expenses out are for the period 2023-2024 to 2026-2027 under the base scenario and are rounded to the nearest million

Single Year Scenario: 26% increase for a single year, being 2023-2024 only.



Fixing the budget, delivering planned services

\$99 million over ten years

Current levels of services to stay
Delivering planned services as outlined in the CSP

Below enhancements **immediately** funded



Fixing our roads

\$14 million over **three** years

Targeting roads with a high number of reoccurring potholes



Protecting our natural environment

\$5 million over **eight** years + continued funding

Dedicated recurrent works focused on protecting and enhancing our natural environment



Looking after our waterways and foreshores

\$4.5 million one-off 3-year target program

Funding for **three** years of targeted works focused on looking after our waterways and foreshores across Port Stephens



Looking after our public space

\$3 million over **four** years

Fixing defects throughout our community buildings, and replacing lighting with more energy-efficient LED globes

Reduced Independent Recommendation Scenario: 9.5% over three consecutive years.



Fixing the budget, delivering planned services

\$99 million over ten years

Current levels of services to stay
Delivering planned services as outlined in the CSP

Below enhancements **gradual** as SRV funds builds up



Fixing our roads

\$7.1 million prioritised over three years

Targeting roads with a high number of reoccurring potholes



Protecting our natural environment

\$2.3 million four year program

Dedicated recurrent works focused on protecting and enhancing our natural environment



Looking after our waterways and foreshores

\$2 million over four year program

Dedicated recurrent maintenance works focused on proactively looking after our waterways and foreshores across Port Stephens



Looking after our public space

\$1.4 million over three year program

Fixing defects throughout our community buildings, and replacing lighting with more energy-efficient LED globes

The LTFP 2023 to 2033 presents financial forecasts associated with the following scenarios.

INCOME	Base Scenario Rate Cap	Single Year 26% one year	Independent 31.29% Cumulative 9.5% for three years
---------------	-------------------------------	---------------------------------	---

Rates

Pegging factor applied	4.40%	26.00%	9.50%
Ongoing peg factor beyond 2023/2024	2.50%	2.50%	9.50% until 2026 2.50% beyond 2027
New annual rates assessment	150	150	150
User fees and charges *5% one off increase for non-statutory 2023-2024	2.50%	2.50%	2.50%
Operating grants and Contributions Annual factor	1.00%	1.00%	1.00%

Other

Cash investment returns	2.00%	2.50%	2.50%
Other income	1.00%	2.00%	2.50%
Rental income	1.00%	1.00%	1.00%
Airport dividend	Nil	Nil	Nil

*unknown return at this time.
Any dividend received to be held in the financial sustainability & resilience fund.

EXPENSES	Base Scenario	Single Year	Independent Recommendation
Salaries and allowances	2.25%	2.25%	2.25%
Materials and contracts			
2024	6.00%	6.00%	6.00%
2025	4.50%	4.50%	4.50%
2026 - beyond	3.50%	3.50%	3.50%
Other expenses	2.50%	2.50%	2.50%
Services levels	Reduction required	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding

PROJECTED RESULT \$'000	Base Scenario	Single Year Scenario	Reduced Independent Recommendation
2022-2023 (Current)	(1,122)	(1,122)	(1,122)
2023-2024	(1,981)	1,376	463
2024-2025	(3,361)	1,557	1,407
2025-2026	(4,303)	1,289	1,386
2026-2027	(6,721)	1,598	1,449
2027-2028	(7,735)	1,109	1,512
2028-2029	(8,697)	1,582	1,596
2029-2030	(9,982)	1,912	1,590
2030-2031	(11,365)	1,103	1,473
2031-2032	(12,421)	651	1,024
2032-2033	(13,686)	12	390

Appendix two: Statement of revenue policy

Council is considering making an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation (SRV) to ordinary rates.

Two SRV scenarios are being considered and have been modelled in these Integrated Planning and Reporting documents. Both SRV scenarios are inclusive of the state imposed rate peg.

Council is proposing that the increase be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the State Government and rates will not be reduced to pre-SRV levels.

The following rates are proposed for 2023-2024, and key elements of Council's rating policy are:

- **Base Scenario** – 4.4% state imposed rate cap assumption;
Special Rate Variation Scenarios:
- **Single Year Scenario** – A 26% increase for a single year, being 2023-2024 only;
- **Reduced Independent Recommendation Scenario** - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years 2023-2024 to 2025-2026;
- All scenarios include continuation of sub-categories in the residential and farmland categories aligned with the Williamstown Management Area;
- It is proposed to continue to make the farmland rate the same as the residential rate;
- 35% base amounts are proposed to continue in the main residential rate category and business rate category

Base Scenario Rate Structure

4.4% - rate cap

Category	Sub-Category	Ad Valorem Rate in \$	Base Amount \$	Base Amount Yield %	Estimated Rate Yield '000s
Residential	n/a	0.002994	420	35	\$38,819
Residential	Williamstown Primary Zone	0.001996	280	39	\$17
Residential	Williamstown Secondary Zone	0.002246	315	41	\$120
Residential	Williamstown Broader Zone	0.002695	378	40	\$238
Farmland	n/a	0.002994	420	21	\$898
Farmland	Williamstown Primary Zone	0.001996	280	30	\$8
Farmland	Williamstown Secondary Zone	0.002246	315	25	\$23
Farmland	Williamstown Broader Zone	0.002695	378	26	\$23
Business	n/a	0.008270	1,803	35	\$9,849
Mining	n/a	0.008270	0	n/a	Nil
Total					\$49,996

Reduced Independent Recommendation Scenario Rate Structure

9.5% for three years - special rate variation

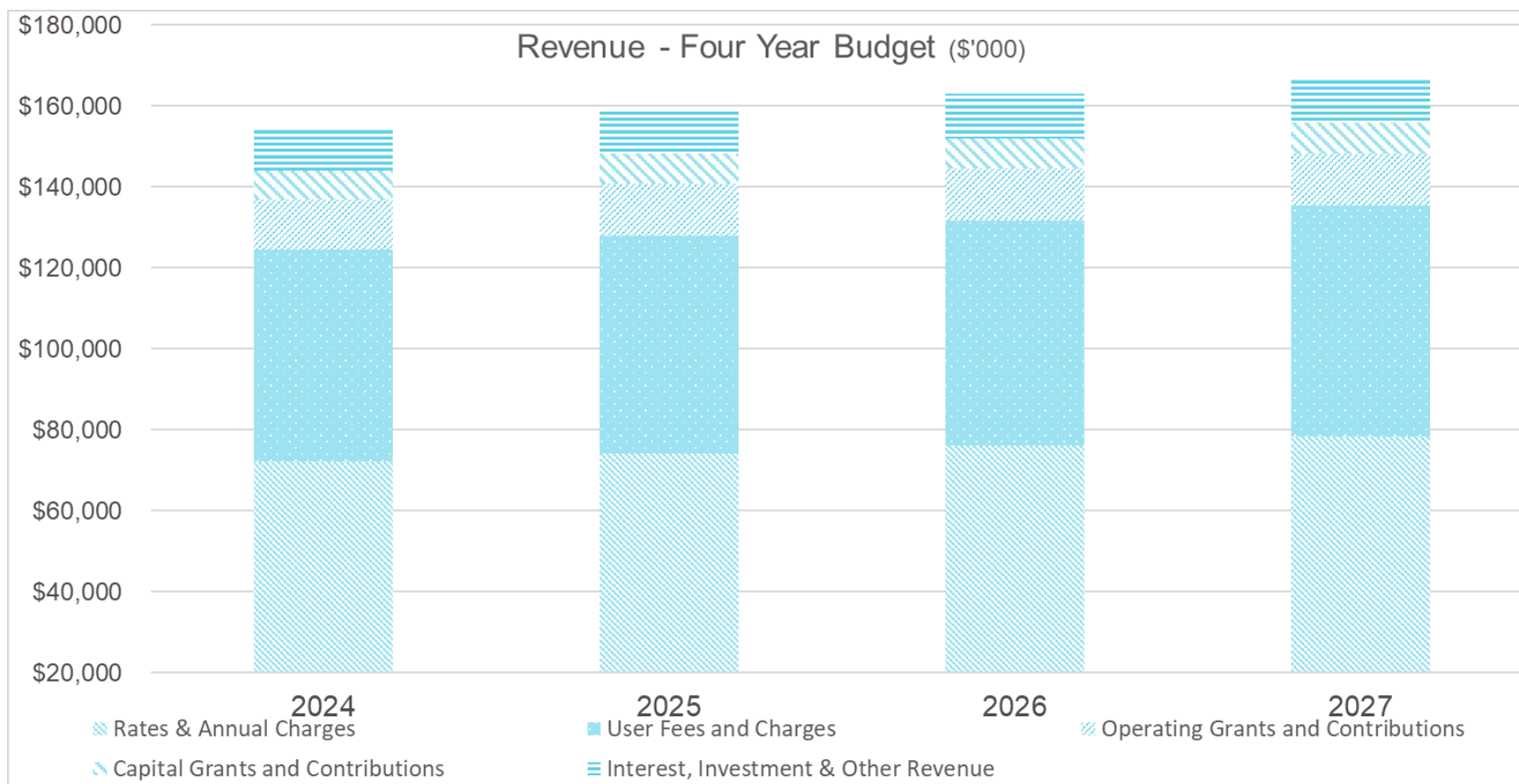
Category	Sub-Category	Ad Valorem Rate in \$	Base Amount \$	Base Amount Yield %	Estimated Rate Yield '000s
Residential	n/a	0.003141	441	35	\$40,738
Residential	Williamstown Primary Zone	0.002094	294	39	\$18
Residential	Williamstown Secondary Zone	0.002356	331	41	\$126
Residential	Williamstown Broader Zone	0.002827	397	40	\$250
Farmland	n/a	0.003141	441	21	\$943
Farmland	Williamstown Primary Zone	0.002094	294	30	\$9
Farmland	Williamstown Secondary Zone	0.002356	331	25	\$24
Farmland	Williamstown Broader Zone	0.002827	397	26	\$24
Business	n/a	0.008673	1,891	35	\$10,329
Mining	n/a	0.008673	0	n/a	Nil
Total					\$52,460

Council has calculated the above rating structures using current land values, which have a base date of 01/07/2019. Rates will be calculated for Year 1 (2023-2024), Year 2 (2024-2025) and Year 3 (2025-2026) using 01/07/2022 base date land values. The NSW Valuer General has not yet provided 01/07/2022 land values to Council. For this reason, the rates structures above are an estimate only using the best information currently available to Council and rates levied may vary from this estimate depending upon changes in individual land values compared to the Rate Category average. General revaluations performed by the NSW Valuer General do not result in any increase to Council total rate income. Total rate income increases are capped by IPART. Council is required to reduce the rate in the dollar if general revaluation total land value increases would result in a total rate income increase exceeding the rate peg.

Budget Summary – 4 year Budget Forecast

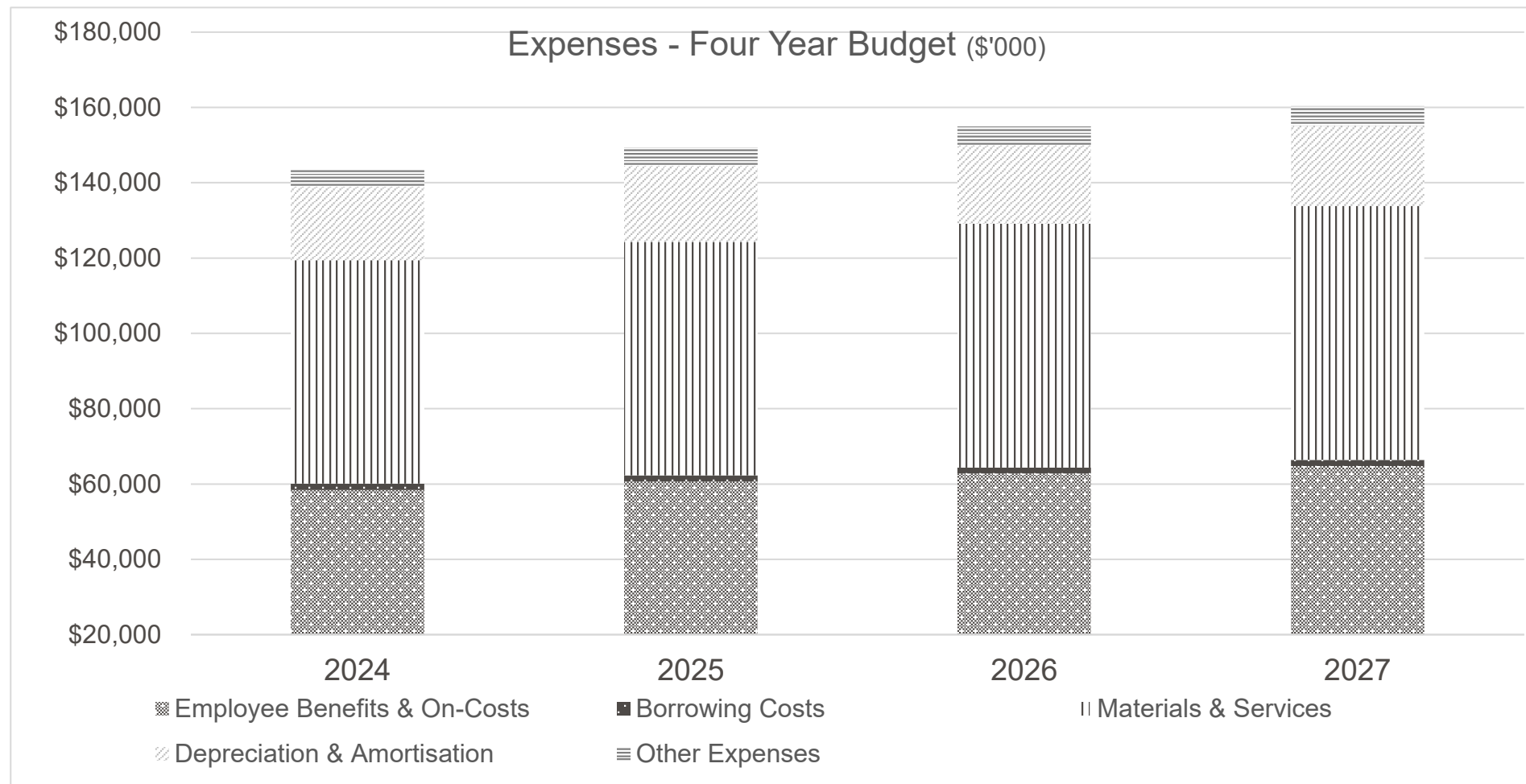
Revenue and Expenditure for 2023-2027 reflects the forecasted impacts of COVID-19 pandemic, however as the pandemic continues to evolve we will remain flexible and agile to respond as required, with financial impacts and adjustments reported to Council through the Quarterly Budget Review and Annual Reporting process.

