

Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2019-20

Insert Name of Council: **Port Stephens Council**

Date Submitted to IPART: 7 February 2019

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Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

Enquiries regarding this document should be directed to a staff member:

Scott Chapman (02) 9290 8449



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1 Introduction

IPART will assess each application against the criteria set out in the Office of Local Government's (OLG) *Guidelines for the preparation of an application for a special variation to general income* (the [Guidelines](#)). Councils should refer to these Guidelines before completing this application form.

Each council must complete this Part B application form when applying for a special variation to general income either under section 508(2) or section 508A of the *Local Government Act 1993* (NSW).

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council's resolution. IPART's assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit in the same rating year/s, the council may submit a combined special variation and minimum rate application (see Chapter 5 for circumstances where a combined application may be submitted). However, this must be clearly identified and addressed in the special variation application. A separate Minimum Rate application form (Part A and Part B) will need to be submitted where a council proposes increases to its minimum rates above the statutory limit for the first time, without increasing other ordinary rates in the same rating year. Councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2019-20 rating year.

1.1 Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and fact sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and fact sheets on these topics are available on [IPART's website](#).

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

- ▼ Section 2 – Preliminaries
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 – List of attachments
- ▼ Section 9 – Certification.

1.2 Notification and submission of the special variation application

Notification of intention to apply

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 30 November 2018.

Any councils that did not notify but intend to apply for a special variation for 2019-20 should contact us as soon as possible.


Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 11 February 2019**.

The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

- ▼ Arsh Suri - Arsh_Suri@ipart.nsw.gov.au or 02 9113 7730



File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 50MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

2 Preliminaries

2.1 Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special variation to their General Fund's rates revenue as part of their Integrated Planning and Reporting (IP&R) process. The IP&R documents will need to be publicly exhibited and adopted by the council prior to submitting an application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council's application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

2.2 Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed special variation by marking one or more of the boxes below with an "x". The purpose should be directly related to the special variation being sought and should be further detailed in the sections below.

Maintain existing services	<input type="checkbox"/>
Enhance financial sustainability	<input type="checkbox"/>
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	X
Reduce infrastructure backlogs	X
New infrastructure investment	X

Recurring programs to improve library services, delivery of major events to the region.

You should summarise below the key aspects of the council's application, including the purpose and the steps undertaken in reaching a decision to make an application.

Note: Titles in blue are hyperlinked to Council's website for these documents.

Purpose

Port Stephens Council (PSC) is applying for a Special Rate Variation (SRV) of 7.5% per annum (including the rate peg), over seven years, to be a permanent increase which would be retained within the rate base.

The purpose of the SRV is to meet ongoing community expectations and invest in the region's future by:

- providing new and enhanced infrastructure and services to meet the needs and expectations of the local community, which is not possible without additional revenue; and
- undertaking projects of regional significance to keep pace with projected economic growth in the Greater Newcastle and Hunter region.

The rate increase would remain permanently in place to fund ongoing delivery of events and community services, the maintenance of the new and existing infrastructure and to service the remaining loan requirements. Council could retain its current rates income and so continue its current services; however, Council would not be able to take on or maintain a range of new projects.

A summary of the projects and programs to be funded through the SRV is:

- ✓ **Town Centre and neighbourhood revitalisation**
- ✓ **Many roads sealed** across the in Port Stephens Local Government Area (LGA)
- ✓ **Sporting facilities upgrades**
- ✓ **New and improved community amenities** - BBQs and public toilets
- ✓ **Drainage improvements** for Shoal Bay and elsewhere
- ✓ **More new paths and cycleways** for safer and healthier communities
- ✓ **New cultural centre** at Raymond Terrace
- ✓ **Vital carpark infrastructure** for Nelson Bay and Soldiers Point
- ✓ **More frequent road maintenance** in the Port Stephens LGA
- ✓ **Extended open drain and tree maintenance programs**
- ✓ **Increased library and community services**
- ✓ **More events** in the Port Stephens LGA

Details of the proposed projects and programs are available in Council's [Proposed Special Rate Variation booklet](#) and in CRITERION 1: Need.

The proposed SRV represents a \$115m capital investment in the region over 10 years. Council plans to raise the revenue through the SRV over seven years (augmented with loans) and expend over 10 years. Into the future, the infrastructure maintenance would continue with new services in place.

The implementation of these projects and programs would:

1. Enhance the liveability and lifestyle of Port Stephens

The Port Stephens LGA contains a mix of rural land, towns, villages and coastal areas that are a major recreational, tourist and retirement destination.

The revitalisation of town centres with their own character and identity and improved infrastructure would capitalise on the proximity to Newcastle.

The projects and programs would provide local jobs, stimulate the local economy, encourage business growth, promote health and wellbeing and enhance town centres for the benefit of the community.

Council would be able to provide quality and safe infrastructure to support the lifestyle of residents, making it a desirable place to live and relax and offering greater amenity for residents and visitors.

Revitalised neighbourhoods would reaffirm the local character of town centres and attract businesses.

Other projects would develop outdoor spaces with improved paths, cycleways, public amenities and recreation areas, creating access to open space and recreation opportunities.

Enhanced library and community services would benefit residents while event management support would assist key local events as well as assist in attracting major regional events that benefit the local economy through employment opportunities, accommodation and other tourism services.

Support of festivals and events (local and regional) would allow the community and visitors to enjoy and participate in cultural and entertainment activities.

The proposed SRV would support a range of projects (one-off infrastructure construction) and programs (recurring community services and maintenance) to address community expectations as outlined in Council's [Community Strategic Plan 2018-2028 \(CSP\)](#). Extracts from the CSP are in ATTACHMENT 1. The CSP has been developed over a number of years through IP&R consultations.

2. Attract business and investment

Projects funded through the SRV would allow Council to take advantage of dynamic changes in the region. Local community improvements would attract people, jobs and tourism and support economic development in the LGA – contributing to goals set out in the [Greater Newcastle Metropolitan Plan 2036](#) and assist in the delivery of the [Hunter Regional Plan 2036](#). By supporting regional plans, Council would be able to leverage off other State and Federal government initiatives including grant funds.

Borrowing *Evocities* principles, improvement in infrastructure and services encourage people to live in the area, create a diverse housing demand, hence attracting businesses and creating economic opportunity. This is substantiated by a report, ***Business Case Cost Benefit Analysis: Town Centre Revitalisation***, recently commissioned by Council from Morrison Low.

Ports Stephens LGA's proximity to Newcastle (Australia's seventh largest city), major transport hubs (Newcastle Airport and Port) reinforces Port Stephens as a great place to live, work and invest. Newcastle Airport is located in the LGA and is a joint venture between Council and Newcastle City Council.

The LGA will also grow on the back of higher education, health, aviation, trade and tourism initiatives in the Greater Newcastle area but it needs additional stimulus to augment these opportunities:

- Growth of defence and aerospace-related industries in and around the Royal Australian Air Force base at Williamtown with the creation of a new Defence and Aerospace Related Employment Zone (DAREZ) of emerging high technology industry, defence and aerospace activities. This will affect housing, logistics, technology, education and manufacturing industries in the region and will create more jobs and attract more people to live in the area.
- Astra Aerolab (Greater Newcastle Aerotropolis Partnership Limited) is a nationally-significant commercial precinct being developed by Newcastle Airport to support defence, aerospace and advanced research, manufacturing and business. Located immediately adjacent to the airport and RAAF Base Williamtown – Australia's primary defence fighter base and home to the country's new fleet of F-35 Joint Strike Fighters, the one-of-a-kind site offers world-best access to education and learning and will ultimately generate 5000+ jobs, providing an economic benefit in excess of \$246m pa.
- Growth of commercial operations of the regionally significant Newcastle Airport with introduction of international flights and more regional connections providing trading and tourism opportunities as well as employment and living.
- Provision of attractive public spaces by enhancing public green spaces with clean amenities and supporting services in free indoor spaces such as libraries.
- Provision of suitable infrastructure at iconic tourism destinations such as Birubi Point Aboriginal Place (North Stockton Beach with its extensive sand dunes) and securing major events to boost visitation hence adding to economic value.
- Strengthening road networks linking regional centres to local neighbourhoods, improving commute times and road safety.
- Increased economic prosperity through the diversification of seasonal occupations (heavily reliant on tourism) and strengthening service-based employment sector.

Council modelling indicates that raising rates over a reasonable time frame in conjunction with a loan program would provide a revenue stream sufficient to allow it to meet

community expectations and keep pace with regional development in the foreseeable future.

As Council is financially fit, it can continue to “live within its means”, meeting current service levels. However, in doing so, Council would not be able to make these additional, substantial infrastructure improvements that the community has consistently requested as part of the IP&R process, which would also allow the LGA to benefit from projected growth in the region.

The community is generally very satisfied with Council’s delivery of services and facilities as highlighted in Council’s annual Community Satisfaction Survey. The latest report, 2018, is at ATTACHMENT A6.5.

Since 2009, Council has worked hard to maximise efficiencies and productivity (through regular service reviews) and maximise other revenue streams. However, revenue streams and efficiencies are optimised and Council now seeks to increase rate revenue to meet community expectations for safe and reliable community facilities, improved roads, additional community infrastructure and services and revitalised community centres.

This application should be read in conjunction with the attachments, which provide additional supporting information, listed in Section 8. In addition to the mandatory material, it includes links to relevant policies and plans, a photographic folio of relevant assets and detailed research on affordability.

2.3 Existing s508A multi-year special variation

You should complete this section if the council has an existing s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further changes to its general income.

If IPART decides to approve an increase to the council’s general income in response to this application, it will vary the existing s508A multi-year special variation instrument. Therefore, by completing this application form and seeking a further change to your revenue path, you are in effect applying for a variation to that instrument.

When addressing the assessment criteria in the remainder of this application form, please take care to be clear about whether the information you are providing is in relation to the incremental increase being sought by the council or the total cumulative increase that may be reflected in a varied instrument (this would include the aspects of the application that have previously been approved by IPART).

Does the council have a s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further increases to its general income Yes ☐ No ☒

If Yes:

- a) Over what period does the existing instrument apply? From _____ to _____
b) What are the approved percentages for each year of the existing instrument? _____
-

c) Briefly describe any significant changes of relevance since you submitted the application for the existing instrument.

N/A

2.4 Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG's Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010

Yes **X** No ☐

If Yes, has a review been done and submitted to OLG?

Yes **X** No ☐

Five CAPEX have been lodged prior to application:

1. Depot relocations
2. Nelson Bay revitalisation and carpark
3. Raymond Terrace/King Street revitalisation
4. Medowie CBD
5. Birubi Information Centre

3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- *Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and*
- *Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies.

The response to this criterion should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

3.1 Case for special variation – community need

In its application, the council should summarise and explain:

- ▼ How it identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in loan borrowings, or private public partnerships or joint ventures.
- ▼ How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts. In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

3.1.1 How was the need identified?

Through the regular Integrated Planning and Reporting (IP&R) process, the community has consistently raised numerous priorities, which are reflected in Council's CSP.

Prior to the development of a SRV application, Council had consulted the community on its IP&R documents in line with the *Local Government Act 1993*, beginning with a discussion paper prior to the September 2017 local government elections.

Shortly after their election in September 2017, the Mayor and Councillors held a strategy workshop to determine the priorities for their term, which are:

- more investment in CBDs, businesses and strengthening the economic future of the LGA;
- more investment in roads, paths, parks and community facilities; and
- more investment in social, health and youth community programs which the community has been asking for, for some time.