Revenue 2023-2024, 2024-2025, 2025-2026, 2026-2027 (\$000s) - Base Scenario



Expenditure 2023-2024, 2024-2025, 2025-2026, 2026-2027 (\$000s) – Base Scenario

Refer to the Long Term Financial Plan 2023-2033 document for more details of the Budget Summary.



Reduced Independent Recommendation

Year 1	Year 2	Year 3	Cumulative Increase
9.5%	9.5%	9.5%	31.29%

The proposed SRV is to be retained permanently in the rate base. In the year following the end of the SRV and future years, the rate peg percentage increase will apply to rate levels with the SRV, and not to the rate level with the rate peg only. This means rates will stay at the increased level and only increase by the rate peg percentage after the end of the SRV period.

For Williamstown Residential and Farmland categories please see the rate rise options website downloaded factsheet

Average Residential Rate	Base Year	Year 1	Year 2	Year 3	Cumulative Increase
Average residential rate under assumed rate peg of 4.4% year 1 and 2.5% onwards	\$1,148	\$1,199	\$1,229	\$1,260	\$112
Annual increase rate peg (%)		4.4%	2.5%	2.5%	9.8%
Average residential rate with an SV of 9.5% p.a. for 3 years	\$1,148	\$1,257	\$1,376	\$1,507	\$359
Annual increase with SV (%)		9.5%	9.5%	9.5%	31.29%
Cumulative impact of SV above base year levels		\$109	\$228	\$359	
Cumulative difference between SV and rate-peg-only scenarios		\$58	\$147	\$247	

Average Farmland Rate	Base Year	Year 1	Year 2	Year 3	Cumulative Increase
Average farmland rate under assumed rate peg of 4.4% year 1 and 2.5% onwards	\$1,934	\$2,019	\$2,069	\$2,121	\$187
Annual increase rate peg (%)		4.4%	2.5%	2.5%	9.7%
Average farmland rate with an SV of 9.5% p.a. for 3 years	\$1,934	\$2,118	\$2,319	\$2,539	\$605
Annual increase with SV (%)		9.5%	9.5%	9.5%	31.29%
Cumulative impact of SV above base year levels		\$184	\$385	\$605	
Cumulative difference between SV and rate-peg-only scenarios		\$99	\$250	\$418	

Average Business Rate	Base Year	Year 1	Year 2	Year 3	Cumulative Increase
Average business rate under assumed rate peg of 4.4% year 1 and 2.5% onwards	\$4,889	\$5,104	\$5,232	\$5,363	\$474
Annual increase rate peg (%)		4.4%	2.5%	2.5%	9.7%
Average business rate with an SV of 9.5% p.a. for 3 years	\$4,889	\$5,353	\$5,862	\$6,419	\$1,530
Annual increase with SV (%)		9.5%	9.5%	9.5%	31.29%
Cumulative impact of SV above base year levels		\$464	\$973	\$1,530	
Cumulative difference between SV and rate-peg-only scenarios		\$249	\$630	\$1,056	

Base - Rate Cap

Year 1	Year 2	Year 3	Cumulative Increase
4.4%	2.5%	2.5%	9.69%

Council assumes and applies the rate cap of 4.4% in the 2023-2024 year and then 2.5% increase onwards to rates under the current rate capping regime.

For Williamstown Residential and Farmland categories please see the rate rise options website downloaded factsheet

Average Residential Rate	Base Year	Year 1	Year 2	Year 3	Cumulative Increase
Average residential rate under assumed rate peg of 4.4% year 1 and 2.5% onwards	\$1,148	\$1,199	\$1,229	\$1,260	\$112
Annual increase rate peg (%)		4.4%	2.5%	2.5%	9.69%

Average Farmland Rate	Base Year	Year 1	Year 2	Year 3	Cumulative Increase
Average farmland rate under assumed rate peg of 4.4% year 1 and 2.5% onwards	\$1,934	\$2,019	\$2,069	\$2,121	\$187
Annual increase rate peg (%)		4.4%	2.5%	2.5%	9.69%

Average Business Rate	Base Year	Year 1	Year 2	Year 3	Cumulative Increase
Average business rate under assumed rate peg of 4.4% year 1 and 2.5% onwards	\$4,889	\$5,104	\$5,232	\$5,363	\$474
Annual increase rate peg (%)		4.4%	2.5%	2.5%	9.69%

Executive Summary

The Long Term Financial Plan 2022-2032 (LTFP) aligns the long term aspirations and goals of the Community Strategic Plan (CSP) with Council's financial ability to deliver these ambitions.

It provides a robust yet dynamic framework in which Council can review and assess its financial sustainability in conjunction with its core functions and responsibilities. The LTFP contains a set of long range financial projections based on a set of assumptions. It covers a 10 year period from 2023-2024 to 2032-2033.

At its meeting on the 13 September 2022, Council resolved to develop the revised integrated and planning documents including the LTFP. This iteration of the LTFP is to model and inform residents on the outcomes of the three financial scenarios based on the extensive engagement conducted surrounding financial sustainability. Two scenarios are inclusive of a special rate variation.

A special rate variation would see council submit an application to the Independent Pricing and Regulatory Tribunal IPART and if approved rate income would increase above the anticipated rate cap set by IPART. Council's key purpose for applying for a special rate variation would be financial sustainability. The increased income raised by a Special Rate Variation would be used to eliminate forecasted shortfalls, covering the rising costs associated with delivering planned services to our community. This would mean council will be able to fund and meet community expectations as outlined in the Community Strategic Plan (CSP), Delivery Program (DP) and Operational Plan (OP).

A summary of each scenario is as follows:

The future sustainability of Council is dependent upon generating sufficient funds to meet the costs of maintaining and renewing assets to deliver services.

Base Scenario - State imposed rate cap

In this scenario, income budget parameters are set at state imposed levels of the rate-capping regime. IPART announced the 2023-2024 rate cap for Port Stephens to be 4.4% and then to resume at 2.5% for the remainder of the plan. The outcome is that Council would not generate sufficient funds to continue providing current service levels or renew its assets when required. Council will not be financially sustainable and we will look at reducing or ceasing services. This scenario would result in annual operating shortfalls if no corrective action occurred.

Single year Scenario – Special Rate Variation - 26% for a single year (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 26% for a single year. After which rate capping would be re-instated at 2.5%. Council would

The main assumptions used for each scenario is as follows:

INCOME	Base Scenario	Single Year	Reduced Independent
	Rate	26% one year	31.29% Cumulative
	Cap		9.5% for three years
Rates			
Pegging factor applied	4.40%	26.00%	9.50%
Ongoing peg factor beyond 2023/2024	2.50%	2.50%	9.50% until 2026 2.50% beyond 2027
New annual rates assessment	150	150	150
User fees and charges *5% 23/24 for non-statutory	2.50%	2.50%	2.50%
Operating grants and Contributions Annual factor	1.00%	1.00%	1.00%
Other			
Cash investment returns	2.00%	2.50%	2.50%
Other income	1.00%	2.00%	2.50%
Rental income	1.00%	1.00%	1.00%
Airport dividend – unknown return	Nil	Nil	Nil
Any dividend received to be held in the financial sustainability & resilience fund.			

can have a major impact on future financial plans. The three scenarios within the LTFP allow Council to model the potential impact of various assumptions and is a critical management tool.

Quarterly Budget Reviews provide the ability to regularly monitor the LTFP forecasts against actual activity, update assumptions and make amendments that have a permanent impact on the Plan. Council also reviews and updates relevant sections and projections of the Long Term Financial Plan on an annual basis.

1.5 Key Assumptions

The LTFP and the financial models are based on a number of key assumptions.

Rate Increases

Council is subject to an annual rate-capping regime to be determined by The Independent Pricing and Regulatory Tribunal (IPART) each year and as such, **IPART has announced the 2023-2024 rate cap for Port Stephens is 4.4%. IPART continues to instruct** Councils to assume a rate cap increase of 2.5% when preparing their Long Term Financial Plan (LTFP) and upcoming financial year budgets.

This iteration of the LTFP incorporates two scenarios of SRV. Both SRV scenarios are inclusive of the **rate cap for Port Stephens**.

- **Single Year Scenario** – A 26% increase for a single year, being 2023-2024 only.
- **Reduced Independent Recommendation Scenario** - A cumulative increase of **31.29%**, being a **9.5%** increase for three consecutive years 2023-2024 to 2025-2026.

Council is proposing that the increase be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the State Government and rates will not be reduced to pre-SRV levels.

Certainty of Revenue Streams

Projections of revenue streams over the next ten years are based on historic trends, planned pricing methodologies, known and recurrent grants, current statutory prices and the assumption of the continuation of annual rate capping. Pricing methodologies are aimed to provide services in a sustainable manner, with the community's capacity to pay taken into consideration.

Due to the level of support received from the Financial Assistance Grant (FAG) program, any reduction in the overall available funds for distribution is likely to result in a diminished allocation to Council. This will have a direct impact on the level of works able to be delivered by Council.

Council's rating strategy and structure is reviewed every year as part of the annual Operational Plan process. Council's proposed rating structure provides for three different categories of ordinary rates: residential, farmland and business. The rate type applicable to a particular property is determined on the basis of the property's rating categorisation. All properties are categorised in accordance with the provisions set out in the *Local Government Act 1993*.

5.1.2 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 capping 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. Council currently has no special rates.

The 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's Group 5. The data published by the OLG indicates Councils ordinary rates are low compared with other Hunter Councils and other Group 5 Councils.

Rating assumptions

This LTFP includes three different rating assumptions

Base Scenario – 4.4% for the 2023-2024 year and then 2.5% state imposed rate cap assumption onwards;

Single Year Scenario – A 26% increase for a single year, being 2023-2024 only;

Reduced Independent Recommendation Scenario - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years 2023-2024 to 2025-2026;

Domestic Waste Charges

Council's Domestic Waste Management Program is self-funded by way of an externally restricted reserve. The *Local Government Act 1993* limits annual domestic waste management charges to an amount sufficient to recover the costs of providing the service. As such, revenue from Council's annual domestic waste charges included in this LTFP is based on the projected full cost to provide the waste service over the

7. Financial Modelling Assumptions and Results

The LTFP 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.

Base Scenario - State imposed rate cap

In this scenario, income budget parameters are set at state imposed levels of the rate-capping regime. IPART announced the 2023-2024 rate cap for Port Stephens to be 4.4% and then to resume at 2.5% for the remainder of the plan. The outcome is that Council would not generate sufficient funds to continue providing current service levels or renew its assets when required. Council will not be financially sustainable and we will look at reducing or ceasing services. This scenario would result in annual operating shortfalls if no corrective action occurred.

Single year Scenario – Special Rate Variation - 26% for a single year (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 26% for a single year. After which rate capping would be re-instated at 2.5%. Council would repair the budget in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the majority of the life of the plan and would see a steep injection of additional funds in the first year of the SRV. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment. An annual operating surplus is achieved under this scenario

Reduced Independent Recommendation Scenario – Special Rate Variation - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 9.5% for a three-year period, being a cumulative increase of 31.29%. After which rate capping would be re-instated at 2.5%. Council would break even in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the entirety of the plan. It would see a slow growth of additional funds over the three-year period of the SRV. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

INCOME	Base Scenario 2.5% Rate Cap	Single Year 26% one year	Reduced Independent 31.29% Cumulative 9.5% for three years
--------	--------------------------------	-----------------------------	--

Rates

Pegging factor applied	4.40%	26.00%	9.50%
Ongoing peg factor beyond 2024	2.50%	2.50%	9.50% until 2026 2.50% beyond 2027
New annual rates assessment	150	150	150
User fees and charges *5% one off for non-statutory	2.50%	2.50%	2.50%
Operating grants and Contributions Annual factor	1.00%	1.00%	1.00%
Other			
Cash investment returns	2.00%	2.50%	2.50%
Other income	1.00%	2.00%	2.50%
Rental income	1.00%	1.00%	1.00%
Airport dividend	Nil	Nil	Nil

*unknown return at this time.
Any dividend received to be held in the financial sustainability & resilience fund.

EXPENSES	Base Scenario	Single Year	Independent Recommendation
Salaries and allowances	2.25%	2.25%	2.25%
Materials and contracts			
2024	6.00%	6.00%	6.00%
2025	4.50%	4.50%	4.50%
2026 - beyond	3.50%	3.50%	3.50%
Other expenses	2.50%	2.50%	2.50%
Services levels	Reduction required	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding

PROJECTED RESULT \$'000	Base Scenario	Single Year Scenario	Independent Recommendation
2022-2023 (Current)	(1,122)	(1,122)	(1,122)
2023-2024	(1,981)	1,376	463
2024-2025	(3,361)	1,557	1,407
2025-2026	(4,303)	1,289	1,386
2026-2027	(6,721)	1,598	1,449
2027-2028	(7,735)	1,109	1,512
2028-2029	(8,697)	1,582	1,596
2029-2030	(9,982)	1,912	1,590
2030-2031	(11,365)	1,103	1,473
2031-2032	(12,421)	651	1,024
2032-2033	(13,686)	12	390

8. Financial Statements – Base Scenario

Base Scenario – Income Statement

INCOME STATEMENT

For the period ended 30 June	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue											
Rates & Annual Charges	68,994	72,202	74,176	76,199	78,273	80,399	82,578	84,812	87,101	89,448	91,853
User Fees and Charges	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue	1,063	1,460	1,635	1,696	1,623	1,648	1,649	1,640	1,614	1,566	1,463
Other Revenues	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Operating Grants and Contributions	12,761	12,328	12,752	12,879	13,008	13,138	13,269	13,402	13,536	13,671	13,808
Capital Grants and Contributions	19,573	7,319	7,393	7,467	7,541	7,617	7,693	7,770	7,847	7,926	8,005
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250	250
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other Income - Fair Value increment	843	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Total Revenue	157,990	154,614	159,060	163,059	167,018	171,172	175,402	179,724	184,133	188,628	193,176
Operating Expenses											
Employee Benefits & On-Costs	56,552	58,373	60,652	62,803	64,789	66,843	68,979	71,197	73,487	75,868	78,330
Borrowing Costs	1,713	1,757	1,653	1,562	1,611	1,525	1,436	1,382	1,296	1,211	1,148
Materials & Services	55,916	59,270	61,938	64,805	67,399	69,758	72,200	75,477	77,342	80,049	82,851
Depreciation & Amortisation	18,999	19,528	20,267	20,748	21,386	21,784	22,037	22,479	22,974	23,035	23,157
Other Expenses	4,586	4,752	4,865	5,032	5,152	5,277	5,402	5,545	5,688	5,834	5,985
Total Operating Expenses	137,766	143,680	149,374	154,951	160,337	165,188	170,054	176,080	180,787	185,997	191,470
Operating Surplus / (Deficit)	20,224	10,933	9,686	8,108	6,681	5,985	5,349	3,644	3,347	2,630	1,706
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	1
Total Comprehensive Income	20,224	10,933	9,686	8,108	6,681	5,985	5,349	3,644	3,347	2,630	1,707
Net Operating Result before Capital Grants	651	3,614	2,293	641	(860)	(1,632)	(2,344)	(4,125)	(4,501)	(5,295)	(6,298)
Adjustments for Underlying Result											
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases & royalties	(2,679)	(3,109)	(3,184)	(3,260)	(3,339)	(3,419)	(3,501)	(3,586)	(3,672)	(3,761)	(3,852)
NAP Profit	1,156	(2,235)	(2,220)	(2,134)	(2,272)	(2,434)	(2,601)	(2,771)	(2,943)	(3,115)	(3,286)
Local election costs	-	-	-	700	-	-	-	750	-	-	-
Underlying result	(1,122)	(1,981)	(3,361)	(4,303)	(6,721)	(7,735)	(8,697)	(9,982)	(11,365)	(12,421)	(13,686)

8.1 Base Scenario – Statement of Financial Position (Balance Sheet)

STATEMENT OF FINANCIAL POSITION

As at 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	14,043	21,037	23,491	20,560	21,554	21,598	21,237	20,205	18,301	14,161	10,130
Investments	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Receivables	11,027	11,864	12,289	12,677	13,076	13,484	13,902	14,331	14,770	15,219	15,680
Inventories & Other	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Total Current Assets	64,965	72,795	75,673	73,131	74,524	74,976	75,034	74,430	72,964	69,275	65,704
Non Current Assets											
Infrastructure, Property, Plant & Equipment	1,098,970	1,104,025	1,107,650	1,115,443	1,118,161	1,121,201	1,123,740	1,126,323	1,129,104	1,132,374	1,136,244
Right of Use Asset	2,031	1,776	993	3,405	3,185	2,428	2,071	1,850	1,093	3,504	3,285
Investments using Equity Method	431	431	431	431	431	431	431	431	431	431	431
Inventories & Other	7,427	8,437	9,457	10,487	11,528	12,579	13,641	14,713	15,796	16,889	17,994
Investment Properties	41,223	42,460	43,733	45,045	46,397	47,789	49,222	50,699	52,220	53,787	55,400
Intangibles	5,645	5,162	4,767	4,444	4,183	3,976	3,814	3,692	3,604	3,545	3,513
Total Non Current Assets	1,155,726	1,162,291	1,167,032	1,179,256	1,183,886	1,188,404	1,192,919	1,197,708	1,202,248	1,210,532	1,216,869
Total Assets	1,220,691	1,235,085	1,242,705	1,252,387	1,258,409	1,263,380	1,267,952	1,272,138	1,275,212	1,279,807	1,282,573
LIABILITIES											
Current Liabilities											
Trade & Other Payables	17,065	17,669	18,149	18,665	19,132	19,556	19,996	20,586	20,922	21,409	21,913
Lease liabilities	795	840	850	617	690	740	755	709	785	839	688
Borrowings	2,312	1,524	1,552	1,580	1,597	1,382	1,323	1,054	1,074	1,094	1,116
Provisions	16,624	17,146	17,008	17,306	17,742	18,212	18,285	19,331	20,081	19,762	22,350
Total Current Liabilities	36,795	37,179	37,559	38,168	39,161	39,890	40,360	41,680	42,862	43,106	46,071
Non Current Liabilities											
Trade & Other Payables	1,831	1,286	740	195	0	0	0	0	0	0	0
Lease liabilities	1,235	935	144	2,788	2,496	1,688	1,316	1,142	308	2,665	2,597
Borrowings	36,154	39,630	38,077	36,497	34,899	33,518	32,194	31,140	30,066	28,971	27,855
Provisions	1,294	1,741	2,185	2,632	3,063	3,509	3,959	4,410	4,862	5,320	4,599
Total Non Current Liabilities	40,514	43,591	41,146	42,110	40,458	38,715	37,469	36,691	35,235	36,957	35,053
Total Liabilities	77,309	80,770	78,704	80,278	79,620	78,605	77,829	78,371	78,098	80,063	81,124
Net Assets	1,143,382	1,154,315	1,164,001	1,172,108	1,178,790	1,184,775	1,190,123	1,193,768	1,197,114	1,199,744	1,201,450
EQUITY											
Accumulated Surplus	729,034	739,967	749,654	757,762	764,443	770,427	775,776	779,421	782,768	785,396	787,101
Asset Revaluation Reserves	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346
Total Equity	1,143,380	1,154,313	1,164,000	1,172,108	1,178,789	1,184,773	1,190,122	1,193,767	1,197,114	1,199,742	1,201,447

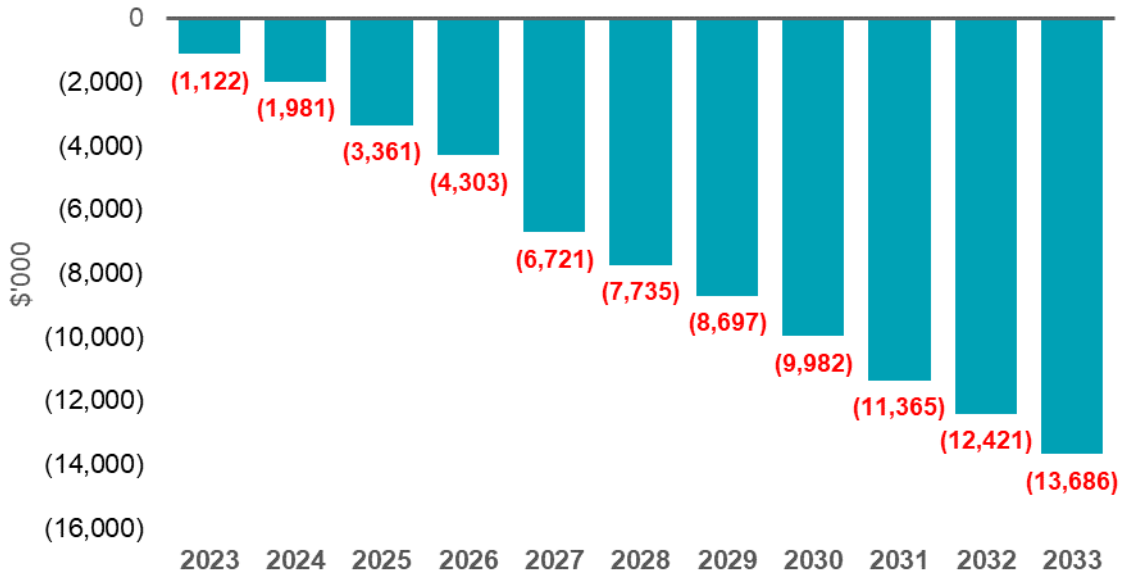
8.2 Base Scenario – Statement of Cash flows

CASHFLOW STATEMENT

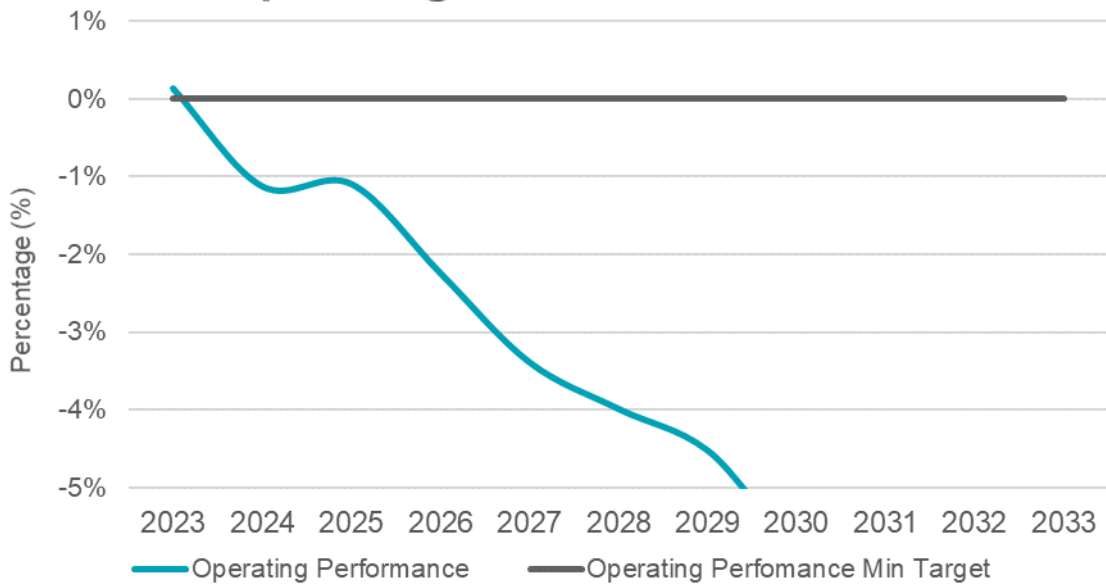
For the period ended 30 June	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash Flows from Operating Activities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts:											
Rates & Annual Charges	66,623	71,365	73,751	75,810	77,875	79,991	82,160	84,384	86,662	88,997	91,392
User Charges & Fees	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue Received	1,063	1,460	1,635	1,696	1,623	1,648	1,649	1,640	1,614	1,566	1,463
Grants & Contributions	29,721	16,982	17,425	17,572	17,720	17,869	18,019	18,169	18,321	18,474	18,627
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Payments:											
Employee Benefits & On-Costs	(57,259)	(59,342)	(60,958)	(63,547)	(65,657)	(67,759)	(69,503)	(72,693)	(74,690)	(76,007)	(80,197)
Materials & Contracts	(55,795)	(59,329)	(61,872)	(64,776)	(67,671)	(70,183)	(72,639)	(76,066)	(77,678)	(80,537)	(83,356)
Borrowing Costs	(1,713)	(1,757)	(1,653)	(1,562)	(1,611)	(1,525)	(1,436)	(1,382)	(1,296)	(1,211)	(1,148)
Other	(3,653)	(2,639)	(4,334)	(3,459)	(3,008)	(2,589)	(3,493)	(1,283)	(2,658)	(4,478)	(1,155)
Net Cash provided (or used in) Operating Activities	33,493	26,557	25,575	24,989	24,241	24,181	23,287	23,141	22,539	21,004	21,809
Cash Flows from Investing Activities											
Receipts:											
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Real Estate Assets	(1,000)	(1,010)	(1,020)	(1,030)	(1,041)	(1,051)	(1,062)	(1,072)	(1,083)	(1,094)	(1,105)
Purchase of Infrastructure, Property, Plant & Equipment	(30,977)	(20,272)	(19,542)	(24,279)	(19,784)	(20,557)	(20,205)	(20,746)	(21,303)	(21,877)	(22,468)
Purchase of Intangible Assets	(400)	(424)	(443)	(459)	(475)	(491)	(508)	(526)	(545)	(564)	(583)
Net Cash provided (or used in) Investing Activities	(32,127)	(21,456)	(20,756)	(25,518)	(21,050)	(21,850)	(21,525)	(22,094)	(22,680)	(23,284)	(23,906)
Cash Flows from Financing Activities											
New Borrowings		5,000									
Repayment of leases principal	(606)	(795)	(840)	(850)	(617)	(690)	(740)	(755)	(709)	(785)	(839)
Repayment of Borrowings & Advances	(3,147)	(2,312)	(1,524)	(1,552)	(1,580)	(1,597)	(1,382)	(1,323)	(1,054)	(1,074)	(1,094)
Net Cash Flow provided (used in) Financing Activities	(3,753)	1,893	(2,365)	(2,402)	(2,198)	(2,287)	(2,122)	(2,079)	(1,763)	(1,859)	(1,934)
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,387)	6,993	2,454	(2,931)	994	44	(360)	(1,032)	(1,905)	(4,139)	(4,031)
plus: Cash - beginning of year	16,430	14,043	21,037	23,491	20,560	21,554	21,598	21,237	20,205	18,301	14,161
Cash - end of the year	14,043	21,037	23,491	20,560	21,554	21,598	21,237	20,205	18,301	14,161	10,130
plus: Investments - end of the year	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Total Cash & Investments - end of the year	51,290	58,284	60,738	57,807	58,801	58,845	58,484	57,452	55,548	51,408	47,377