The new Council has consistently consulted the community on how to achieve these improvements through their personal, extensive involvement in the community and their committed attendance at many of the consultation activities associated with the proposed SRV.

The need to meet these community expectations and to renew and maintain the existing assets to a required level in a financially sustainable manner has been an ongoing challenge for Council. Council has been unable to fund many of these projects within existing resources. This is despite regular cost saving programs, user-based charges, extensive use of external grants and diverse revenue streams.

The list of proposed and unfunded works have been recorded in Port Stephens for at least 18 years. These projects were initially documented in the Council's "Forward Works Program" and "Section 94 Plan". With the introduction of the Strategic Asset Management Plans (SAMP), reviewed every year, these unfunded works are now documented in Council's Capital Works Plus Plan (ATTACHMENT A11.1) and is documented in the SAMP. The full document is available via a hyperlink [SAMP9](#).

Investigating funding sources was highlighted in the Delivery Program and Operational Plans for 2018. An extract of this is in ATTACHMENT A13.2.

After considerable consultation and consideration, at its meeting on 9 October 2018 Council resolved to notify the Independent Pricing and Regulatory Tribunal (IPART) of its intention to apply for a SRV (ATTACHMENT A8.1: Min. No. 114).

A number of SRV options were considered and tested in the community with the option of a proposed increase of 7.5% developed in detail.

Over the 10 year period from 2019-2020 to 2028-2029, Council proposes to raise an additional \$133.4m in SRV revenue which would be leveraged with loans of \$60m over

20 years for new and enhanced major infrastructure projects as well as renewal of existing assets to be built over the same period.

The reason for loan funding in addition to the proposed SRV income is to provide funds to start and complete the SRV capital works projects in a reasonable time frame, which is 10 years, while maintaining cash flow for the enhanced services and loan repayments. The loans and their repayments are over 20 years in order to maintain intergenerational equity.

To ensure that today's generation of rate payers are not paying for future infrastructure that they won't use, loans have been factored in to ensure the program is delivered within a reasonable timeframe without jeopardising cash flow.

This will ensure that the cost and benefit of the new infrastructure is shared between generations of ratepayers. Council has sought to maintain an element of intergenerational equity in the past by borrowing for public infrastructure, eg a loan of \$6m in 2017 for infrastructure projects. However, borrowing money without a compensating revenue source is not sustainable.

Borrowing funds (to be repaid by SRV funds) ensures that Council's asset backlog can remain under the OLG benchmark, with the ability to more quickly rehabilitate deteriorating roads under the SRV program.

An outcome of the proposed SRV is that Council's asset backlog will be reduced. However, this is not the purpose of the SRV. As seen in the Figure 23B, the asset backlog under the Standard Scenario is on an upward trend.

Infrastructure projects are scheduled for construction over the next 10 years. Service delivery would begin in 2019-2020.

Part A provides details on the proposed income and expenditure of the SRV over 10 years, which also shows the proposed start dates of projects.

Council has demonstrated its capacity to deliver these projects in the [Workforce Plan \(2018-2021\)](#), adopted by Council on 29 January 2019 (ATTACHMENT A8.2: Min. No. 004).

Information about the proposed projects and programs are provided 3.1.2. The costings are rounded. More details are provided in the [Long Term Financial Plan](#) (LTFP) and Part A of this application.

A full version of the LTFP as a PDF document is at ATTACHMENT 3. The LTFP financial statements in Excel form are at ATTACHMENTS 16.1 and 16.2. The reason for supplying a consolidated and unconsolidated version of the LTFP is outlined in section 3.2.1 (Newcastle Airport).

3.1.2 Proposed SRV projects

3.1.2.1 One-off projects

The following are one-off infrastructure projects. These would be funded by loans serviced by the proposed SRV funds. In most cases, the funding amount represents the total cost of the project. In some cases, this may be for a first stage of a masterplan, eg, Nelson Bay. To undertake further stages, Council would continue to seek alternative funding such as appropriate grants.

Loans funds would be used for construction costs from Y1 to Y6. From Y7, as construction is largely completed and SRV funds have accumulated, SRV funds are predominantly used. From Y8 to Y20, SRV funds would service the remaining loans and continue to deliver the new services. The permanent rate rise would also fund ongoing maintenance of the new infrastructure into the future.

Some projects, namely the Art Centre and depot relocations, are not fully funded by SRV funds or loans and require additional income.

The Arts Centre is not due for commencement until 2027-2028 and is yet to be fully costed.

Depot relocations have an estimated total project cost of \$20m (see Capital Expenditure Review) and it is anticipated that other revenue streams such as a proposed sand extraction lease, additional loans and possibly grants would provide remaining funds.

Town centre and neighbourhood revitalisation (\$43m)

Funding to undertake a range of activities and construction projects to revitalise town centres and neighbourhoods across Port Stephens:

Anna Bay

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	Anna Bay Strategy and Town Plan 2008	N/A	Yes
Description	Review and refine Anna Bay Strategy and Town Plan and implement with construction of: <ul style="list-style-type: none"> • footpaths for pedestrian access • town signage • formalised parking • gardens on road blisters and footpaths 		

Fern Bay

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$1m	Fern Bay and North Stockton Land Use Strategy (draft)	N/A	No
Description	Construct pathways for pedestrian access along Nelson Bay Road and the original Fern Bay suburb. Construct bus shelter.		

Lemon Tree Passage/Tanilba Bay

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	Port Stephens Planning Strategy 2011 Infrastructure Plan under consideration	N/A	Yes Community advisory panel being considered
Description	Implement McCann Park improvements to provide a sense of town arrival from Lemon Tree Passage Road and John Street. Provide main street vista with: <ul style="list-style-type: none"> • footpaths for pedestrian access • town signage • gardens on road blisters and footpaths 		

Karuah

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	Karuah Growth Strategy 2011	N/A	Yes
Description	Aligned with the Karuah Growth Strategy, undertake Mustons Road culvert widening and pedestrian walkway. Provide main street vista with: <ul style="list-style-type: none">• town signage• formalised parking• gardens on road blisters and footpaths		

Medowie – drainage

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$5m	Medowie Planning Strategy 2016 Medowie Floodplain Risk Management Study and Plan - April 2016	Yes	Yes Ongoing
Description	Aligned with the Medowie Planning Strategy, enhance the town centre as a focus for commercial and community activity. Review purchase of land for centrally located open space and drainage works to reduce flooding, improve planning and release land for development.		

Nelson Bay

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$15m	Nelson Bay Town Centre and Foreshore Strategy 2012 Nelson Bay Delivery Program 2018	Yes	Yes Ongoing
Description	Implement Stage One of Nelson Bay Town Centre and Foreshore Strategy actions, including: <ul style="list-style-type: none">• implement proposed Public Domain Plan• implement Apex Park Masterplan Provide new car parking facilities		

Raymond Terrace

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$15m	Raymond Terrace and Heatherbrae Strategy 2015-2031	Yes	Yes Ongoing
Description	Implement Stage One of Raymond Terrace and Heatherbrae Strategy by upgrading William Street between Sturgeon and King Streets, including: <ul style="list-style-type: none">• drainage works• kerb and gutter upgrades• street tree planting and gardens• increased pedestrian access for greater accessibility and dining Undertake King Street revitalisation including: <ul style="list-style-type: none">• construction of footpaths along the riverbank• provide access connection from King Street to the levee• reintroduce heritage streetscape		

Seaham

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$0.5m	Pathways Plan	N/A	Yes
Description	Provide a sense of place through: <ul style="list-style-type: none">• road pavement delineation• bus stop interchange• street trees planting		

New community amenities (total of \$8.5m)

Arts Centre (Raymond Terrace)

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	Project to commence in 2027-2028 Planning documents to be developed in 2025-2026.	Pending 2027-2028	Yes
Description	Provide a multi- functional cultural space in Raymond Terrace by constructing a facility to replace the modest arts space, currently in Raymond Terrace library. Not fully costed.		

Birubi Information Centre

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$3m	Birubi Point Aboriginal Place Management Plan 2018	Yes	Yes Birubi Point Cultural Heritage Advisory Panel
Description	To support the implementation of the Birubi Point Aboriginal Place Management Plan, the proposed Birubi Information Centre has been designed to provide increased car and coach parking, reduce congestion and other site access issues around visitor activity at Birubi Point. It will provide a sheltered area and space for dune operators and amenities, including public toilets and a kiosk. Additional funds from grants.		

BBQ facilities

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$0.5m	Recreation Strategy 2018 SAMP9	N/A	No
Description	Full replacement of BBQ shelters and seating at: <ul style="list-style-type: none">• Lemon Tree Passage• Fingal Bay Foreshore• Caswell Reserve, Mallabula• George Reserve, Soldiers Point• Memorial Park, Karuah• Boomerang Park, Raymond Terrace• Medowie Town Centre		

Mallabula Hall

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$0.5m	SAMP9	N/A	Yes
Description	Upgrade the community hall to improve safety, convenience and functionality for users. There is also an opportunity to a youth facility adjacent to other youth infrastructure.		

Public amenities renewals

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	Recreation Strategy 2018 SAMP9	N/A	No
Description	Provision of toilets, bike racks, drinking fountains and beach showers: <ul style="list-style-type: none"> • Shoal Bay West Foreshore • Longworth Park, Karuah • Neil Carroll Park, Nelson Bay • Aliceton Reserve, Karuah • Henderson Park, Lemon Tree Passage • Fingal Bay North Foreshore • Bettles Park, Raymond Terrace • George Reserve, Soldiers Point • Spencer Park, Soldiers Point • Little Beach Foreshore • One Mile Beach • Shoal Bay East Foreshore • Medowie Town Centre Please see SAMP9 for details.		

Car parking, Soldiers Point

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$0.5m	Soldiers Point Aboriginal Place Plan of Management 2015	N/A	Yes
Description	Improve traffic facilities on the peninsula which is subjected to high levels of traffic during peak seasons. Provide formal car parking adjacent to Spencer Park to ease traffic congestion		

Paths and cycleways

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$9.7m	Port Stephens Pathway Plan	N/A	No
Description	\$7.7m Paths to provide connectivity along major community and tourist centres in accordance with Council's Pathway Plan: <ul style="list-style-type: none"> • Anna Bay – two missing links on Gan Gan Road • Medowie – Medowie Rd from Ferodale Rd to South St intersection and Waropara Rd from Ferodale Rd to school. • Shoal Bay Foreshore – missing link from Shoal Bay Centre towards Nelson Bay past Anzac Park 		

	<ul style="list-style-type: none"> Raymond Terrace – multiple missing links across suburb Tilligerry - The missing Mallabula to Lemon Tree Passage link, LTP Boat ramp to Rudd Reserve, shared waterfront path between Swan Street, Tanilba Bay and Tanilba Sailing Club. <p>\$2m Design and construct safe pedestrian and cycle access in an area where the community has been impacted by increased trucking movements for two quarries in Brandy Hill.</p>
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Sports facilities (total of \$6.8m)

Tomaree Sports Complex

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$3m	Tomaree Sports Complex Master Plan 2018	N/A	No
Description	In accordance with the Tomaree Sports Complex Master Plan, undertake renovation and expansion of the sporting grounds, new multipurpose amenities buildings, car parking and traffic improvements, accessibility upgrades and improved community event spaces.		