8.3 Base Scenario – Graphs

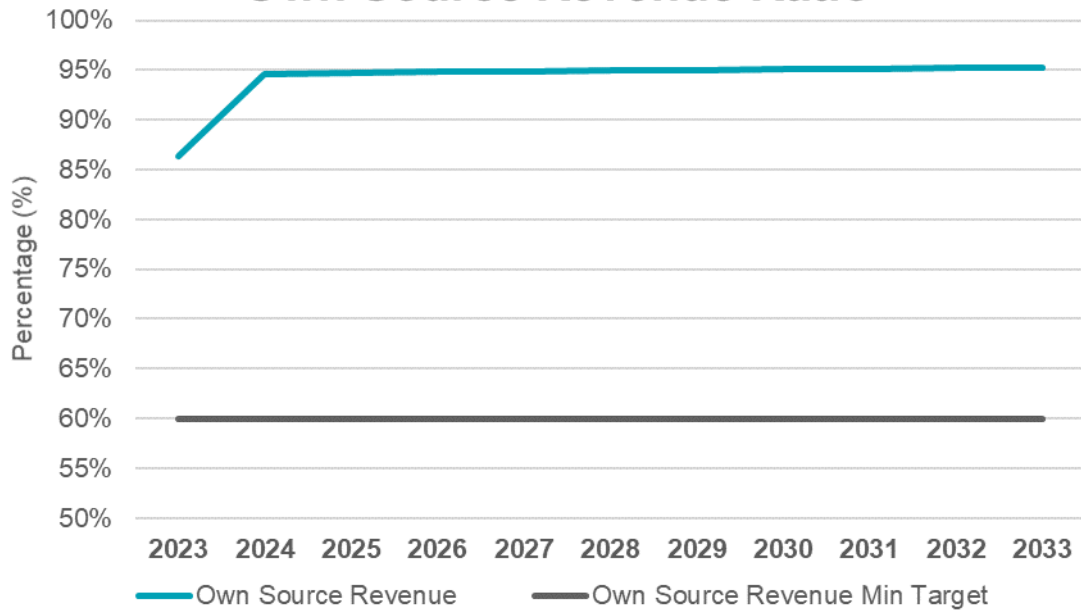
Underlying Result



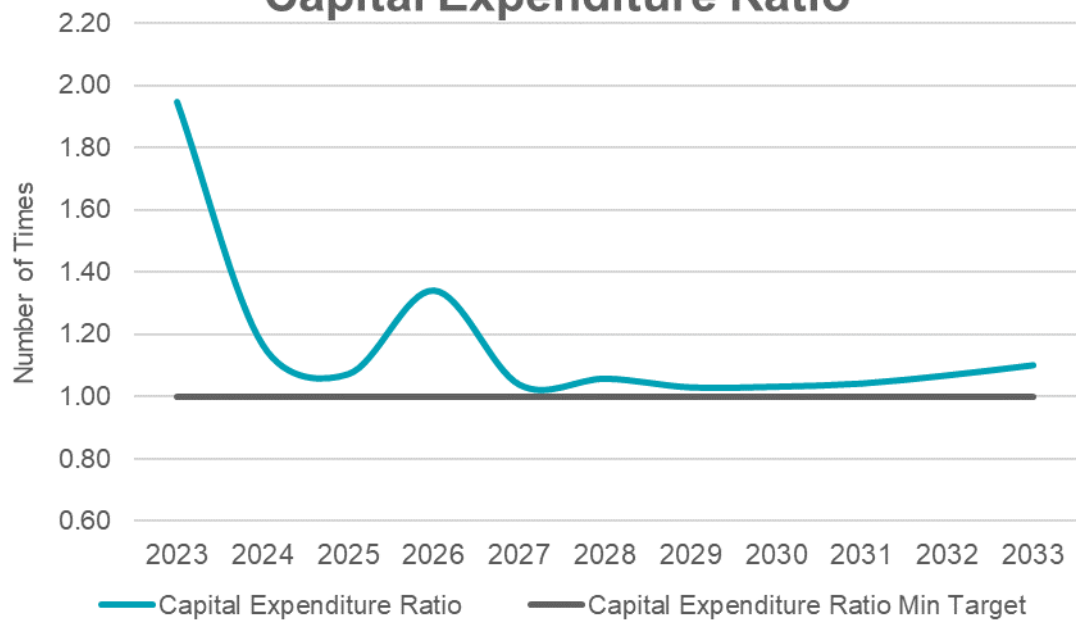
Operating Performance Ratio



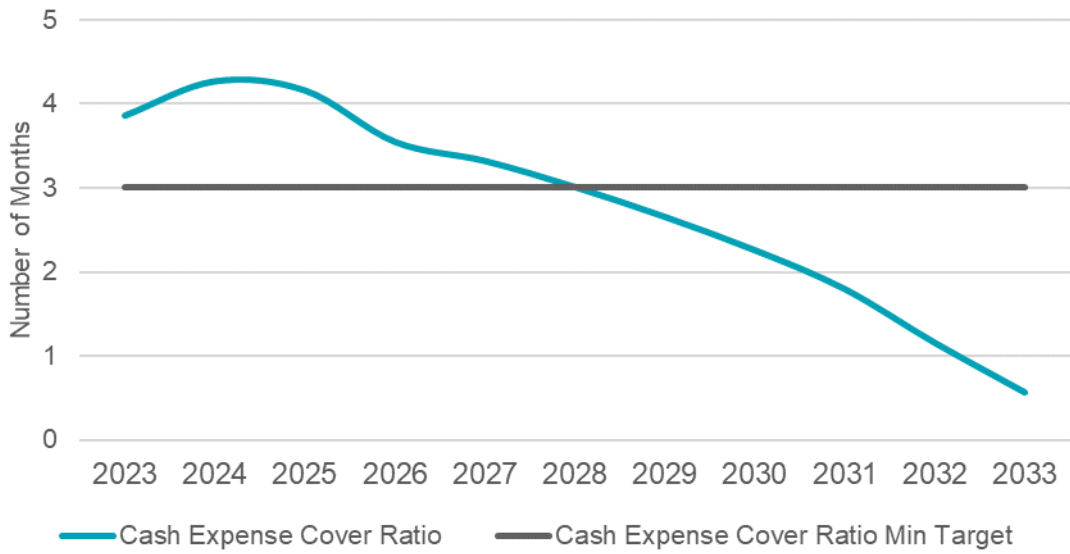
Own Source Revenue Ratio



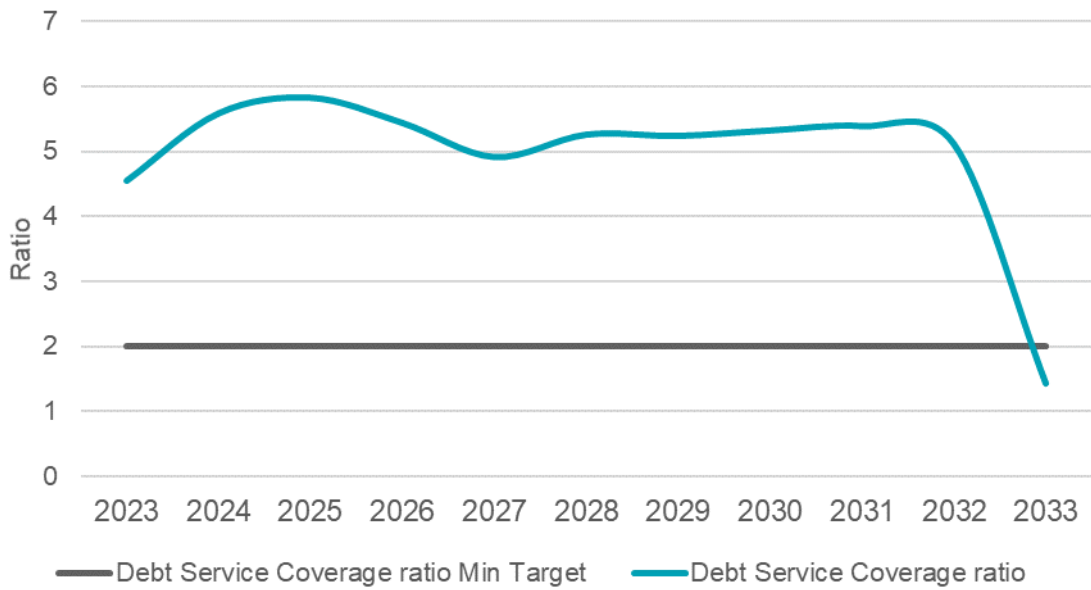
Capital Expenditure Ratio



Cash Expense Cover Ratio



Debt Service Coverage Ratio



9. Financial Statements - Single Year Scenario

9.1 Introduction

Single year Scenario – Special Rate Variation - 26% for a single year (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 26% for a single year. After which rate capping would be re-instated at 2.5%. Council would repair the budget in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the majority of the life of the plan and would see a steep injection of additional funds in the first year of the SRV. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

9.2 Financial Statements – Single Year Scenario

Single Year Scenario – Income Statement

INCOME STATEMENT	SRV Yr 1										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
For the period ended 30 June	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue											
Rates & Annual Charges	68,994	82,147	84,370	86,648	88,984	91,377	93,831	96,346	98,924	101,566	104,274
User Fees and Charges	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue	1,063	1,460	1,725	1,906	1,977	2,204	2,432	2,683	2,959	3,233	3,468
Other Revenues	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Operating Grants and Contributions	12,761	12,328	12,752	12,879	13,008	13,138	13,269	13,402	13,536	13,671	13,808
Capital Grants and Contributions	19,573	7,319	7,393	7,467	7,541	7,617	7,693	7,770	7,847	7,926	8,005
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250	250
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other Income - Fair Value increment	843	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Total Revenue	157,990	164,559	169,344	173,718	178,082	182,707	187,438	192,302	197,300	202,412	207,602
Operating Expenses											
Employee Benefits & On-Costs	56,552	58,373	60,652	63,428	65,432	67,507	69,662	71,901	74,212	76,615	79,099
Borrowing Costs	1,713	1,757	1,653	1,562	1,611	1,525	1,436	1,382	1,296	1,211	1,148
Materials & Services	55,916	65,859	67,306	69,252	69,507	71,796	73,289	75,477	77,342	80,049	82,851
Depreciation & Amortisation	18,999	19,528	20,266	20,744	21,379	21,774	22,022	22,458	22,947	23,002	23,116
Other Expenses	4,586	4,752	4,865	5,032	5,152	5,277	5,402	5,545	5,688	5,834	5,985
Total Operating Expenses	137,766	150,269	154,741	160,018	163,082	167,878	171,811	176,763	181,485	186,710	192,197
Operating Surplus / (Deficit)	20,224	14,290	14,603	13,700	15,001	14,829	15,627	15,539	15,815	15,702	15,404
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	1
Total Comprehensive Income	20,224	14,290	14,603	13,700	15,001	14,829	15,627	15,539	15,815	15,702	15,405
Net Operating Result before Capital Grants	651	6,971	7,211	6,233	7,460	7,212	7,934	7,769	7,968	7,776	7,400
Adjustments for Underlying Result											
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases & royalties	(2,679)	(3,109)	(3,184)	(3,260)	(3,339)	(3,419)	(3,501)	(3,586)	(3,672)	(3,761)	(3,852)
NAP Profit	1,156	(2,235)	(2,220)	(2,134)	(2,272)	(2,434)	(2,601)	(2,771)	(2,943)	(3,115)	(3,286)
Local election costs	-	-	-	700	-	-	-	750	-	-	-
Underlying result	(1,122)	1,376	1,557	1,289	1,598	1,109	1,582	1,912	1,103	651	12

Single Year Scenario – Statement of Financial Position (Balance Sheet)