King Park Sports Complex redevelopment

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$3m	King Park Sports Complex Master Plan (in draft)	N/A	Yes
Description	In accordance with the Master Plan (to be completed in 2019), undertake car parking and traffic upgrades, stormwater harvesting, field lighting upgrades, playing surface renovations and landscape movements."		

Stuart Park, Hinton

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$0.8m	SAMP9	N/A	Yes
Description	Replace out of date facility which is no longer fit for purpose with a new multipurpose sports amenities building.		

Depots relocations

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$5m	N/A Design and construct new depots at Raymond Terrace and Nelson Bay and remediate existing sites	Yes	N/A
Description	<p>The existing Raymond Terrace works depot has passed its asset life, is functionally obsolete and does not meet current safety and environmental practices. The works depot is also physically separated from other functions of Council that it relies on. Proposed to relocate the depot adjacent to the Administration Building.</p> <p>This location is also near a small industrial zone in Raymond Terrace. Material stockpiles traditionally located at depots are no longer needed, as these are sourced through suppliers and not stored on the depot site.</p> <p>The existing Nelson Bay works depot is situated on NSW Crown land which is not suitable for this location. Proposed to combine facilities at the Salamander Bay Waste Transfer Station.</p> <p>Both relocations would reduce the facility's footprint and improve overall staffing and services function, hence reducing administration waste and duplication of effort.</p> <p>This project also includes the rehabilitation of the existing works depot sites.</p> <p>Additional funding from general revenue required to estimated total cost of \$20m.</p>		

Foreshore improvements

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$3m	Sandy Point Conroy Park Coastal Zone Management Plan (OEH endorsed) Port Stephens Coastal Management Program (being developed)	N/A	Yes
Description	<p>There are several projects including:</p> <ul style="list-style-type: none"> • Conroy Park, Corlette - Coastal Process Study - Precinct 1-4 outcomes stage 1 to 3 • Little Beach, Nelson Bay - boat ramp upgrade and sand back passing • Soldiers Point – Foreshore revetment and pathway west of Thou Walla Sunset Retreat • Gibber Point Reserve, Lemon Tree Passage and Tilligerry Habitat and Caswell Reserve, Mallabula - bank stabilisation, vegetation and repair • Waterfront Road, Swan Bay - revetment wall upgrade 		

Drainage infrastructure, Shoal Bay

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	SAMP9 Complete master design for drainage network	N/A	Yes
Description	Stage 2: Creation of a large detention basin between Horace Street and Government Road. Works includes augmentation to trunk system, kerb inlet and infiltration pits from Rigney Street to Shoal Bay Beach outlet.		

Street lighting upgrades

Amount	Planning document	Capital Expenditure Review undertaken	Further community consultation
\$2m	"Lighting the Way", AUSGRID	No	N/A
Description	<p>Stage One: Accelerated replacement of approximately 2,600 of 4,400 ageing street lights with LED lights to improve energy efficiency and cost savings.</p> <p>The Australian government signed the Minamata Convention in 2013 and is now considering ratifying the convention, which would impose a ban on manufacturing or importing mercury vapour lamps by 2020. Ausgrid operates and maintains street lighting on behalf of councils. Councils are required to fund the upgrade.</p>		

A selection of photos are provided to illustrate the need for infrastructure improvements ATTACHMENT 12.

3.1.2.2 Recurring programs

Figure 1 provides the per annum costs of the recurring programs. Details of these programs are provided below. The amounts below are the costs over the first 10 years. The programs would remain in place and continue to be funded from the SRV remaining permanently in place.

Figure 1: Proposed recurring cost programs

Recurring Costs											
Project	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Year 6 2024-25	Year 7 2025-26	Year 8 2026-27	Year 9 2027-28	Year 10 2028-29	TOTAL SRV Funds over 10 years
Enhanced Services											
Libraries, community and events services (recurring costs per annum)											
Events management	\$0.350m	\$0.350m	\$0.350m	\$0.350m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$4.4m
Library/Community services	\$0.100m	\$0.100m	\$0.100m	\$0.150m	\$0.250m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$3.2m
TOTAL	\$0.450m	\$0.450m	\$0.450m	\$0.500m	\$0.750m	\$1m	\$1m	\$1m	\$1m	\$1m	\$7.6m
Maintenance (recurring costs per annum)											
Tree maintenance	\$0.100m	\$0.100m	\$0.150m	\$0.350m	\$0.650m	\$0.650m	\$0.650m	\$0.650m	\$0.650m	\$0.650m	\$4.6m
Open drain maintenance	\$0.100m	\$0.100m	\$0.100m	\$0.350m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$3.65m
Sporting facilities maintenance	\$0.100m	\$0.100m	\$0.100m	\$0.350m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$0.500m	\$3.65m
Increased infrastructure maintenance	0	0	\$0.200m	\$0.500m	\$0.750m	\$1m	\$1.5m	\$2.25m	\$2.5m	\$2.5m	\$11.2m
TOTAL	\$0.300m	\$0.300m	\$0.550m	\$1.55m	\$2.4m	\$2.65m	\$3.15m	\$3.9m	\$4.15m	\$4.15m	\$23.1m

Delivery Program and Operational Plans 2018-2021 | Adopted Jan 2019

73

Source: PSC Delivery Program and Operational Plans 2018-2021, p73

Note: While this 10 year summary is the DP and OP, the exact timing was an estimate only at the time of printing. The start dates may be slightly altered in order to ensure project planning is correct, delivery demands are achievable and cash flow requirements are met. Overall project values are consistent with the LTFP.

Road maintenance - rehabilitation and reseals (\$35.15m over 10 years)

Road resealing and rehabilitation projects are funded as a recurring cost per annum.

This program would increase the number of road rehabilitations and sealing of gravel roads. The first two years would focus on the first seal on gravel roads and the required design and investigation in preparation of future road rehabilitations to match allocated funds. The third year of the SRV program (2021-2022) would substantially increase the amount of first seal gravel roads and road rehabilitation.

Depending on the road pavement terrain, location and surrounding environment road rehabilitations cost \$60 per m² to \$120 per m² and gravel road first seals cost \$850,000 per km to \$1.4m per km.

The level of work varies annually across 10 years. Starting at \$0.5m pa in 2019-2020, funds would progressively rise to \$5.5m pa in 2028-2029 (Y10). The details of specific road projects are listed in Attachment 5 of SAMP9 with funding detailed in the LTFP.

Library and community services (\$3.2m over 10 years)

These funds would expand library and community services in the following ways:

- Children's literacy program will be increased to support an extra local families (target 260 families) and children (target 350 children);
- Digital literacy for seniors program will be increased to support up to 400 seniors;
- Homebound book delivery service will be increased to support extra clients (target 120 clients); and
- Saturday business hours increased by 2 hours (from 12pm to 2pm) for Raymond Terrace and Tomaree libraries (target 6761 hours opened per year across all library services).

Event management (\$4.4m over 10 years)

Council has identified events as a key opportunity for growth across Port Stephens, supported by an established [Events Policy](#) (currently under review). In 2017-2018, Council's investment injected an estimated \$8.26m into the LGA's economy (*Source: Remplan economic benefit analysis 2018*).

The proposed allocation of SRV funding for events would be used on the following key projects:

- Establish an expanded events team to manage events sponsorship and event coordination (\$0.13m pa);
- Build an expanded event sponsorship and procurement program to focus on attracting events that would deliver economic benefit to Port Stephens, particularly through overnight visitation in 'off peak' tourism season (\$0.1m pa); and
- Initiate, coordinate and manage two to three community based events throughout the year to complement Council's place making and place activation programs, driving desired social and cultural outcomes (\$0.12m pa).

The per annum amount would increase from \$0.35m pa in 2019-2020 (Y1) to \$0.5m pa from 2023-2024 (Y5) onwards as SRV funds become available over seven years.

Tree maintenance (\$4.6m over 10 years)

This program would undertake the gradual increase in the removal and replacement of dangerous/hazardous trees that are listed in priority - category 1: immediate removal, category 2: removal within six months of inspection/approval and category 3: as funding permits. This is across the LGA on road reserves, parks and reserves.

This would equate to an increase of 100 trees per \$0.1m. Starting at \$0.1m pa in 2019-2020 (Y1), rising to \$0.65m pa in 2023-2024 (Y5) onwards.

Open drain maintenance (\$3.65m over 10 years)

The program would undertake an additional drainage maintenance program of 250 lineal metres (lm) of excavation, 1,500 lm of mowing and 5,000 lm of spraying per \$0.1m.

Starting at \$0.1m in 2019-2020 (Y1) rising to \$0.5m pa from 2023-2024 (Y5) onwards.

Sports facility maintenance (\$3.65m over 10 years)

Funding would increase Council's capacity to undertake large scale maintenance tasks across sporting facilities to:

- Improve functionality and visual amenity; and
- Repair or replace deteriorated assets.

The program would repair an estimated 150 additional building defects per \$0.1m. This including carpentry, paint, electrical and plumbing faults that are identified and registered with Council. The actual number is dependent on final inspections prior to work and time taken to undertake each remediation.

Starting at \$0.1m pa in 2019-2020 (Y1) rising to \$0.5m pa in 2023-2024 (Y5) onwards.

Ongoing maintenance of upgraded and new infrastructure (\$11.2m over 10 years)

As infrastructure is repaired and built, its ongoing maintenance becomes a cost to Council. Starting at \$0.2m pa in 2021-2022 (Y3), funds would rise to \$2.5m pa in 2027-2028 (Y9).

3.1.2.3 Loans management

Part of the SRV funds would also be used:

- Loan interest payments \$18.162m; and
- Loan principal repayments \$25.225m.

The reason for loan funding in addition to the SRV income is to provide funds to start and complete the SRV capital works program in the 10 year time frame, while maintaining cash flow for the enhanced services and loan repayments. The loans and their repayments are over 20 years, the estimated life of new infrastructure assets.

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

Council's current debt portfolio is detailed in the LTTP. Council would raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Loan drawdowns would be timed to optimise cash flow and minimise interest expenses. A summary of expected loan drawdowns over the next four years based on the capital works delivery schedule attached to the SRV is as follows:

Figure 2: SRV loan amounts per annum

Purpose of loan	Loan amount per annum			
	2019-2020	2020-2021	2021-2022	2022-2023
Town centre revitalisation • Community amenities • Car parking • Sport facilities • Paths and cycleways • Drainage • Roads	\$11m	\$11m	\$10m	\$8m

3.1.2.4 Other funding options considered

As part of the draft Delivery Program 2018-2021 (April 2018), a section highlighted that Council planned to investigate the funding options including the possibility of applying for a SRV in 2018-2019. This was not commented on in community submissions and was adopted into the Plan in June 2018. An extract of this section is at ATTACHMENT A13.2.

Council considered a range of other options such as changing expenditure priorities, using alternative modes of service delivery and new or higher user services charges. Council already increased its loan borrowings (see figure 15) and is engaged in joint ventures and partnerships.

In 2018, Council appointed a finance officer dedicated to source, prepare, and apply for relevant grants to maximise Council's opportunities to receive grant and subsidy revenue. To date, the officer has secured funds above targets.

Council also maintains a substantial property investment portfolio (see section 7.9).

Council determined that these sources of funds had been optimised and the way forward was a rate rise above rate pegging.

This would allow Council to revitalise town centres and neighbourhoods, build new community infrastructure, increase maintenance cycles and enjoy enhanced services for a modest investment with an average increase of:

- \$98 each year (including rate peg) for the average residential property;
- \$152 each year (including rate peg) for the average farmland property; and
- \$419 each year (including rate peg) for the average business property.

See ATTACHMENT A5.2 for copies of flyers.

3.1.3 Steps taken

Council began to consider a proposed SRV with the election of a new Council in September 2017. Council considered the priorities of the community set out in the Community Strategic Plan 2018 -2028.

With an initial discussion paper, Council sought feedback and ideas from the community to inform the drafting of the Community Strategic Plan 2018-2028. Community feedback as well as Councillors' priorities guided the drafting of the IP&R documents. Consultation on the IP&R documents was conducted in April 2018.

A number of topics were recurring across the submissions relating to projects that have subsequently been selected to be funded by a proposed SRV.

Council made it one of its key priorities for 2018-2021 in its Delivery Program to investigate funding opportunities through a special rate variation. After community consultation, the IP&R documents were adopted in June 2018.

Council then undertook extensive consultation in July/August 2018 to seek community views on three levels of a possible SRV, the types of projects and programs it could fund.

Council sought both formal and informal feedback through the process and after extensive consultation about a range of possible options, Council endorsed its intention to apply for a SRV on 9 October 2018 (ATTACHMENT A8.1: Min. No. 114).

The IP&R documents were revised to reflect this intention and the drafts were placed on public exhibition with consultation undertaken from 14 November until 21 December 2018.

The IP&R documents show how a proposed SRV would be implemented and were endorsed by Council on 29 January 2019 (ATTACHMENT A8.2: Min. No. 004).

Extracts from the [Delivery Program and Operational Plans 2018-2021](#) detailing the SRV projects linkages to the CSP are detailed in the Delivery Program and Operational Plan that were adopted on 29 January 2019, see ATTACHMENT A13.3.

Throughout these steps, Council continued to inform the community about the proposal through various channels in local media, newsletters, direct mail to ratepayers and on Council's website. In the latter months of consultation, organic articles about the proposed SRV have begun to appear in local media, favourably referencing the projects.

Details of these steps are provided in Criterion 2: Community awareness.

3.2 Financial sustainability

The proposed special variation may be intended to improve the council's underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability (eg, by auditors, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for a special variation.
- ▼ The council's view of the impact of the proposed special variation on its financial sustainability.

3.2.1 Current Financial State

The challenge of financial sustainability is faced by the majority of NSW councils and Port Stephens Council is not immune from this issue. Some of the financial challenges affecting Council over the last few years include:

- significant increases in utility prices (phone, water and electricity);
- increase in works and construction costs (as reflected in the Construction Industry Output Price Indexes);
- State and Federal Government cuts to operating grants and subsidies; e.g. libraries and child care;
- State and Federal Government cost shifting and increased compliance tasks;
- reduced investment income as a result of continued low interest rates; and
- successive rate pegs below labour market increases.

Despite these challenges Council has been successful in developing strategies to remain financially sustainable. These strategies include:

- implementation of a Treasury Model across each Group within Council to ensure fiscally responsible budgets (which has resulted in surpluses in the underlying operating result in every financial year since 2013);
- a rolling services review program across all areas of Council;
- commercial land developments and vacant land rationalisation;
- increased focus on commercial opportunities e.g. Newcastle Airport expansion and fee for service programs e.g. State Government roads maintenance; and
- implementation of utility cost efficiency initiatives such as solar, LED, tariff reviews and energy audits.

See Criterion 5 (Productivity) for more details.

As a direct result of these initiatives Council's [2017-2018 Annual Report](#) show an organisation that is in a sustainable position. This is demonstrated by the Local

Government Performance Indicators in Note 24 (see figure 3) where Council met five out of the six benchmarks set by the NSW Office of Local Government (OLG). Council's future financial plans leverage off these results as a base for future projections.

Figure 3: Statement of performance measures – consolidated results

Note 24. Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(93)	-0.08%	7.10%	4.09%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	116,093				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	102,662	78.08%	76.57%	80.45%	> 60.00%
Total continuing operating revenue ⁽¹⁾	131,480				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	38,991	2.05x	3.18x	3.53x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	18,975				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15,108	2.36x	6.35x	4.71x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,411				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding ⁽⁵⁾	1,644	2.84%	2.80%	2.69%	10%
Rates, annual and extra charges collectible	57,951				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	51,070	5.53 mths	5.8 mths	3.4 mths	> 3 mths
Payments from cash flow of operating and	9,241				

Source: PSC 2017-2018 Annual Report, Volume 2, p77

Note: In 1, the OPR was not met in 2018 (-0.08%) due to abnormal, one-off expenditure that was provided for legal services.

Despite the sustainable position, Council has not been able to increase service levels and deliver new infrastructure at the same pace as the community's growing expectations as highlighted by a growing list of unfunded capital works. Details of the Capital Works Plus Plan is in ATTACHMENT A11.1.

Newcastle Airport

It's important to note that PSC holds a 50% shareholding in Newcastle Airport Pty Ltd (NAPL) which is one of the fastest growing airports in NSW. The ratios disclosed above include NAPL which is a separate legal entity and does not form part of Council's general fund operations. Under the Australian Accounting Standards, PSC is required to consolidate NAPL within its Annual Report and LTFP.

Council chooses to eliminate the Newcastle Airport from its own internal financial analysis due to the corporate structure and operational realities of not being able to

utilise the NAPL's operating result for cross subsidisation. Under the shareholder agreement NAPL is only required to distribute 50% of its annual profit to its shareholders. For the 30 June 2018 financial year PSC's general fund received a dividend of \$1,903,000 from NAPL.

For the purposes of the application PSC has shown in Section 3.3 what the revised OLG performance benchmarks disclosed in the LTFP would be without the consolidation of NAP.

3.2.2 External Financial Assessments

1. NSW Treasury Corporation

In 2012, NSW Treasury Corporation (TCorp) conducted a financial assessment of Council, *Financial Assessment and Benchmarking – Port Stephens Council*.

TCorp's assessment of Council was:

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

- Council's underlying cash result (measured using EBITDA) has been improving over the three year period.*
- Council has developed a number of commercial operations such as the Newcastle Airport that provide reliable cash flows to support their activities.*
- Approximately 82.0% of the Council's revenue base is derived from own sourced revenue (annual charges, and user charges and fees). Council can rely upon these revenue streams for financial flexibility ...” (p 4).*

Subsequently, Council was granted access to the Local Infrastructure Renewal Scheme and the outcome was another \$1m allocated for roads remediation.

TCorp's assessment was endorsed by the Independent Local Government Review Panel (ILGRP) which stated in its *Revitalising Local Government: Final Report* of the NSW Independent Local Government Review Panel (October 2013) that

“Port Stephens Council appears likely to remain sustainable in its present form well into the future, and there are no pressing boundary issues” (p109).

The report also stressed the Hunter region as a vital ‘engine room’ of the NSW economy, and local government has a vital role to play in ensuring sound regional development (p108). The TCorp assessment is in ATTACHMENT A4.1.

Since 1 July 2016, Council's financial statements have been audited by the NSW Auditor General. No issues around liquidity or solvency have been noted with the Auditor General's report.

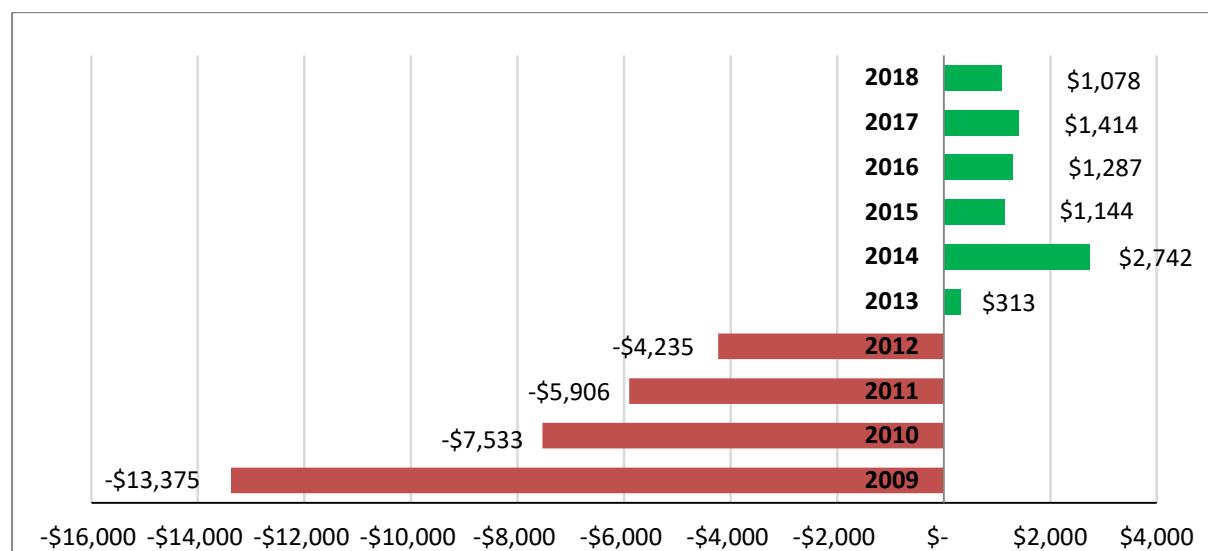
Prior to the Auditor General taking over Council's audit, no such issues had been raised by Council's independent contracted auditor.

2. Fit for the Future

In 2014, the NSW Government implemented the *Fit for the Future* reforms which was aimed at improving the performance and strength of the local government sector. Through this reform process, Port Stephens Council was deemed "Fit" as a result of being assessed by IPART against a number of performance indicators including financial criteria. The *Fit for the Future* Assessment is in ATTACHMENT A4.2.

Since the TCorp and IPART assessments, Council has been able to continually deliver sustainable budgets and financial results. As well as the OLG performance indicators identified above, one of Council's other key indicators of financial sustainability is its "underlying operating result". The result of the underlying surplus in recent years is as follows:

Figure 4: PSC - Underlying operating results - 2009 to 2018



3.2.3 Future Financial Sustainability

1. Forecast Operating Result

In the LTFP, Council includes a Standard Scenario of 2.7% rate pegging for the initial year and then 2.5% onwards (Council's base case situation), a Strategic Scenario (including the proposed SRV rate increase of 7.5%) and a Conservative Scenario of 2%. The only difference in the financial modelling of the Standard and Strategic (SRV) Scenarios is the income and expenditure related to the SRV. Whilst not applicable to this application, the Conservative Scenario acts as a sensitivity analysis on the potential impact a 2% rate increase would have if adopted.

The forecast underlying result within the Standard Scenario of the latest LTFP is a modest surplus and generally represents 0.5% - 1.0% of Council's operating budget as follows:

Figure 5: PSC underlying surplus (deficit) forecasts – 2020 to 2029

	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	2029 \$'000
Underlying surplus / (deficit)	677	122	103	(11)	995	651	891	614	1,584	1,260

In the Standard Scenario there are a number of key economic and environmental factors (e.g. property market yields, tourism spend and natural disasters) which if there is an adverse change would have a detrimental impact on Council's financial position. Other assumptions within the forecast results include no increased service level to the community and that the capital works program would continue to be based on risk priorities (e.g. maintenance renewals) and available funding. This is demonstrated by the fact that income and expenditure are assumed to only increase in line with inflationary forces.