STATEMENT OF FINANCIAL POSITION

As at 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	14,043	24,631	31,894	34,710	43,805	52,929	62,974	73,991	84,959	94,354	104,544
Investments	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Receivables	11,027	12,909	13,359	13,775	14,201	14,637	15,084	15,542	16,011	16,492	16,984
Inventories & Other	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Total Current Assets	64,965	77,434	85,147	88,379	97,899	107,459	117,952	129,426	140,864	150,740	161,422
Non Current Assets											
Infrastructure, Property, Plant & Equipment	1,098,970	1,103,929	1,107,417	1,115,031	1,117,525	1,120,293	1,122,510	1,124,720	1,127,071	1,129,854	1,133,175
Right of Use Asset	2,031	1,776	993	3,405	3,185	2,428	2,071	1,850	1,093	3,504	3,285
Investments using Equity Method	431	431	431	431	431	431	431	431	431	431	431
Inventories & Other	7,427	8,437	9,457	10,487	11,528	12,579	13,641	14,713	15,796	16,889	17,994
Investment Properties	41,223	42,460	43,733	45,045	46,397	47,789	49,222	50,699	52,220	53,787	55,400
Intangibles	5,645	5,162	4,767	4,444	4,183	3,976	3,814	3,692	3,604	3,545	3,513
Total Non Current Assets	1,155,726	1,162,195	1,166,799	1,178,844	1,183,249	1,187,496	1,191,689	1,196,105	1,200,215	1,208,012	1,213,800
Total Assets	1,220,691	1,239,628	1,251,946	1,267,222	1,281,148	1,294,955	1,309,641	1,325,531	1,341,079	1,358,751	1,375,223
LIABILITIES											
Current Liabilities											
Trade & Other Payables	17,065	18,855	19,115	19,465	19,511	19,923	20,192	20,586	20,922	21,409	21,913
Lease liabilities	795	840	850	617	690	740	755	709	785	839	688
Borrowings	2,312	1,524	1,552	1,580	1,597	1,382	1,323	1,054	1,074	1,094	1,116
Provisions	16,624	17,146	17,008	17,474	17,916	18,391	18,470	19,521	20,277	19,964	22,558
Total Current Liabilities	36,795	38,365	38,525	39,137	39,715	40,436	40,741	41,870	43,058	43,307	46,278
Non Current Liabilities											
Trade & Other Payables	1,831	1,286	740	195	0	0	0	0	0	0	0
Lease liabilities	1,235	935	144	2,788	2,496	1,688	1,316	1,142	308	2,665	2,597
Borrowings	36,154	39,630	38,077	36,497	34,899	33,518	32,194	31,140	30,066	28,971	27,855
Provisions	1,294	1,741	2,185	2,632	3,063	3,509	3,959	4,410	4,862	5,320	4,599
Total Non Current Liabilities	40,514	43,591	41,146	42,110	40,458	38,715	37,469	36,691	35,235	36,957	35,053
Total Liabilities	77,309	81,956	79,671	81,247	80,173	79,151	78,209	78,561	78,293	80,264	81,331
Net Assets	1,143,382	1,157,672	1,172,275	1,185,975	1,200,976	1,215,805	1,231,432	1,246,970	1,262,786	1,278,487	1,293,891
EQUITY											
Accumulated Surplus	729,034	743,324	757,929	771,628	786,629	801,457	817,084	832,624	848,439	864,139	879,543
Asset Revaluation Reserves	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346
Total Equity	1,143,380	1,157,670	1,172,275	1,185,974	1,200,975	1,215,803	1,231,430	1,246,970	1,262,785	1,278,485	1,293,889

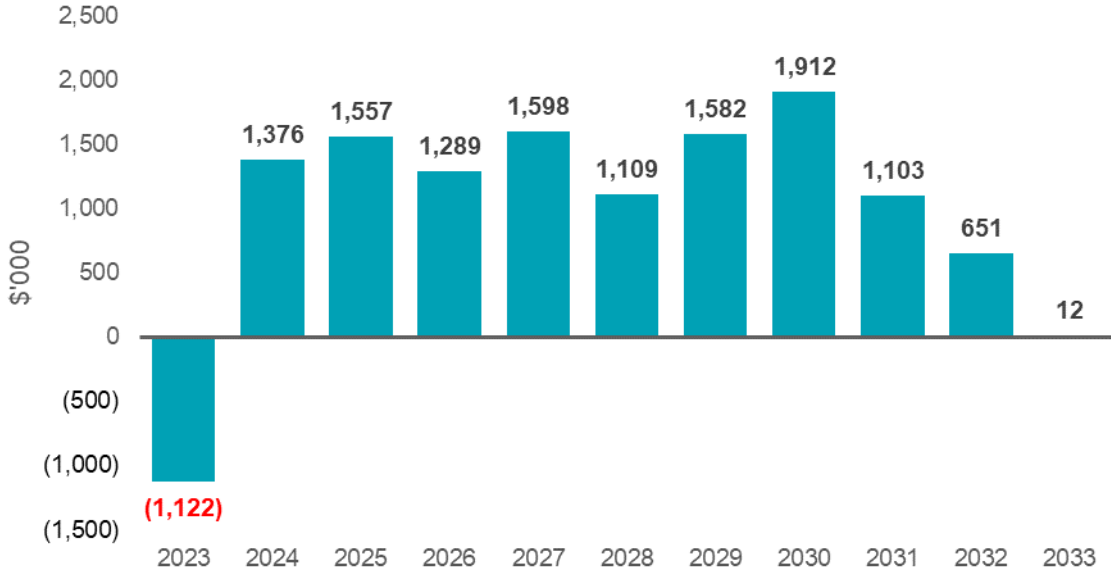
Single Year Scenario - Statement of Cash Flow

CASHFLOW STATEMENT

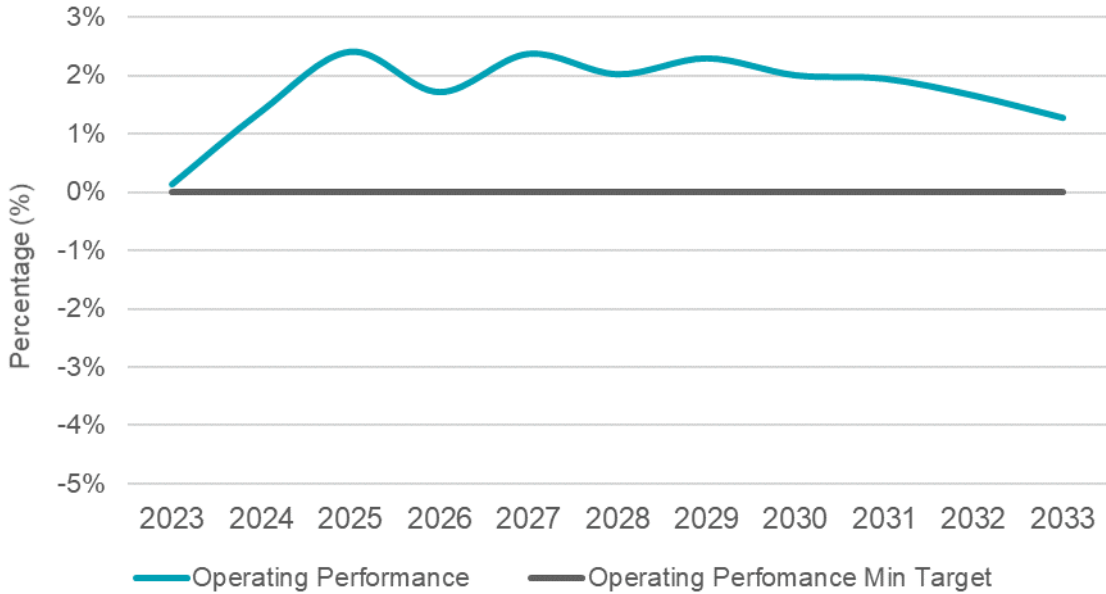
For the period ended 30 June	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash Flows from Operating Activities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts:											
Rates & Annual Charges	66,623	80,266	83,920	86,233	88,558	90,941	93,384	95,888	98,454	101,084	103,781
User Charges & Fees	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue Received	1,063	1,460	1,725	1,906	1,977	2,204	2,432	2,683	2,959	3,233	3,468
Grants & Contributions	29,721	16,982	17,425	17,572	17,720	17,869	18,019	18,169	18,321	18,474	18,627
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Payments:											
Employee Benefits & On-Costs	(57,259)	(59,342)	(60,958)	(64,341)	(66,306)	(68,427)	(70,191)	(73,402)	(75,421)	(76,759)	(80,972)
Materials & Contracts	(55,795)	(67,104)	(67,020)	(69,056)	(69,358)	(72,208)	(73,558)	(75,870)	(77,678)	(80,537)	(83,356)
Borrowing Costs	(1,713)	(1,757)	(1,653)	(1,562)	(1,611)	(1,525)	(1,436)	(1,382)	(1,296)	(1,211)	(1,148)
Other	(3,653)	(268)	(4,774)	(3,454)	(3,840)	(2,604)	(3,823)	(1,664)	(2,647)	(4,466)	(1,143)
Net Cash provided (or used in) Operating Activities	33,493	30,055	30,245	30,553	32,111	32,979	33,356	34,795	34,957	34,017	35,440
Cash Flows from Investing Activities											
Receipts:											
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Real Estate Assets	(1,000)	(1,010)	(1,020)	(1,030)	(1,041)	(1,051)	(1,062)	(1,072)	(1,083)	(1,094)	(1,105)
Purchase of Infrastructure, Property, Plant & Equipment	(30,977)	(20,176)	(19,404)	(24,096)	(19,553)	(20,275)	(19,869)	(20,351)	(20,847)	(21,356)	(21,878)
Purchase of Intangible Assets	(400)	(424)	(443)	(459)	(475)	(491)	(508)	(526)	(545)	(564)	(583)
Net Cash provided (or used in) Investing Activities	(32,127)	(21,360)	(20,617)	(25,335)	(20,818)	(21,567)	(21,189)	(21,700)	(22,225)	(22,763)	(23,316)
Cash Flows from Financing Activities											
New Borrowings		5,000									
Repayment of leases principal	(606)	(795)	(840)	(850)	(617)	(690)	(740)	(755)	(709)	(785)	(839)
Repayment of Borrowings & Advances	(3,147)	(2,312)	(1,524)	(1,552)	(1,580)	(1,597)	(1,382)	(1,323)	(1,054)	(1,074)	(1,094)
Net Cash Flow provided (used in) Financing Activities	(3,753)	1,893	(2,365)	(2,402)	(2,198)	(2,287)	(2,122)	(2,079)	(1,763)	(1,859)	(1,934)
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,387)	10,588	7,263	2,816	9,095	9,124	10,046	11,016	10,969	9,395	10,190
plus: Cash - beginning of year	16,430	14,043	24,631	31,894	34,710	43,805	52,929	62,974	73,991	84,959	94,354
Cash - end of the year	14,043	24,631	31,894	34,710	43,805	52,929	62,974	73,991	84,959	94,354	104,544
plus: Investments - end of the year	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Total Cash & Investments - end of the year	51,290	61,878	69,141	71,957	81,052	90,176	100,221	111,238	122,206	131,601	141,791
Less restricted Cash (NAL)	(14,234)	(16,228)	(18,127)	(20,216)	(22,493)	(24,959)	(27,613)	(30,452)	(33,475)	(36,681)	(40,066)
Cash, Cash Equivalents & Investments - end of the year	37,057	45,650	51,014	51,741	58,558	65,216	72,609	80,786	88,731	94,920	101,725

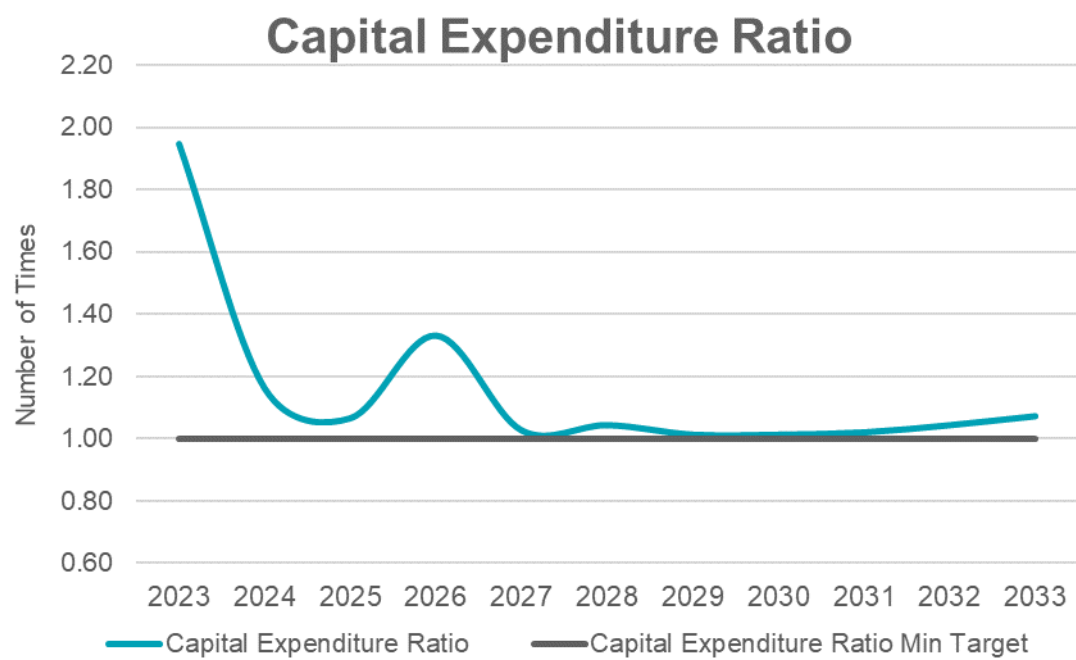
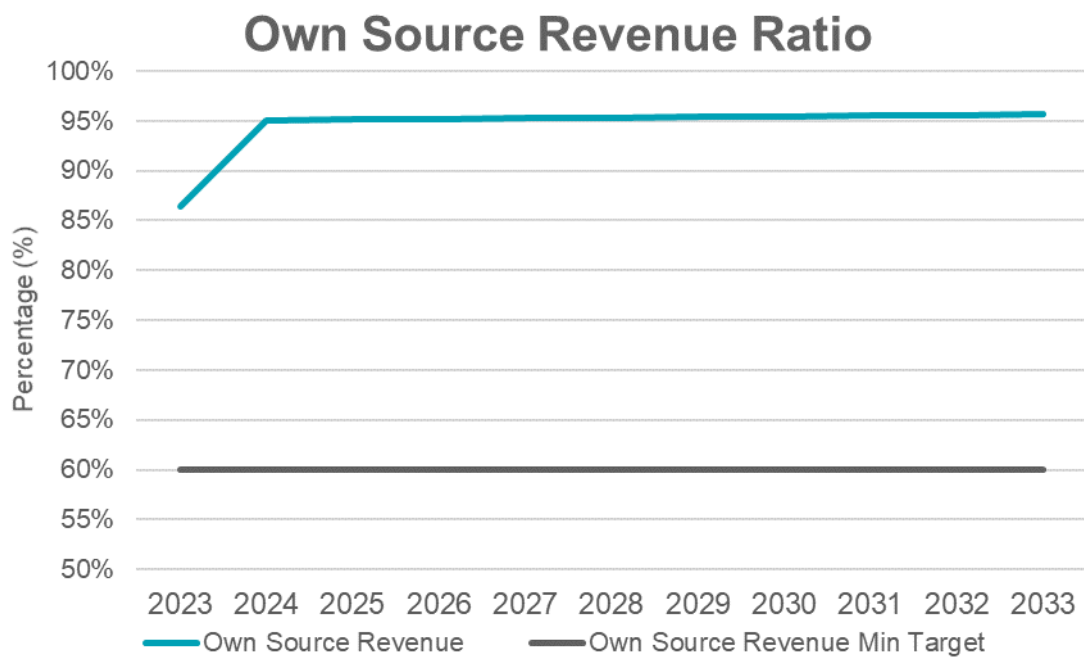
9.3 Single Year Scenario Graphs

Underlying Result

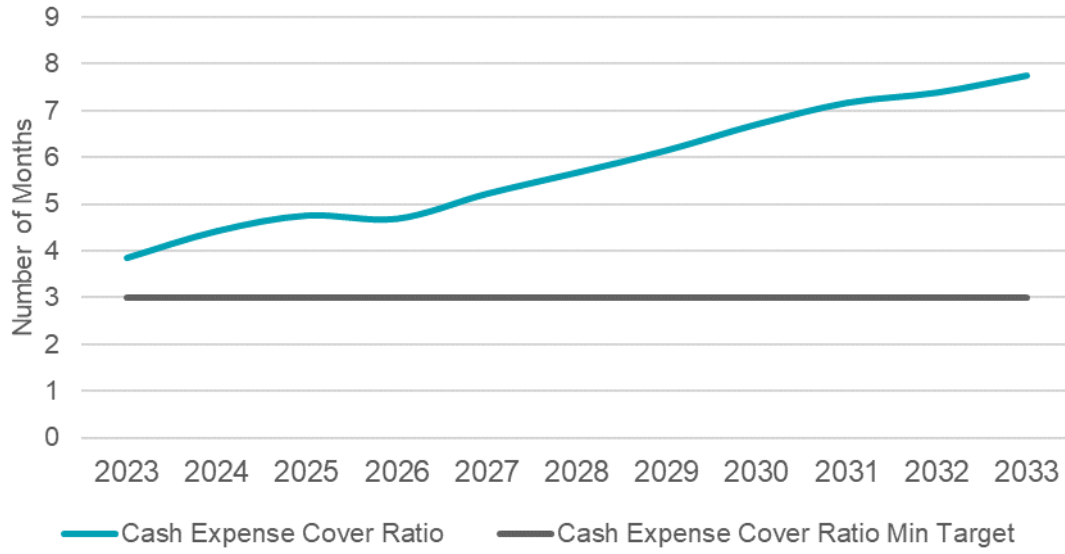


Operating Performance Ratio

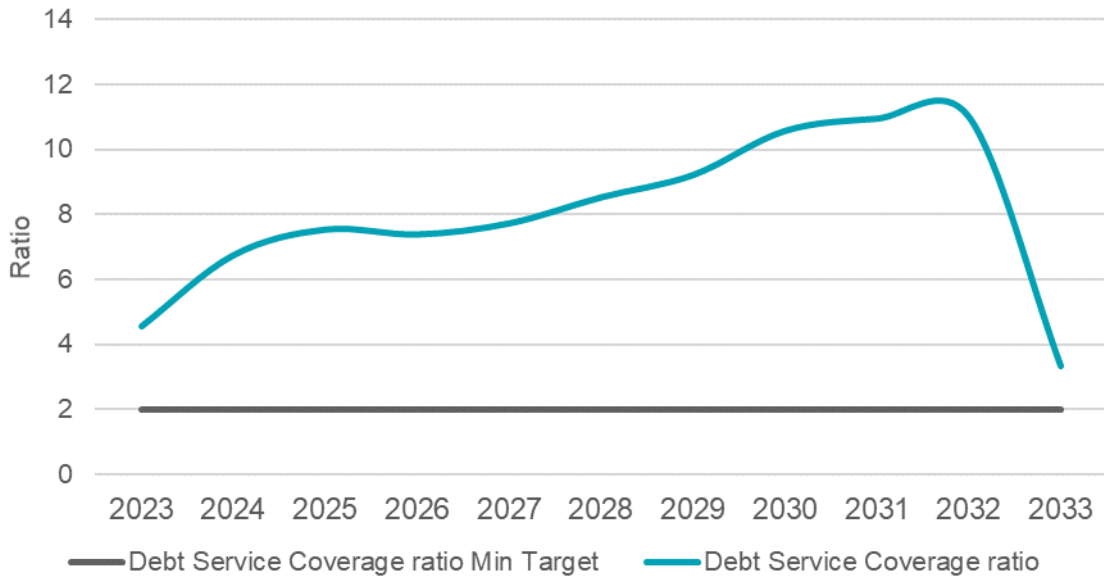




Cash Expense Cover Ratio



Debt Service Coverage Ratio



10. Financial Statements – **Reduced** Independent Recommendation Scenario

10.1 Introduction

Reduced Independent Recommendation Scenario – Special Rate Variation - A cumulative increase of **31.29%**, being a **9.5%** increase for three consecutive years (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 9.5% for a three-year period, being a cumulative increase of **31.29%**. After which rate capping would be re-instated at 2.5%. Council would break even in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the entirety of the plan. It would see a slow growth of additional funds over the three-year period of the SRV. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

10.2 Financial Statements - Independent Scenario

Reduced Independent Recommendation Scenario – Income Statement

INCOME STATEMENT		SRV Yr 1		SRV Yr2		SRV Yr3						
For the period ended 30 June		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Rates & Annual Charges		68,994	74,645	80,289	86,417	88,747	91,135	93,582	96,091	98,662	101,298	103,999
User Fees and Charges		47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue		1,063	1,460	1,689	1,867	1,940	2,159	2,388	2,633	2,892	3,162	3,393
Other Revenues		4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Operating Grants and Contributions		12,761	12,328	12,752	12,879	13,008	13,138	13,269	13,402	13,536	13,671	13,808
Capital Grants and Contributions		19,573	7,319	7,393	7,467	7,541	7,617	7,693	7,770	7,847	7,926	8,005
Gain on Sale of assets		250	250	250	250	250	250	250	250	250	250	250
Other Income - Rental Income		3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other Income - Fair Value increment		843	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Total Revenue		157,990	157,057	165,228	173,448	177,808	182,419	187,145	191,996	196,972	202,073	207,253
Operating Expenses												
Employee Benefits & On-Costs		56,552	58,373	60,652	62,803	64,789	66,843	68,979	71,197	73,487	75,868	78,330
Borrowing Costs		1,713	1,757	1,653	1,562	1,611	1,525	1,436	1,382	1,296	1,211	1,148
Materials & Services		55,916	59,270	63,338	69,505	70,019	71,758	73,650	76,177	77,342	80,049	82,851
Depreciation & Amortisation		18,999	19,528	20,267	20,748	21,386	21,784	22,037	22,479	22,974	23,035	23,157
Other Expenses		4,586	4,752	4,865	5,032	5,152	5,277	5,402	5,545	5,688	5,834	5,985
Total Operating Expenses		137,766	143,680	150,774	159,651	162,957	167,188	171,504	176,780	180,787	185,997	191,470
Operating Surplus / (Deficit)		20,224	13,377	14,454	13,796	14,852	15,231	15,641	15,216	16,186	16,075	15,782
Other Comprehensive Income		-	-	-	-	-	-	-	-	-	-	1
Total Comprehensive Income		20,224	13,377	14,454	13,796	14,852	15,231	15,641	15,216	16,186	16,075	15,783
Net Operating Result before Capital Grants		651	6,058	7,061	6,330	7,311	7,615	7,948	7,446	8,338	8,150	7,778
Adjustments for Underlying Result												
Gain on Sale of assets		(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases & royalties		(2,679)	(3,109)	(3,184)	(3,260)	(3,339)	(3,419)	(3,501)	(3,586)	(3,672)	(3,761)	(3,852)
NAP Profit		1,156	(2,235)	(2,220)	(2,134)	(2,272)	(2,434)	(2,601)	(2,771)	(2,943)	(3,115)	(3,286)
Local election costs		-	-	-	700	-	-	-	750	-	-	-
Underlying result		(1,122)	463	1,407	1,386	1,449	1,512	1,596	1,590	1,473	1,024	390

Independent Recommendation Scenario – Statement of Financial Position (Balance Sheet)

STATEMENT OF FINANCIAL POSITION

As at 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	14,043	23,224	30,313	33,233	41,996	51,148	60,952	71,328	82,107	91,382	101,396
Investments	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Receivables	11,027	12,121	12,930	13,750	14,176	14,611	15,058	15,515	15,984	16,464	16,955
Inventories & Other	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Total Current Assets	64,965	75,238	83,137	86,878	96,066	105,653	115,904	126,737	137,984	147,740	158,246
Non Current Assets											
Infrastructure, Property, Plant & Equipment	1,098,970	1,104,025	1,107,650	1,115,443	1,118,161	1,121,201	1,123,740	1,126,323	1,129,104	1,132,374	1,136,244
Right of Use Asset	2,031	1,776	993	3,405	3,185	2,428	2,071	1,850	1,093	3,504	3,285
Investments using Equity Method	431	431	431	431	431	431	431	431	431	431	431
Inventories & Other	7,427	8,437	9,457	10,487	11,528	12,579	13,641	14,713	15,796	16,889	17,994
Investment Properties	41,223	42,460	43,733	45,045	46,397	47,789	49,222	50,699	52,220	53,787	55,400
Intangibles	5,645	5,162	4,767	4,444	4,183	3,976	3,814	3,692	3,604	3,545	3,513
Total Non Current Assets	1,155,726	1,162,291	1,167,032	1,179,256	1,183,886	1,188,404	1,192,919	1,197,708	1,202,248	1,210,532	1,216,869
Total Assets	1,220,691	1,237,529	1,250,169	1,266,133	1,279,952	1,294,057	1,308,823	1,324,446	1,340,232	1,358,272	1,375,115
LIABILITIES											
Current Liabilities											
Trade & Other Payables	17,065	17,669	18,401	19,511	19,603	19,916	20,257	20,712	20,922	21,409	21,913
Lease liabilities	795	840	850	617	690	740	755	709	785	839	688
Borrowings	2,312	1,524	1,552	1,580	1,597	1,382	1,323	1,054	1,074	1,094	1,116
Provisions	16,624	17,146	17,008	17,306	17,742	18,212	18,285	19,331	20,081	19,762	22,350
Total Current Liabilities	36,795	37,179	37,811	39,014	39,633	40,250	40,621	41,806	42,862	43,106	46,071
Non Current Liabilities											
Trade & Other Payables	1,831	1,286	740	195	0	0	0	0	0	0	0
Lease liabilities	1,235	935	144	2,788	2,496	1,688	1,316	1,142	308	2,665	2,597
Borrowings	36,154	39,630	38,077	36,497	34,899	33,518	32,194	31,140	30,066	28,971	27,855
Provisions	1,294	1,741	2,185	2,632	3,063	3,509	3,959	4,410	4,862	5,320	4,599
Total Non Current Liabilities	40,514	43,591	41,146	42,110	40,458	38,715	37,469	36,691	35,235	36,957	35,053
Total Liabilities	77,309	80,770	78,956	81,124	80,091	78,965	78,090	78,497	78,098	80,063	81,124
Net Assets	1,143,382	1,156,759	1,171,212	1,185,009	1,199,860	1,215,092	1,230,733	1,245,949	1,262,134	1,278,209	1,293,991
EQUITY											
Accumulated Surplus	729,034	742,411	756,866	770,662	785,514	800,744	816,385	831,602	847,788	863,861	879,643
Asset Revaluation Reserves	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346
Total Equity	1,143,380	1,156,757	1,171,212	1,185,008	1,199,860	1,215,090	1,230,731	1,245,948	1,262,134	1,278,207	1,293,989

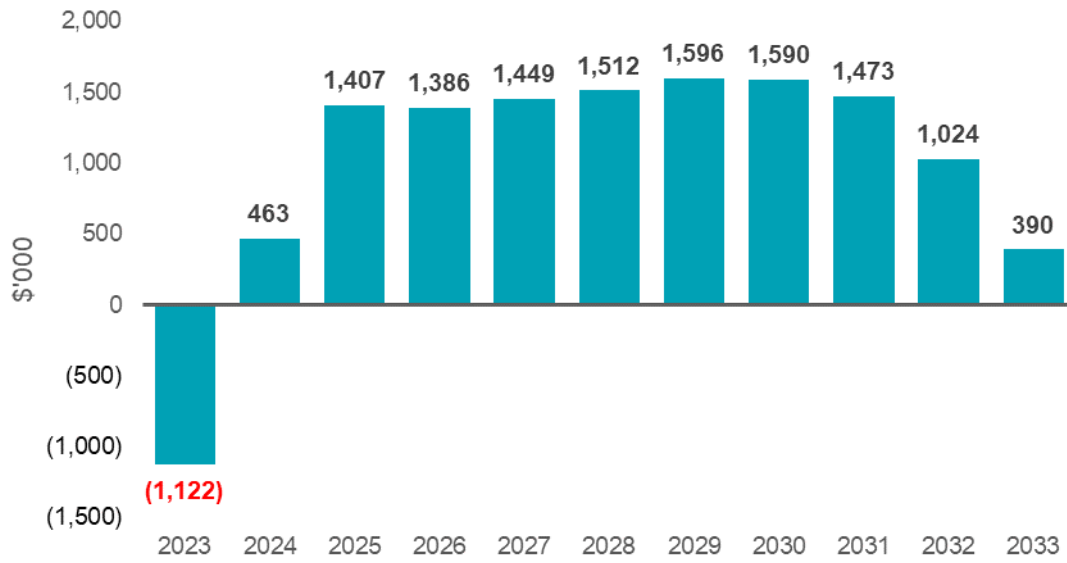
Independent Recommendation Scenario – Statement of Cash Flows