2. Alternate Funding Sources and Constraints

Council has worked hard to achieve a diversified revenue stream. This is highlighted by Council's Own Source Operating Ratio (Note 24, PSC Annual Report, Volume 2, p77) which is consistently above the 60% benchmark. More detail on these sources is available in Criterion 5: Productivity and Cost Containments.

While revenue diversity provides some flexibility to maximise expenditure, the growth in these revenue streams is slowing or nearing its peak. The constraints surrounding these alternate revenue streams are as follows:

- Rental income - Council has exhausted all yield opportunities on its investment property portfolio over recent years with the majority of tenants now on long term agreements. A large portion of Council's portfolio is located within the Newcastle CBD which is starting to see an abundant supply of competing commercial office space as a result of the NSW Government's urban transformation and transport programs.
- Holiday Parks – Council's Holiday Parks whilst competitive with private operators in the LGA are at the premium end of the accommodation category. A significant increase in prices would affect patronage and have a detrimental effect on the revenue stream.
- Fees and Charges – Council continually reviews its Fees and Charges to ensure they adequately cover the cost of the service but also competitive with the private sector and neighbouring councils.
- Sale of assets - Council has rationalised vacant and unused land in the past however continuing to do so would provide only short term gains and not sufficiently fund the projects being proposed in this application now and into the future. Selling off assets would also erode the financial protection they provide against economic downturn and natural disasters.

One source of revenue, rates, has remained relatively static in recent years and is among the lowest average rates in the Hunter Region. More detail is included in Criterion 3: Impact on ratepayers.

Council has examined all options available to it (including increasing fees and charges, increasing borrowings and seeking additional grants) to address the required shortfall of unfunded projects but the annual revenue required is too great to be found through any alternate sources of revenue. More rates revenue is required if service levels are to be increased and new infrastructure to be delivered.

Population growth within the LGA is not expected to be significant. In addition, only 54% of the land in the Port Stephens LGA is rateable, as substantial areas of land are exempt from rates including:

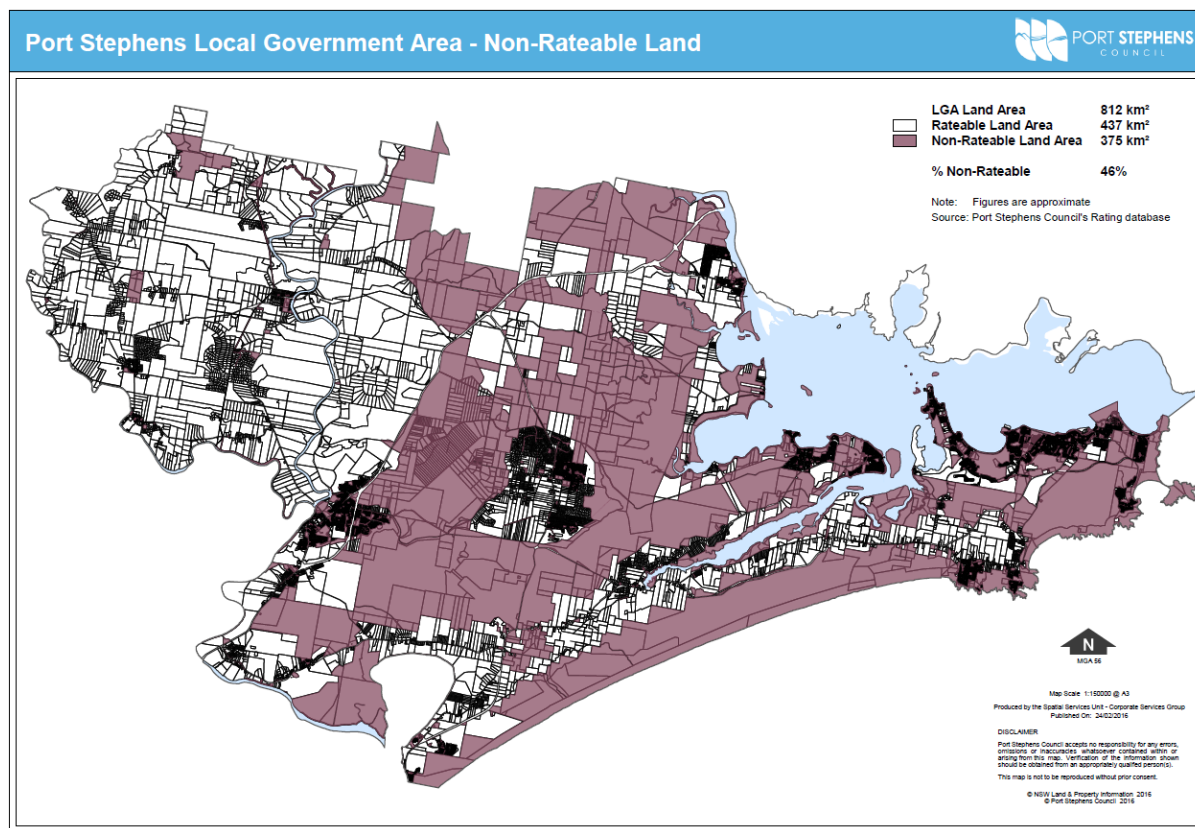
- Protected areas managed by the National Parks and Wildlife Service:
 - National Parks (Tomaree, Karuah et al) 8230ha
 - Nature Reserves (Medowie, Tilligerry et al) 530ha
 - State Conservation Area (Columbey, Medowie et al) 9024ha
 - Regional Park (part Worimi Conservation Lands) 1336ha
(Includes the Aboriginal owned Worimi Conservation Lands leased back to the NSW government).
- Wallaroo and Medowie State Forests 3470ha
- Land owned by the Commonwealth Government associated with the RAAF Base Williamtown;
- Land owned by Hunter Water Corporation located over sand bed aquifers that are designated as special areas;
- Land owned by Local Aboriginal Land Councils that have cultural and spiritual significance; and
- Crown Land where Council is the Crown trustee manager on behalf of the NSW Government (e.g. parts of Birubi Point Aboriginal Place, various reserves and some holiday parks etc.).

In addition to non-rateable land Port Stephens LGA also faces some significant development constraints that reduce the land available for housing including:

- Flood prone land (Port Stephens is a large tidal estuary with an area of 140 square kilometres);
- Large areas of low-lying land at risk of rising sea levels;
- Coastal wetlands;
- Endangered ecological communities;
- Koala habitat;
- Bush fire prone land;
- Acid sulfate soils;
- Prime agricultural land;
- RAAF Base Williamtown jet aircraft noise exposure areas; and
- Contaminated land.

Due to the land development constraints and low forecast for population growth the only foreseeable way to increase rates revenue in order to sufficiently fund the service enhancements and capital works program is to increase the rate base above the rate peg.

Figure 6: PSC – non-rateable land



Source: PSC data

3. Contingent Assets and Liabilities

Council takes a conservative approach when forecasting within all three scenarios of the LTFP. Revenue that is considered highly speculative or unconfirmed is not factored as it would be imprudent to include a revenue stream that may not come to fruition. Such revenue streams not included in the LTFP include:

- Capital grants that are unconfirmed
- Mining royalties
- Land sales

The LTFP does contain provisions for expenditure which is reasonably expected. This includes:

- Increased value of employee entitlements due to wage growth
- Tip remediation
- Legal provisions

This risk based approach ensures that the forecast operating result and financial position of Council is not biased towards a favourable result. Any realised improvements in the result would be redistributed to increasing services or funding new capital works projects under Council's Treasury Model.

3.2.4 SRV Expenditure Program Impact

The modelling within Part A of the application shows that if Council attempted to increase services levels and implement the proposed capital works program without additional rate income its financial sustainability would be severely compromised. The underlying surplus, unconsolidated cash position and unconsolidated net debt under the Strategic (SRV) Scenario without the special rate income of \$133.4m is forecast as follows:

Figure 7A: PSC – Underlying results forecast - 2020 to 2024

	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000
Underlying result	(1,548)	(2,503)	(4,470)	(6,327)	(8,325)
Cash / (overdraft)	33,347	27,899	21,273	11,122	(2,133)
Net Debt level (*)	15,808	3,890	(8,460)	(21,773)	(40,044)

Figure 7B: PSC – Underlying results forecast- 2025 to 2029

	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	2029 \$'000
Underlying result	(10,554)	(12,085)	(14,130)	(15,596)	(16,948)
Cash / (overdraft)	(17,553)	(39,198)	(61,663)	(86,453)	(108,792)
Net Debt level (*)	(58,390)	(75,933)	(97,035)	(117,372)	(135,520)

Source: Unconsolidated Strategic (SRV) Scenario within LTFP without SRV income

(*) Note – Defined as total current assets less total debt less. Amounts presented above do not include Council's share of the Newcastle Airport.

This demonstrates that Council could not deliver these projects without a compensating revenue source. Attempting to do so would cause insolvency as highlighted by the net debt level and cash position.

3.3 Financial indicators

How will the proposed special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating performance ratio excluding capital items (ie, net operating result excluding capital grants and contributions as percentage of operating revenue excluding capital grants and contributions).
- ▼ Own source revenue ratio (ie, total operating revenue excluding capital items as a percentage of total operating revenue including capital items).
- ▼ Building and asset renewal ratio (ie, building and infrastructure asset renewals as a percentage of building and infrastructure depreciation, amortisation and impairment)
- ▼ Infrastructure backlog ratio (ie, estimated cost to bring assets to satisfactory condition as a percentage of total (written down value) of infrastructure, buildings, other structures, depreciable land and improvement assets)
- ▼ Asset maintenance ratio (ie, actual asset maintenance as a percentage of required asset maintenance).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).

3.3.1 Operating Ratios

As outlined in section 3.2.1, Council is required under the accounting standards to consolidate the operating results of NAPL as part of its own when preparing the Annual Report, Volume 2 and LTFP. NAPL is a separate legal entity and does not form part of Council's general fund operations. For the purposes of the application the financial indicators as per the LTFP which is consolidated; have been disclosed as well as what the indicators would be unconsolidated from NAPL.

1. Operating Performance Ratio (OPR)

The OLG Benchmark for OPR is greater than 0.

Council's forecast OPR is consistent with the modest underlying surplus shown in Figure 4. The Standard Scenario (rate peg only), Council's base case situation, does not allow for any increase in service levels whilst the Strategic Scenario (SRV) allows for increased service levels and new infrastructure.

Figure 8A: PSC – Operating Performance Ratio forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	2.30%	1.39%	1.77%	1.67%	2.41%
Strategic (SRV)	2.03%	2.68%	3.47%	4.13%	4.86%

Figure 8B: PSC – Operating Performance Ratio forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	1.75%	2.30%	2.09%	2.73%	2.11%
Strategic (SRV)	5.25%	6.96%	6.19%	5.83%	5.29%

Source: PSC data

The data in figure 8A and figure 8B includes Council's portion of the Newcastle Airport operations. The revised unconsolidated OPR without the Newcastle Airport is as follows:

Figure 9A: PSC – OPR without the Newcastle Airport forecast- 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	0.63%	(0.34%)	0.09%	(0.01%)	0.83%
Strategic (SRV)	0.43%	1.20%	2.13%	2.90%	3.73%

Figure 9B: PSC – OPR without the Newcastle Airport forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	0.08%	0.71%	0.47%	1.19%	0.48%
Strategic (SRV)	4.20%	6.12%	5.27%	4.87%	4.20%

Source: PSC data

As shown in figure 9A and figure 9B in the Standard Scenario, Council's forecast unconsolidated OPR is slim and could not sustain the cost of enhanced services or substantial new assets without falling below the benchmark.

2. Own Source Ratio (OSR)

The OLG Benchmark for OSR is 80%.

As previously stated, Council has been able to diversify its revenue streams. This diversification has complemented Council's other cost saving initiatives in achieving a financially sustainable position. Under Standard Scenario and Strategic (SRV) Scenario this revenue diversification will continue.

Figure 10A: PSC – Own Source Ratio forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	85.6%	85.6%	85.7%	85.8%	85.9%
Strategic (SRV)	85.9%	86.1%	86.4%	86.7%	87.0%

Figure 10B: PSC – Own Source Ratio forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	85.9%	85.9%	86.0%	86.0%	86.0%
Strategic (SRV)	87.3%	87.6%	87.6%	87.6%	87.6%

Source: LTTP

The figures above includes Council's portion of the Newcastle Airport operations. The revised unconsolidated Own Source Ratio without the Newcastle Airport is as follows:

**Figure 11A: PSC – Own Source Ratio without the Newcastle Airport forecast
2020 to 2024**

Scenario	2020	2021	2022	2023	2024
Standard	83.9%	83.9%	84.0%	84.1%	84.2%
Strategic (SRV)	84.2%	84.5%	84.9%	85.3%	85.6%

**Figure 11B: PSC – Own Source Ratio without the Newcastle Airport forecast
2025 to 2029**

Scenario	2025	2026	2027	2028	2029
Standard	84.2%	84.3%	84.3%	84.3%	84.4%
Strategic (SRV)	85.9%	86.3%	86.3%	86.3%	86.4%

Source: PSC data

3. Cash Expense Cover Ratio (CECR)

The OLG Benchmark for CECR is greater than three months.

Other indicators of Council's financial sustainability is its cash reserves and Cash Expense Cover Ratio. Historically, the ability to fund new assets and increase services has been limited to successfully gaining grants or other forms of unrestricted revenue.

Due to Council's recent modest operating results, the historic unrestricted cash position has been non-existent which is also evidenced by the consistently low (but above benchmark) Cash Expense Cover Ratio as follows:

Figure 12: PSC – Cash Expense Cover Ratio

	2015	2016	2017	2018
Restricted Cash	38,344	33,890	48,726	51,070
Unrestricted Cash	-	-	-	-
Cash Expense Cover ratio (*)	4.4 months	3.4 months	5.8 months	5.5 months

Source: PSC Annual Report, Volume 2: Annual Financial Statements

The Cash Expense Cover Ratio as per the LTFP for the Standard and Strategic (SRV) Scenario is as follows:

Figure 13A: PSC – Cash Expense Cover Ratio forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	5.85	5.49	5.66	5.74	6.00
Strategic (SRV)	5.53	5.23	5.32	5.25	5.21

Figure 13B: PSC– Cash Expense Cover Ratio forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	6.40	6.65	6.95	7.24	7.67
Strategic (SRV)	5.41	5.30	5.30	5.15	5.44

Source: PSC data

The data in figure 13A and figure 13B includes Council's portion of the Newcastle Airport operations. The revised unconsolidated cash expense ratio without Newcastle Airport is as follows:

Figure 14A: PSC – Cash Expense Cover Ratio without the Newcastle Airport forecast 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	4.70	4.35	4.32	4.22	4.30
Strategic (SRV)	4.31	4.03	3.95	3.72	3.54

Figure 14B: PSC – Cash Expense Cover Ratio without the Newcastle Airport forecast 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	4.53	4.63	4.79	4.93	5.21
Strategic (SRV)	3.60	3.36	3.22	2.94	3.07

Source: LTFP

Based on the Standard Scenario ratio and budget composition, it is expected that the lack of unrestricted cash would continue. This would impede Council's ability to invest in new infrastructure and increase service levels.

4. Debt Service Cover Ratio (DSCR)

The OLG benchmark for DSCR is greater than 2.

Council does have some capacity to leverage off external loans which it has done in the past in order to deliver new infrastructure either directly or indirectly through commercial developments.

Loans have been obtained in the past five years to fund commercial development with the proceeds from the development then used to repay the loan with any surplus proceeds used to fund the next development opportunity or community infrastructure project. Council's Acquisition and Divestment of Land Policy outlines how proceeds from commercial developments must be re-invested into capital works projects.

In recent years, Council has also borrowed funds to undertake infrastructure works.

Figure 15: Recent loans taken out by PSC

Year	Amount	Purpose
2013	\$1,000,000	Road rehabilitation (LIRS)
2013	\$4,000,000	Commercial development
2014	\$2,000,000	Road rehabilitation (LIRS)
2016	\$4,870,000	Commercial development
2017	\$6,000,000	Various infrastructure projects
2018	\$2,000,000	Medowie Sports and Community Facility

Source: PSC data

Council has a proven track record of being able to manage debt by introducing new loans into the portfolio whilst still being able to service existing debt levels. The historic Debt Service Cover Ratio is as follows:

Figure 16: PSC - Debt Service Cover Ratio (DSCR)

	2015	2016	2017	2018
Debt Service Cover Ratio	2.18x	4.71x	6.35x	2.36x

Source: PSC data

Council's forecast indicates that it would continue to be able to meet the DSCR benchmark requirements and will have capacity for additional borrowings (apart from those already outlined in the LTFP) from 2024 onwards.

A Debt Service Cover Ratio has been supplied in the LTFP for the Standard and Strategic (SRV) Scenario.

Figure 17A: PSC – Debt Service Cover Ratio forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	4.27	4.20	5.82	5.99	7.80
Strategic (SRV)	3.41	3.12	3.47	3.28	3.29

Figure 17B: PSC – Debt Service Cover Ratio forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	16.86	17.58	17.36	17.35	22.07
Strategic (SRV)	3.88	4.48	4.23	4.28	4.53

Source: LTFP

The amounts above includes Council's portion of Newcastle Airport operations. The revised unconsolidated DSCR ratio without Newcastle Airport would be as follows:

Figure 18A: PSC – DSCR without the Newcastle Airport forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	3.56	3.47	4.95	5.11	6.84
Strategic (SRV)	2.82	2.63	2.98	2.83	2.85

Figure 18B: PSC – DSCR without the Newcastle Airport forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	16.67	17.47	17.08	16.98	23.07
Strategic (SRV)	3.40	4.00	3.73	3.77	3.97

Source: PSC data

Loan borrowing as an only source of funding for a project is not sustainable without a revenue stream to service the loan repayments and fund the maintenance demands of the asset.

Council plans to use the SRV funds to leverage loans to expedite the delivery of infrastructure projects over 10 years as well as trying to achieve a balance within intergenerational equity. As the infrastructure assets will have a long useful life equal to or exceeding the term of the loan repayments. Council has had preliminary discussions with prospective lenders who have risk assessed Council's ability to repay the debt.

A letter of in principle support to provide loan funding from the Commonwealth Bank of Australia of up to \$80m is attached at ATTACHMENT A4.3. Please note that at this stage, Council plans only to draw down \$60m of this offer.

5. Outstanding Rates and Annual Charges Ratio

The OLG benchmark ratio for the outstanding rates and annual charges for a regional council is less than 10%.

As shown in Figure 3 (under Item 5.), Council's rates collection process is historically strong for a regional council. Strong collection processes allow Council to provide essential services and the ability to annually deliver a significantly large capital works program. Council expects this collections pattern to continue if not improve with recent investment in digital platforms which will allow customers and rate payers to transact more easily with Council.

Figure 19A: PSC – Outstanding Rates and Annual Charges Ratio forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	2.90%	2.88%	2.89%	2.89%	2.89%
Strategic (SRV)	2.87%	2.87%	2.87%	2.85%	2.84%

Figure 19B: PSC – Outstanding Rates and Annual Charges Ratio forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	2.89%	2.89%	2.89%	2.89%	2.89%
Strategic (SRV)	2.83%	2.82%	2.82%	2.82%	2.82%

3.3.2 Asset Infrastructure Ratios

Council's asset backlog, asset renewals and asset maintenance ratio are within or close to the required benchmarks. This is demonstrated in Council's 2017-2018 Annual Report, Volume 2, Special Schedule 7.

Given the budget composition and asset management strategies within the SAMP have not largely changed, it is anticipated that the future assets maintenance, renewals and backlog estimates would remain within reasonable limits of the benchmark requirements barring any unforeseen environmental events or economic factors.

Figure 20: Port Stephens Council – Asset backlog, asset renewals and asset maintenance ratio - 2016 to 2018

	Amounts 2018	Indicator 2018	Prior periods 2017 2016		Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	11,957	123.14%	99.97%	156.05%	>= 100%
Depreciation, amortisation and impairment	9,710				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	14,015	1.83%	1.91%	2.15%	< 2.00%
Net carrying amount of infrastructure assets	764,630				
3. Asset maintenance ratio					
Actual asset maintenance	12,537	104.10%	93.34%	141.60%	> 100%
Required asset maintenance	12,043				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	14,015	1.57%	1.59%	1.74%	
Gross replacement cost	894,757				

Source: PSC Annual Report, Volume 1, Special Schedule 7

1. Building and Infrastructure Asset Renewal Ratio

The OLG benchmark for the renewal ratio is greater than 100%.

Figure 21A: PSC – Infrastructure and Building Asset Renewal Ratio forecast 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	136%	124%	123%	122%	124%
Strategic (SRV)	136%	118%	113%	115%	116%

Figure 21B: PSC – Infrastructure and Building Asset Renewal Ratio forecast 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	126%	128%	130%	132%	134%
Strategic (SRV)	115%	116%	117%	119%	121%

Source: PSC data

Council's SAMP prioritises funding towards asset renewal over new assets. This is reviewed each year. The latest version is SAMP9 (2019-2029). The renewal process is dictated by risk, assessment of the assets deterioration and community service delivery.

The *Environmental Planning & Assessment Act 1979* limits the infrastructure that can be funded by development contributions collected under sections 7.11 and 7.12 of the Act. The legislation specifies that development contributions can only fund specific infrastructure identified in Council's Development Contributions Plans and there is a legal requirement for the infrastructure to be needed as a consequence of new development.

Infrastructure and upgrades that are not identified in Council's Development Contributions Plans cannot be funded by development contributions. This means upgrades or infrastructure repairs in locations that do not experience growth cannot be funded by development contributions and Council must find other sources of revenue to maintain these assets.

Similarly, Council usually spends capital grants (when successful) on new assets or enhancing existing assets that would support or facilitate growth. This is usually a requirement of grant funding because grants for infrastructure require net positive benefits from the investment.

As a result, there are existing communities in Port Stephens with ageing assets and infrastructure gaps that cannot be allocated these sources of funding.

New projects are only added to the SAMP and LTFP when funding is secured. There is no plan to change this approach and as a result Council believes it would be able to fund asset renewal from its existing revenue streams within both scenarios to maintain an existing level of community service.

2. Infrastructure Backlog Ratio

The OLG benchmark for the backlog ratio is less than 2%.

Council's current backlog of \$14m is largely dominated by sealed roads which make up 80% of the value. As part of the SRV expenditure program, Council intends to reduce the sealed road backlog and also seal a number of gravel roads within the LGA. The roads program is weighted more towards sealing gravel roads. This is because of changing community expectations towards dust suppression and the health impacts.