CASHFLOW STATEMENT

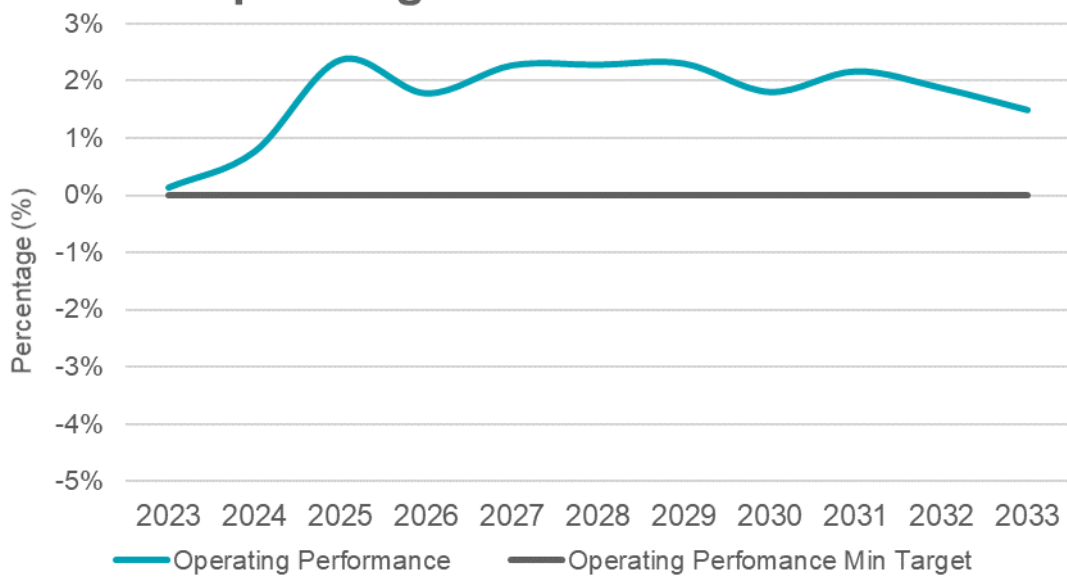
For the period ended 30 June	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash Flows from Operating Activities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts:											
Rates & Annual Charges	66,623	73,552	79,480	85,597	88,322	90,699	93,136	95,633	98,194	100,817	103,507
User Charges & Fees	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue Received	1,063	1,460	1,689	1,867	1,940	2,159	2,388	2,633	2,892	3,162	3,393
Grants & Contributions	29,721	16,982	17,425	17,572	17,720	17,869	18,019	18,169	18,321	18,474	18,627
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Payments:											
Employee Benefits & On-Costs	(57,259)	(59,342)	(60,958)	(63,547)	(65,657)	(67,759)	(69,503)	(72,693)	(74,690)	(76,007)	(80,197)
Materials & Contracts	(55,795)	(59,329)	(63,524)	(70,070)	(69,917)	(72,071)	(73,990)	(76,631)	(77,552)	(80,537)	(83,356)
Borrowing Costs	(1,713)	(1,757)	(1,653)	(1,562)	(1,611)	(1,525)	(1,436)	(1,382)	(1,296)	(1,211)	(1,148)
Other	(3,653)	(2,639)	(3,830)	(2,271)	(3,757)	(2,813)	(3,691)	(1,553)	(2,910)	(4,478)	(1,155)
Net Cash provided (or used in) Operating Activities	33,493	28,744	30,209	30,841	32,010	33,288	33,452	34,549	35,222	34,419	35,854
Cash Flows from Investing Activities											
Receipts:											
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Real Estate Assets	(1,000)	(1,010)	(1,020)	(1,030)	(1,041)	(1,051)	(1,062)	(1,072)	(1,083)	(1,094)	(1,105)
Purchase of Infrastructure, Property, Plant & Equipment	(30,977)	(20,272)	(19,542)	(24,279)	(19,784)	(20,557)	(20,205)	(20,746)	(21,303)	(21,877)	(22,468)
Purchase of Intangible Assets	(400)	(424)	(443)	(459)	(475)	(491)	(508)	(526)	(545)	(564)	(583)
Net Cash provided (or used in) Investing Activities	(32,127)	(21,456)	(20,756)	(25,518)	(21,050)	(21,850)	(21,525)	(22,094)	(22,680)	(23,284)	(23,906)
Cash Flows from Financing Activities											
New Borrowings		5,000									
Repayment of leases principal	(606)	(795)	(840)	(850)	(617)	(690)	(740)	(755)	(709)	(785)	(839)
Repayment of Borrowings & Advances	(3,147)	(2,312)	(1,524)	(1,552)	(1,580)	(1,597)	(1,382)	(1,323)	(1,054)	(1,074)	(1,094)
Net Cash Flow provided (used in) Financing Activities	(3,753)	1,893	(2,365)	(2,402)	(2,198)	(2,287)	(2,122)	(2,079)	(1,763)	(1,859)	(1,934)
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,387)	9,180	7,089	2,921	8,763	9,151	9,805	10,376	10,779	9,275	10,014
plus: Cash - beginning of year	16,430	14,043	23,224	30,313	33,233	41,996	51,148	60,952	71,328	82,107	91,382
Cash - end of the year	14,043	23,224	30,313	33,233	41,996	51,148	60,952	71,328	82,107	91,382	101,396
plus: Investments - end of the year	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Total Cash & Investments - end of the year	51,290	60,471	67,560	70,480	79,243	88,395	98,199	108,575	119,354	128,629	138,643
Less restricted Cash (NAL)	(14,234)	(16,228)	(18,127)	(20,216)	(22,493)	(24,959)	(27,613)	(30,452)	(33,475)	(36,681)	(40,066)
Cash, Cash Equivalents & Investments - end of the year	37,057	44,243	49,433	50,265	56,750	63,435	70,587	78,123	85,879	91,948	98,577

10.3 Reduced Independent Recommendation Scenario Graphs

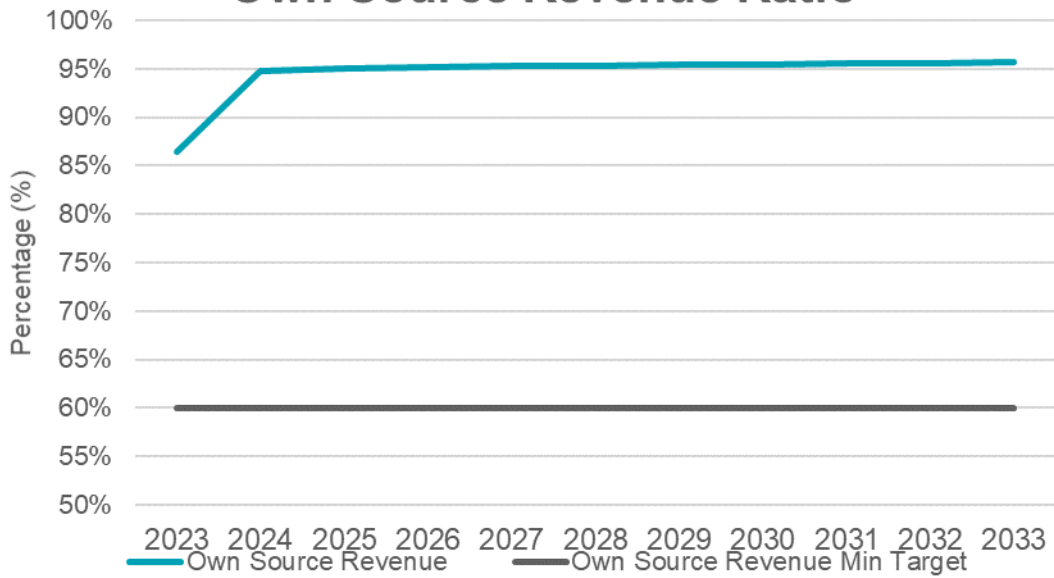
Underlying Result



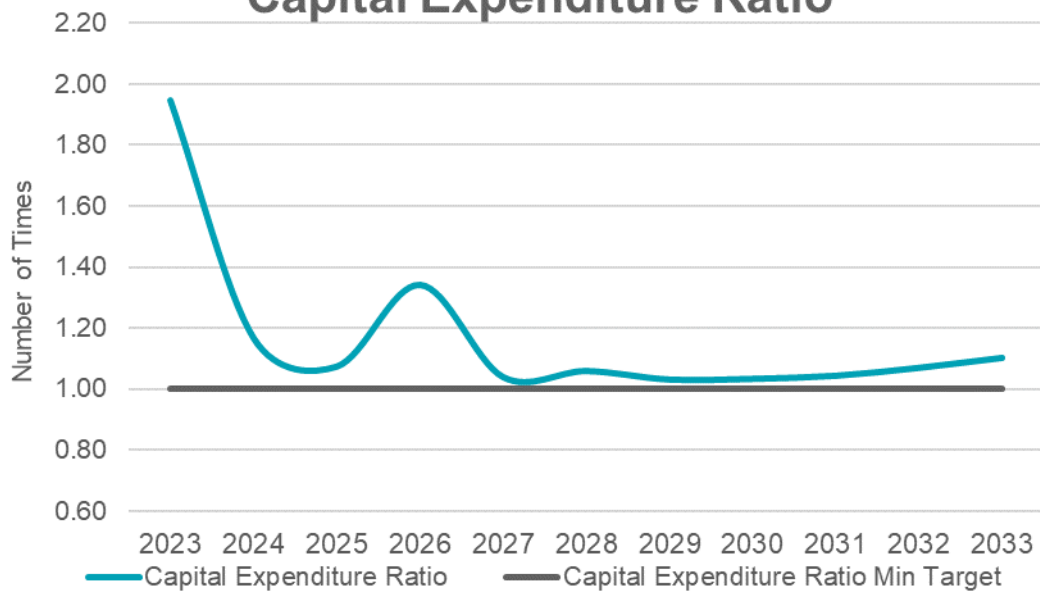
Operating Performance Ratio



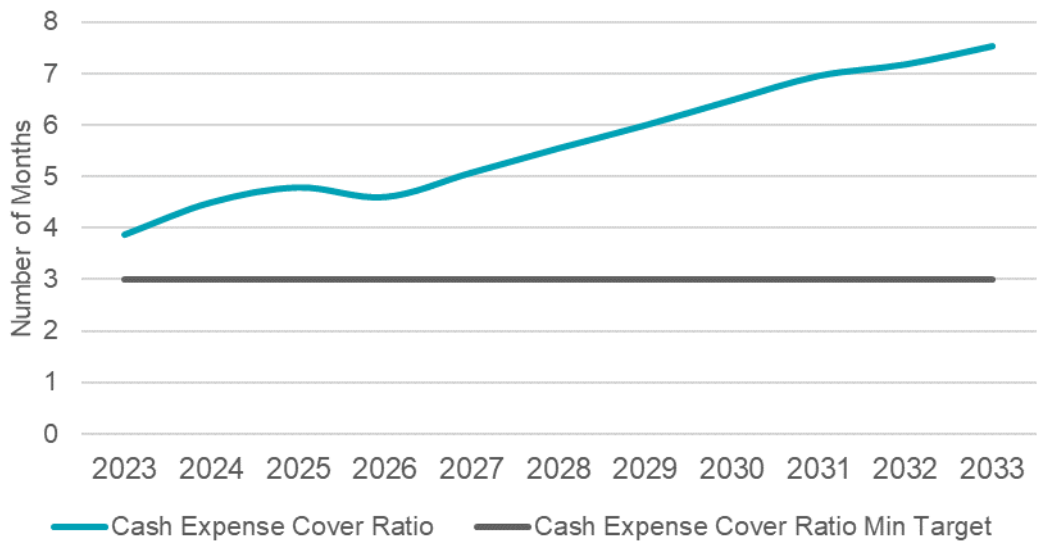
Own Source Revenue Ratio



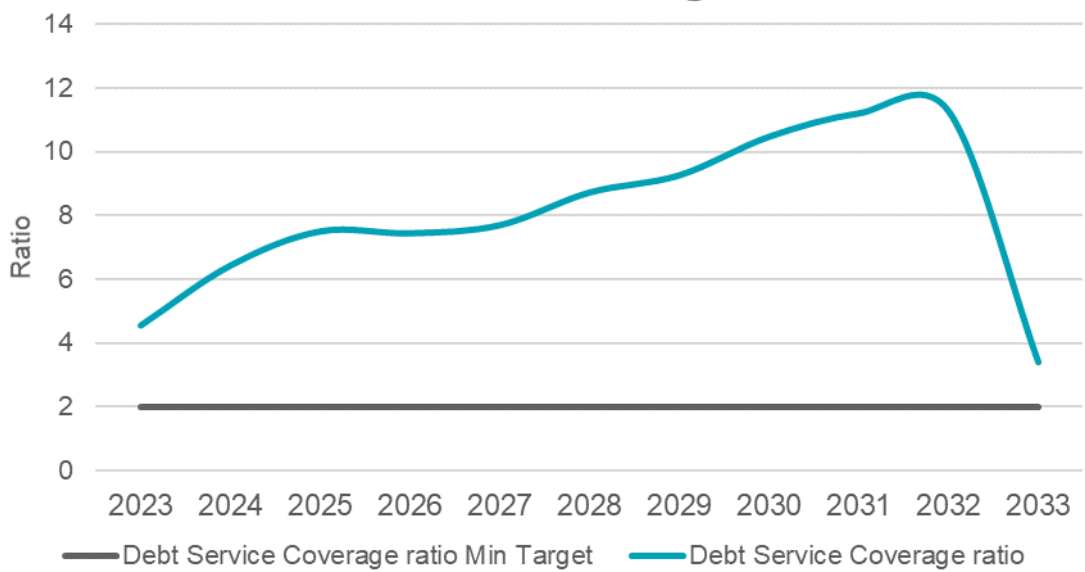
Capital Expenditure Ratio



Cash Expense Cover Ratio



Debt Service Coverage Ratio



Single Year Scenario A 26% increase for a single year, being 2023-2024 only.