Capital Works Program 2019-2029

As part of [SAMP9](#), Council's Capital Works Program 2019-2029 continues to focus on asset rehabilitation rather than on new built assets. The focus on asset renewal continues to reduce the organisation's infrastructure backlog.

The Program is based on known funding sources including knowledge that Council has funds to spend on these projects. For the current year, the list of proposed works will increase with the introduction of any future grants, sports council or committee works that may be funded from external sources. Some grants do require matching funds, so if these grants become available the proposed program may need to be adjusted to help fund these additional works.

The list of proposed works does not include any works that have commenced or were postponed in the financial year 2018-2019 that may need to be carried over into the 2019-2020 financial year.

Capital Works Plus Plan

Council's Capital Works Plus Plan 2019-2029 lists projects that will be undertaken, subject to the availability of funding. The Plus Plan is at Attachment 3 of [SAMP9](#). It is included in this application at ATTACHMENT A11.1.

The Plus Plan includes:

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

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

A plan has been compiled and described in the Asset Creation/Acquisition section of each asset category. It should be noted that these works only go ahead if future funding is obtained. These works are in addition to the Works Program.

Of the \$35.150m allocated to local roads in the proposed SRV programs, the split between road projects is as follows:

Figure 22: Proposed SRV expenditure on local roads

Project Category	Amount \$
Investigation and design	2,610,000
Existing road reseals	4,000,000
Gravel road seals	16,040,000
Road rehabilitation	12,500,000
Total SRV roads program	35,150,000

Source: PSC data

Figure 23A: PSC – Infrastructure Backlog Ratio forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	1.89%	1.91%	1.96%	1.96%	1.84%
Strategic (SRV)	1.89%	1.85%	1.87%	1.85%	1.71%

Figure 23B: PSC – Infrastructure Backlog Ratio forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	1.83%	1.87%	1.91%	1.95%	1.99%
Strategic (SRV)	1.68%	1.71%	1.73%	1.75%	1.78%

Source: PSC data

3. Infrastructure Asset Maintenance

The OLG benchmark for the Infrastructure Asset Maintenance ratio is equal to or greater than 100%

Council has factored in maintenance costs of the new assets as part of the proposed SRV expenditure program as well as enhancing the level of asset maintenance on open drains, sports facilities and trees.

Community expectation surrounding these service areas is increasing as noted in the CSP public exhibition process. Council does not record a value for trees or open drains or, if they are recorded, they are at a nominal or non-depreciable value. As a result, increased asset maintenance expectations with no direct asset value means this issue isn't accurately reflected in Council's infrastructure asset maintenance or backlog ratios as outlined in Special Schedule 7 of Council's Annual Report, Volume 2.

The Standard Scenario maintains a ratio of between 90%-110% over the 10 year period, with reallocations expected to be made during the year based on actual asset assessments where possible. This approach is supported by the actual 2018 and 2017 asset maintenance ratios shown on figure 20. The ratio for the 2016 financial year was impacted by a natural disaster which required additional maintenance to be performed and as result reduced Council's cash balances in that year.

Under the Strategic (SRV) Scenario, the gap in the required and expected asset maintenance would be reduced in accordance with growing community expectation but also service the new asset being produced under the program. The PSC Community Satisfaction Survey Report 2018 did produce 75% and higher levels of satisfaction for many items including road maintenance, the management of stormwater and trees. It should be noted that the simple lack of rain for some time provided a positive impact on Council's ability to manage these assets. In contrast, during wet periods, this ability is difficult and is measured by the community's desire for better management.

Figure 24A: PSC – Infrastructure Asset Maintenance forecast - 2020 to 2024

Scenario	2020	2021	2022	2023	2024
Standard	87%	90%	92%	94%	96%
Strategic (SRV)	89%	88%	89%	92%	95%

Figure 24B: PSC – Infrastructure Asset Maintenance forecast - 2025 to 2029

Scenario	2025	2026	2027	2028	2029
Standard	99%	101%	103%	105%	108%
Strategic (SRV)	97%	99%	102%	104%	107%

Source: PSC data

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the full cumulative increase of the proposed special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.¹

In responding to this criterion, the council must provide evidence that:

- ▼ it has consulted and engaged the community about the proposed special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ it provided opportunities for input and gathered input/feedback from the community about the proposal, and
- ▼ the IP&R documents clearly set out the extent of the requested rate increases.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

- ▼ the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size and impact of any expiring special variation (see Box 4.1 below for further detail), and
- ▼ the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the Guidelines, the IP&R manual and our fact sheet.

¹ <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

Box 4.1 Where a council is renewing or replacing an expiring special variation

The council's application should show how it has explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.
- ▼ If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chair.

Box 4.2 Where a council has an existing s508A special variation and is applying for an additional s508(2) special variation

The council's application should demonstrate that it has explained to its community:

- ▼ There is a special variation already in place for the current year and the size of that special variation.
- ▼ The size and impact of the additional special variation proposed and its purpose.
- ▼ The cumulative annual increase in rates from the existing and proposed special variation together.

4.1 The consultation strategy

The council is required to provide details of the consultation strategy undertaken, including the range of methods used to inform and engage with the community about the proposed special variation and to obtain community input and feedback. The engagement activities could include media releases, mail outs, focus groups, statistically valid random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council's consultation material.

4.1.1 HOW WE CONSULTED

A comprehensive information and consultation process has been undertaken to gauge the community's support for a proposed SRV to fund a range of infrastructure and services in Port Stephens.

Council has clearly communicated the full impact of the proposed rate increases to ratepayers showing:

- the cumulative percentage impact of the special variation on rates, and
- the total rate increase in dollar terms and on an annual basis.

Underpinned by its [Community Engagement Policy](#), Council uses its Community Engagement Framework, based on the International Association for Public Participation (IAP2) principles, to determine the level of consultation.

In all complex consultations, Council deploys three phases:

1. Information
2. Consultation
3. Feedback

These phases were used for:

- Pre-SRV consultation
 - June 2017 – April 2018 (details see 4.1.1.1);
- Stage One of SRV consultation
 - July – October 2018 (details see 4.1.1.2); and
- Stage Two of SRV consultation (IP&R documents)
 - November to December 2018 (details see 4.1.1.3).

Throughout the process, Council informed the community about the SRV proposal through various channels in local media, newsletters, direct mail to ratepayers and social media.

Council used a range of engagement methods to make the community aware of the proposed rate variation and the options being considered. This included the need and extent of the rate increase and the projects to be funded by the proposed SRV options.

Activities included public meetings, information booths, discussion groups, newspaper advertising, mail-outs, pamphlets, surveys, social media and an online presence on Council's website.

A logo was developed that all material could be easily associated with proposed SRV material. A dedicated [Have Your Say site](#) was established on Council's website which made the relevant material available for download. Council also maintained a primary feature box, [Investing in our community](#), on the front page of its website. This page is still available, providing links to key documents while the PART application is being considered.

4.1.1.1 General IP&R documents prior to SRV process

Purpose

As part of the normal IP&R process, Council undertook community consultation for the CSP and other IP&R documents prior to the proposed SRV process from June 2017 to April 2018. The timeline is outlined in figure 25.

As part of the draft Delivery Program 2018-2021, a section highlighted that Council planned to investigate the possibility of applying for a SRV for additional revenue in 2018-2019. This was not commented on in community submissions and was adopted into the Plan in June 2018. An extract of this section is at ATTACHMENT A13.2.

Figure 25: Key dates for consultation on IP&R documents prior to SRV process

2017	
June	An initial discussion paper was circulated in the community, seeking feedback and ideas from the community to inform the drafting of the Community Strategic Plan (CSP) 2018 -2028. This discussion paper was based substantially on a previous iteration of the CSP.
21 Sept	Election of new Council
21 October	<p>At a Councillor workshop, the newly elected Council reviewed community feedback from the discussion paper and identified key priorities (based on this and their interactions in the community).</p> <p>Specific feedback received from these activities included:</p> <ul style="list-style-type: none">• Ecologically sustainable development should be formally recognised as a key commitment.• Town centres need attention to make them more attractive to visitors and residents.• Need for more public amenities and pathways for walkers and cyclists.• Infrastructure should be first with proper planning.• Much greater priority needs to be given to place making and strategic planning of our urban centres.
2018	
27 March	<p>The draft CSP (refined by feedback from above) and other IP&R documents were endorsed by Council at its meeting on 27 March 2018 for public exhibition (ATTACHMENT A13.1.1: Min. No. 065).</p> <p>The draft Delivery Program 2018-2021 flagged the possible use of a SRV to raise funds for projects consistently requested by the community (see ATTACHMENT A13.2), which Council was unable to fund through existing revenue streams (including external grants).</p>

Figure 25: continued

28 March to 30 April	<p>Public consultation of the IP&R documents.</p> <p>Extensive promotion and advertising through print, radio and social media and numerous community meetings throughout the LGA.</p> <p>While the community feedback was generally satisfied with Council's performance (Community Satisfaction Report 2018), it wanted to see more.</p> <p>There is a strong desire for:</p> <ul style="list-style-type: none">• better roads and cycleways – for safer and healthier communities• vibrant town centres that bring people together• better drainage and infrastructure to improve the lives of people living here <p>Council made it one of its key priorities for 2018-2021 in its Delivery Program to investigate funding opportunities through a SRV.</p>
26 June	<p>After community consultation, the IP&R documents were adopted on 26 June 2018 (ATTACHMENT A13.1.2: Min. No. 181).</p> <p>As part of the Delivery Program 2018-2021, Council formally examined a SRV as a way to raise funds to undertake unfunded projects as outlined in the Strategic Asset Management Plan (SAMP8: 2018).</p> <p>Council also agreed to undertake extensive consultation in the community during July/August 2018 to seek community views on remaining with rate peg only or three levels of possible SRVs.</p>

4.1.1.2 Special Rate Variation process

STAGE ONE – COMMUNITY CONSULTATION ON A POSSIBLE RATE RISE

Purpose

The first stage of SRV consultation was to assess the willingness of the community to adopt a rate rise above rate pegging. Four options were presented with a range of indicative projects for three SRV options also outlined for consideration. The timeline is outlined in figure 26.

During this consultation phase, the community was asked to comment on the following options:

Option 1 Maintain: Take no action, no rate rise above the NSW Government rate peg (based on 2.5% as proposed by IPART as that time).

Option 2 Enhance: SRV of 6.5% per year over seven years including rate peg.
Fund a range of projects to enhance infrastructure and services.

Option 3 Extend: SRV of 7.5% per year over seven years including rate peg.
Fund a range of projects to extend infrastructure and services.

Option 4 Transform: SRV of 8.5% per year over seven years including rate peg.
Fund a range of projects to transform infrastructure and services.

An indicative range of projects and programs were also provided for comment.

Information

A comprehensive Community Engagement and Communications Strategy (ATTACHMENT A5.1) was endorsed by Council at its meeting on 10 July 2018 (ATTACHMENT A13.1.3: Min. No 201).

The aim was to reach as many people in the Port Stephens community to ensure:

- awareness of the proposed SRV;
- knowledge about the proposed rate options and projects; and
- opportunity to provide informed feedback.

Various methods were used to inform the community of the proposed SRV. This included a letter to all ratepayers (see ATTACHMENT A5.2), video, social media, meetings and face to face events such as information booths. A range of material was developed that was available electronically and in hard copy. Newspaper advertisements were placed in local print media *Port Stephens Examiner* (weekly distribution 12,000) and *News of the Area* (weekly circulation 14,000) also ran articles. The *Newcastle Herald* also ran occasional articles in print and online. Boosts were paid for on social media.