Priority Area	Detail						
<p data-bbox="286 416 707 467">Fixing our roads</p>  <p data-bbox="250 911 741 995">\$14 million</p> <p data-bbox="405 1011 595 1046">Over 3 years</p>	<p data-bbox="864 228 2139 480">Sections of roads have been identified for SRV funding based on current data, not limited to the condition rating, the number of potholes, re-occurring need for heavy patching, and sections of roads where we don't expect grant funding to be available. Under the single year scenario, enhanced road maintenance works would be prioritised in the first three years of the rate rise.</p> <table border="1"> <tbody> <tr> <td data-bbox="887 491 1048 528">2024</td> <td data-bbox="1059 491 2139 823"> <ul style="list-style-type: none"> • Clarendetown Road, Seaham • Italia Road, Balickera • Lewis Drive, Medowie • Marsh Road, Bobs Farm • Medowie Road, Campvale • Medowie Road, Williamtown • Phillip Street, Raymond Terrace • Taylors Beach Road, Taylors Beach </td> </tr> <tr> <td data-bbox="887 831 1048 868">2025</td> <td data-bbox="1059 831 2139 1121"> <ul style="list-style-type: none"> • East Seaham Road, East Seaham • Kindlebark Dr , Medowie • Kirrang Drive, Medowie • Lemon Tree Passage Road, Lemon Tree Passage • Lemon Tree Passage Road, Salt Ash • Links Drive, Raymond Terrace • Tarean Road, Karuah </td> </tr> <tr> <td data-bbox="887 1129 1048 1166">2026</td> <td data-bbox="1059 1129 2139 1206"> <ul style="list-style-type: none"> • Corrie Parade, Corlette • Hinton Road, Nelsons Plains </td> </tr> </tbody> </table>	2024	<ul style="list-style-type: none"> • Clarendetown Road, Seaham • Italia Road, Balickera • Lewis Drive, Medowie • Marsh Road, Bobs Farm • Medowie Road, Campvale • Medowie Road, Williamtown • Phillip Street, Raymond Terrace • Taylors Beach Road, Taylors Beach 	2025	<ul style="list-style-type: none"> • East Seaham Road, East Seaham • Kindlebark Dr , Medowie • Kirrang Drive, Medowie • Lemon Tree Passage Road, Lemon Tree Passage • Lemon Tree Passage Road, Salt Ash • Links Drive, Raymond Terrace • Tarean Road, Karuah 	2026	<ul style="list-style-type: none"> • Corrie Parade, Corlette • Hinton Road, Nelsons Plains
2024	<ul style="list-style-type: none"> • Clarendetown Road, Seaham • Italia Road, Balickera • Lewis Drive, Medowie • Marsh Road, Bobs Farm • Medowie Road, Campvale • Medowie Road, Williamtown • Phillip Street, Raymond Terrace • Taylors Beach Road, Taylors Beach 						
2025	<ul style="list-style-type: none"> • East Seaham Road, East Seaham • Kindlebark Dr , Medowie • Kirrang Drive, Medowie • Lemon Tree Passage Road, Lemon Tree Passage • Lemon Tree Passage Road, Salt Ash • Links Drive, Raymond Terrace • Tarean Road, Karuah 						
2026	<ul style="list-style-type: none"> • Corrie Parade, Corlette • Hinton Road, Nelsons Plains 						
CSP Strategy	P2.1 Deliver and maintain sustainable community infrastructure						
Delivery Program 2022 to 2026 Activity	P2.1.4 Deliver the program for maintenance of Council's assets						
Operational Plan 2023 to 2024 Action	P2.1.1.1 Provide, manage and maintain community assets						

Priority Area

Protecting our natural environment



\$5 million

Over **8 years** + CONTINUED funding

Detail

Council would utilise SRV funds to enhance our current range of works that protect our natural environment. These funds would allow Council to undertake further works more frequently and in a proactive matter.

Areas of focus for increased maintenance and ongoing programs would commence in **the third year after the rate rise** and include

- Bush regeneration
- Environmental/cultural burn programs
- Habitat improvements
- Strengthening animal movement corridors

CSP Strategy

E1.1 Protect and enhance our local natural and built environment

Delivery Program 2022 to 2026 Activity

E1.1.1 Develop and deliver a program for Council to implement environmental strategies and policies

E3.1.1 Develop and deliver a program for Council leading the way to a climate positive future and mitigating environmental risks

Operational Plan 2023 to 2024 Action

E1.1.1.2 Provide environmental impact assessment services and a range of nature conservation, biosecurity and rehabilitation programs

E3.1.1.2 Implement Climate Change Adaptation Action Plan encompassing mitigation and adaptation for Council and Community

Priority Area

Detail

Looking after our waterways and foreshores



\$4.5 million

one-off 3-year target program

Council would inject SRV funds to enhance our current range of waterways and foreshores initiatives. These funds would see a three-year targeted program starting in the **third year after the rate rise**. After the three-year program works would return to pre-SRV levels

Areas of focus would align with unfunded works identified in the incoming Coastal Management Plan and would include works such as,

- Waterway, foreshore, and dune area restoration
- Strengthening fencing
- Access points improvements
- Beach management activities
- Seawalls, rock revetment, and larger scale revegetation stabilisation

The Coastal Management Plan is currently being finalised through community consultation.

CSP Strategy

E3.1 Support community resilience to climate change including coastal and waterway hazards

Delivery Program 2022 to 2026 Activity

E3.1.1 Develop and deliver a program for Council leading the way to a climate positive future and mitigating environmental risks

Operational Plan 2023 to 2024 Action

E3.1.1.2 Implement Climate Change Adaptation Action Plan encompassing mitigation and adaptation for Council and Community

Priority Area

Detail

Looking after our public space



\$3 million

Over 4 years

The proposed works would look at enhancing the condition of our public spaces and community amenities. Getting back to basics by fixing known defects as well as ensuring more energy-efficient lighting. These additional public space maintenance works would start in the **third year after the** rate rise.

2024	<ul style="list-style-type: none"> • Beach fencing - Fingal Bay Foreshore • Boardwalk handrails/repairs - Pirralea Gardens Boardwalk, Gula Park • Field lighting - fitting replacement - Ferodale Sports Complex, King Park Sports Complex, Tomaree Sports Complex • Building Renovation - e.g. fixing defects/painting - Boomerang Park Dog Club Amenities • Building Renovation - remove demountable - Williamtown Oval Amenities
2025	<ul style="list-style-type: none"> • Boardwalk repairs - Tanilba Bay Boardwalk • Field lighting - fitting replacement - Fingal Bay Oval, Lakeside Sports Complex • Building Renovation - e.g. fixing defects/painting - Karuah Tennis Clubhouse, Korora Oval Amenities
2026	<ul style="list-style-type: none"> • Field lighting - fitting replacement - Salamander Sports Complex • Shade Shelters - Tilligerry Aquatic Centre • Building Renovation - e.g. fixing defects/painting - Medowie Tennis Clubhouse, Raymond Terrace RFS Station
2027	<ul style="list-style-type: none"> • Beach fencing - Shoal Bay Foreshore • Field lighting - fitting replacement - Fern Bay Tennis Courts, Fingal Bay Tennis, Karuah Tennis, Lionel Morton Oval, Mallabula Sports Complex, Stuart Park, Stuart Park Tennis, Tomaree Aquatic Centre • Building Renovation - e.g. fixing defects/painting - Tanilba Bay Sailing Club Amenities, Soldiers Point Community Hall, Tilligerry Library, Tomaree Netball Clubhouse

CSP Strategy

P2.1 Deliver and maintain sustainable community infrastructure

Delivery Program 2022 to 2026 Activity

P2.1.4 Deliver the program for maintenance of Council's assets

Operational Plan 2023 to 2024 Action

P2.1.1.1 Provide, manage and maintain community assets

Reduced Independent Recommendation Scenario: A cumulative increase of **31.29%**, being **9.5%** increase for three consecutive years

Priority Area	Detail
<p data-bbox="248 343 672 395">Fixing our roads</p>  <p data-bbox="199 831 721 927">\$7.1 million</p> <p data-bbox="333 940 589 975">Over three years</p>	<p data-bbox="781 338 2172 547">Sections of roads have been identified for SRV funding based on current data, not limited to the condition rating, the number of potholes, re-occurring need for heavy patching, and sections of roads where we don't expect grant funding to be available. These additional road maintenance works would start in the second year of the rate rise.</p> <hr/> <p data-bbox="842 571 1485 703"> 2025 Lewis Drive, Medowie Medowie Road, Campvale Phillip Street, Raymond Terrace </p> <hr/> <p data-bbox="842 746 1552 927"> 2026 Clarendetown Road, Seaham Italia Road, Balickera Medowie Road, Williamtown Taylors Beach Road, Taylors Beach </p> <hr/> <p data-bbox="842 970 1789 1054"> 2027 Lemon Tree Passage Road, Lemon Tree Passage Marsh Road, Bobs Farm </p>
<p data-bbox="161 1086 313 1114">CSP Strategy</p> <p data-bbox="161 1123 580 1150">Delivery Program 2022 to 2026 Activity</p> <p data-bbox="161 1160 564 1187">Operational Plan 2023 to 2024 Action</p>	<p data-bbox="781 1086 1458 1114">P2.1 Deliver and maintain sustainable community infrastructure</p> <p data-bbox="781 1123 1458 1150">P2.1.4 Deliver the program for maintenance of Council's assets</p> <p data-bbox="781 1160 1406 1187">P2.1.1.1 Provide, manage and maintain community assets</p> <p data-bbox="781 1187 1440 1214">P2.1.4.1 Maintain Council's civil and community infrastructure</p>

Priority Area	Detail
---------------	--------

Protecting our natural environment



\$2.3 million

Over four years

Council would utilise SRV funds to enhance our current range of works that protect our natural environment. These funds would allow Council to be more undertake works more frequently and in a proactive matter and be ongoing into the future.

Areas of focus for increased maintenance and ongoing programs would commence in the **2026/2027 financial year** and include works such as

- Bush regeneration
- Environmental/cultural burn programs
- Habitat improvements
- Strengthening animal movement corridors

CSP Strategy	E1.1 Protect and enhance our local natural and built environment
Delivery Program 2022 to 2026 Activity	E1.1.1 Develop and deliver a program for Council to implement environmental strategies and policies E3.1.1 Develop and deliver a program for Council leading the way to a climate positive future and mitigating environmental risks
Operational Plan 2023 to 2024 Action	E1.1.1.2 Provide environmental impact assessment services and a range of nature conservation, biosecurity and rehabilitation programs E3.1.1.2 Implement Climate Change Adaptation Action Plan encompassing mitigation and adaptation for Council and Community

Priority Area

Looking after our waterways and foreshores



\$2 million

Over four years

Detail

Council would utilise SRV funds to enhance our current range of waterways and foreshore works. These funds would allow Council to be more undertake works more frequently and in a proactive matter and be ongoing into the future.

Areas of focus for increased maintenance and ongoing programs would commence in the **2026/2027 financial year** and include works such as

- Waterway, foreshore and dune area restoration
- Strengthening fencing
- Access points improvements
- Beach management activities

The Coastal Management Plan is currently being finalised through community consultation.

CSP Strategy

E1.1 Protect and enhance our local natural and built environment

Delivery Program 2022 to 2026 Activity

E3.1 Support community resilience to climate change including coastal and waterway hazards

E1.1.1 Develop and deliver a program for Council to implement environmental strategies and policies

E3.1.1 Develop and deliver a program for Council leading the way to a climate positive future and mitigating environmental risks

Operational Plan 2023 to 2024 Action

E1.1.1.2 Provide environmental impact assessment services and a range of nature conservation, biosecurity and rehabilitation programs

E3.1.1.2 Implement Climate Change Adaptation Action Plan encompassing mitigation and adaptation for Council and Community

Priority Area

Detail

The proposed works would look at enhancing the condition of our public spaces and community amenities. Getting back to basics by **fixing known defects** as well as ensuring more energy-efficient lighting. These additional public space maintenance works would start in the **2026/2027 financial year.**

Looking after our public space



\$1.4 million

Over three years

2027

- Beach fencing - Fingal Bay Foreshore
- Boardwalk handrails - Pirralea Gardens Boardwalk
- Boardwalk repairs - Gula Park
- Field lighting - fitting replacement - King Park Sports Complex
- Building Renovation - e.g. fixing defects/painting - Karuah Tennis Clubhouse
- Building Renovation - remove demountable - Williamtown Oval Amenities

2028

- Field lighting - fitting replacement - Ferodale Sports Complex
- Field lighting - fitting replacement - Tomaree Sports Complex
- Building Renovation - e.g. fixing defects/painting - Boomerang Park Dog Club Amenities
- Building Renovation - e.g. fixing defects/painting - Korora Oval Amenities

2029

- Boardwalk repairs - Tanilba Bay Boardwalk
- Field lighting - fitting replacement - Fingal Bay Oval
- Field lighting - fitting replacement - Lakeside Sports Complex
- Building Renovation - e.g. fixing defects/painting - Medowie Tennis Clubhouse

CSP Strategy

P2.1 Deliver and maintain sustainable community infrastructure

Delivery Program 2022 to 2026 Activity

P2.1.4 Deliver the program for maintenance of Council's assets

Operational Plan 2023 to 2024 Action

P2.1.1.1 Provide, manage and maintain community assets