Information material was made available in hardcopy at:

- Council's Administration Building - Raymond Terrace
- Raymond Terrace Library - Raymond Terrace
- Tomaree Library – Salamander Bay
- Mobile Library - Various locations
- Medowie Community Hall – Medowie

Information material was also available via Council's website and on social media. A YouTube video was also produced.

A detailed list of information material and consultation activities (including copies of materials) is in ATTACHMENT A5.2.

The initial consultation period of five weeks was extended to seven weeks. (from Monday 23 July to Friday 7 September 2018) as a number of key community groups scheduled meetings in the last weeks and requested extra time to provide feedback.

Consultation

Council held or participated in 28 community events across the Port Stephens region, attended by approximately 540 people. Locations included Karuah, Medowie, Nelson Bay, Raymond Terrace, Tilligerry Peninsula, Seaham and Shoal Bay.

These included:

- Eight information booths that distributed printed material, provided basic information and promoted the community meetings at various locations and events including the Anna Bay market, Love Seafood Festival, Salamander Bay and Shoal Bay shopping centres; waste drop day and in libraries;
- Three round table discussion groups at Anna Bay, Raymond Terrace and Salamander Bay
- Nine Council to Community meetings – a PowerPoint presentation by the Mayor or his representative followed by Q and A with Councillors and senior staff.
- Five briefings of Council volunteer and advisory committees such as the Parks Forum (for Council's 355c parks committees), and the 355c Aboriginal Strategic Committee and the Tomaree Sports Council; and
- Three meetings with key community groups - the Tomaree Residents and Ratepayers Association, Tomaree Business Chamber and the Shoal Bay Community Association.

Around 1,500 copies of the SRV Information Booklet (with accompanying material) were distributed at events, the customer service counter, displays in libraries and various community association meetings.

An average of 2,400 people viewed the SRV material on Engagement HQ, Council's 'Have Your Say' engagement portal on its website.

Feedback

Formal feedback could be provided in multiple ways – by survey or submission, online or in hard copy through Council's Engagement HQ (EHQ) portal or by email or letter. See Section 4.2.2 for more information.

Figure 26: Key dates for consultation on proposed SRV process – Stage One

2018	
10 July	Council endorsed the development of a SRV application to IPART to fund new town centres, infrastructure, service delivery and maintenance on 10 July 2018 (ATTACHMENT A13.1.3: Min. No. 201). It was agreed to consult the community on a range of possible rate increases with projects and programs that could be funded at the different levels. Council endorsed proposed SRV Communications and Engagement Plan (ATTACHMENT A13.1.3: Min. No. 201).
23 July to 7 September	Council consulted the community about a proposed SRV, outlining 4 options. During this period, Council undertook an extensive communication and consultation process. ATTACHMENT 5 provides details of the meetings undertaken, information material, advertisements and media pieces.
15 September	At a Councillor/senior management strategy day, community feedback was considered and planning for the future was considered.
9 October	Council considered the outcomes of community consultation for a proposed SRV and resolved to notify IPART of its intention to apply for a SRV of 7.5% per annum (including the rate peg), over seven years, to be a permanent increase which will be retained within the rate base. It also endorsed draft IP&R documents for further consideration. As the preferred level of SRV had been identified and in response to community feedback, the list of projects and programs was refined and the IP&R documents were revised to reflect this (ATTACHMENT A13.1.4: Min. No. 114).

4.1.1.3 IP&R process

STAGE TWO – COMMUNITY CONSULTATION ON REVISED IP&R DOCUMENTS

Purpose

Stage Two consultation sought community feedback on the revised IP&R documents showing how the SRV funded projects would be implemented and the revised **Debt Recovery and Hardship Policy** which included a new Rates Assistance Program, if the SRV was successful. The IP&R documents were written in such a way that they could be adopted with or without a SRV. The timeline is outlined in figure 27.

Information

After endorsement by Council at its meeting on 13 November 2018, the revised IP&R documents and draft Debt Recovery and Hardship Policy were placed on public exhibition for comment from Wednesday 14 November to Friday 21 December 2018 for a period of 37 days.

The IP&R documents on public exhibition were:

- Community Strategic Plan 2018-2028;
- Delivery Program 2018-2021 and Operational Plans 2018-2021 including the Statement of Revenue incorporating the Williamstown Management Area subcategories of the ordinary rates;
- Strategic Asset Management Plan 2019-2029 (SAMP9);
- Long Term Financial Plan 2019-2029; and
- Workforce Plan 2018-2021.

Copies of the IP&R documents were placed on display in key locations in the LGA:

- Council's Administration Building - Raymond Terrace
- Raymond Terrace Library - Raymond Terrace
- Tomaree Library – Salamander Bay
- Mobile Library - Various locations
- Tilligerry Community Library – Lemon Tree Passage
- Medowie Community Hall – Medowie

Copies of IP&R documents were provided to key community groups that made a submission in Stage One:

- Medowie Progress Association (at Medowie Community Hall)
- Shoal Bay Community Association
- Soldiers Point Community Group Inc.
- South Tomaree Community Association Inc.
- Tilligerry Community Association (at community library)
- Tomaree Business Chamber
- Tomaree Ratepayers and Residents Association

Consultation

Three community meetings, one for each ward, were organised by Council. These were:

- East Ward – Birubi Surf Life Saving Club – Thursday 29 November
- West Ward – Raymond Terrace Senior Citizens Hall– Wednesday 5 December
- Central Ward – Medowie Community Hall – Thursday 6 December

Council also approached key community groups to offer to attend a members' meeting or arrange a small discussion group.

Two groups invited Council to attend meetings. These were the Medowie Progress Association and the Tilligerry Community Association. The Mayor also gave a short presentation at the Tomaree Business Association's breakfast and Nelson Bay Now meetings.

A total of eight meetings were attended by the Mayor, Councillors and senior staff. An estimated 260 people attended these meetings.

Feedback

Formal feedback could be provided in multiple ways – by submission, online or in hard copy through Council's 'Have Your Say' engagement portal or by email or letter. See Section 4.2.3 for more information.

Figure 27: Key dates for consultation on proposed SRV process – Stage 2

2018	
13 November	<p>On 13 November 2018, Council endorsed the revised draft IP&R documents that demonstrated how Council planned to deliver the projects and programs funded by the proposed SRV.</p> <p>It also endorsed the continuation of sub-categories of the ordinary residential rate and farmland lower rate within the Williamstown Management Area for 2019-2020 (ATTACHMENT A13.1.5: Min. No. 133).</p> <p>These documents, along with the draft Debt Recovery and Hardship Policy, with a proposed Rates Assistance Program were placed on public exhibition.</p>
14 November to 21 December	<p>Display and promotion of draft revised IP&R documents.</p> <p>Details of community meetings, media etc are in ATTACHMENT 5.</p> <p>Details of the IP&R documents and their public exhibition are provided in Criterion 4: IP&R documents.</p>
2019	
29 January	<p>The IP&R documents (including the proposed SRV projects and programs) were endorsed by Council (ATTACHMENT A8.2: Min. No. 004).</p> <p>Council also endorsed to proceed with an application to IPART.</p>
7 February	Application lodged with IPART

4.2 Feedback from the community consultations

Summarise the outcomes and feedback from the council's community engagement activities. Outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council's special variation intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

4.2.1 General

Community awareness is demonstrated by the number of submissions received, consistent media articles, social media activity, attendance at community meetings and direct commentary to Councillors and seniors staff.

Despite being a contentious topic with a growing trend for people to be disengaged from formal community engagement activities, Council received consistent engagement from people in meetings and by submissions throughout the process.

Councillors also received direct feedback through their contact with constituents.

Data shows strong general awareness of the proposal with approximately 50% of people surveyed being aware of the issue.

Main issues of concern were lack of affordability for low or fixed income families (particularly pensioners), the need for Council to be more efficient and live within its means and a view that identified projects were not the best use of SRV funds. There was also a feeling of mistrust that Council could not deliver the proposed projects, based on past performance.

Those who supported a SRV recognised that the need for Port Stephens to improve rather than just maintain infrastructure and facilities and support a growing community.

These results were similar to other councils who had recently undertaken the SRV process – Byron Shire Council, Penrith and Singleton Councils.

The survey, designed by Micromex Research, a company experienced in supporting local government with SRV consultations, was a key component of the consultation.

Feedback could be provided in the following ways:

Submissions

Community members could provide formal feedback in three ways:

- Long submissions received by email to a dedicated email address;
- By letter to Council; and
- A short online submissions could be provided through Council's *Have Your Say* portal, EHQ.

Surveys

In Stage One, Community members could complete one of three surveys:

- Micromex telephone surveys;
- Engagement HQ surveys; and
- hard copy surveys.

The Engagement HQ and hard copy surveys replicated the Micromex telephone survey to provide consistency of responses.

The hard copy quick exit surveys were a poll of people leaving the meetings.

Surveys were not used in Stage Two.

Due to the significance of the proposed SRV, all submissions were provided in full at the relevant Council meeting in a tabled document with redacted submissions. Full sets of un-redacted submissions were also available to Councillors on a confidential basis.

The submissions were analysed and these were tabled at Council - Stage One (9 October 2018) and Stage Two (29 January 2019). They are provided in ATTACHMENT A6.1.1 and A6.1.2.

The full, redacted submissions for both stages were tabled at Council - Stage One (9 October 2018) and Stage Two (29 January 2019). They are provided in ATTACHMENT A6.3.1 and A6.3.2.

4.2.2 Stage One Feedback

Approximately 540 people attended consultation activities. All written submissions were tabled at Council at its meeting on 9 October 2018. During Stage One, approximately 2,000 people provided feedback using one of the various feedback methods (this may include people using more than one feedback format).

Figure 28: Stage One - Community feedback

Type		Number
Surveys	1016 Engagement HQ surveys 114 hard copy surveys 91 hard copy short surveys 403 Micromex telephone surveys	1,624
Submissions	198 handwritten and emailed submissions (long) 218 Engagement HQ submissions (short)	416

Source: PSC data

Results across the different feedback channels were consistent with the majority of correspondents not supporting a SRV. The “opt-in” online and hard copy surveys were more negative against a SRV while a weighted, “opt –out” telephone survey to randomly selected Port Stephens households provided a more moderate response.

Those who undertook the “opt-in” version of the survey, show 74% of respondents selected Option 1 (rate peg only) as their first preference, while 17% of respondents selected one of the SRV options as their first preference, with 9% not answering this question. This “opt-in” approach, where people have volunteered to participate, may be less representative of the community than an “opt-out” sample.

Support for a SRV, while in the minority, recognised the need for infrastructure improvements and planning for the future.

A recurring issue of concern to the community was the possible hardship that a rate rise might cause. Council undertook considerable research into these issue and also responded by investigating mitigating strategies. This research is provided in detail at ATTACHMENT 15.

There was a good level of awareness of the SRV proposal with 52% of Micromex respondents (see ATTACHMENT A6.2) being aware that Council was considering a SRV.

SUBMISSIONS

A total of 198 written submissions were received by email to a dedicated email address (187) and by letter (11). These submissions were analysed with the key issues and expressed options being identified and enumerated as follows:

- Positive – supported a SRV.
- Neutral - did not express an opinion.
- Negative – did not support a SRV or wanted to maintain current rate.

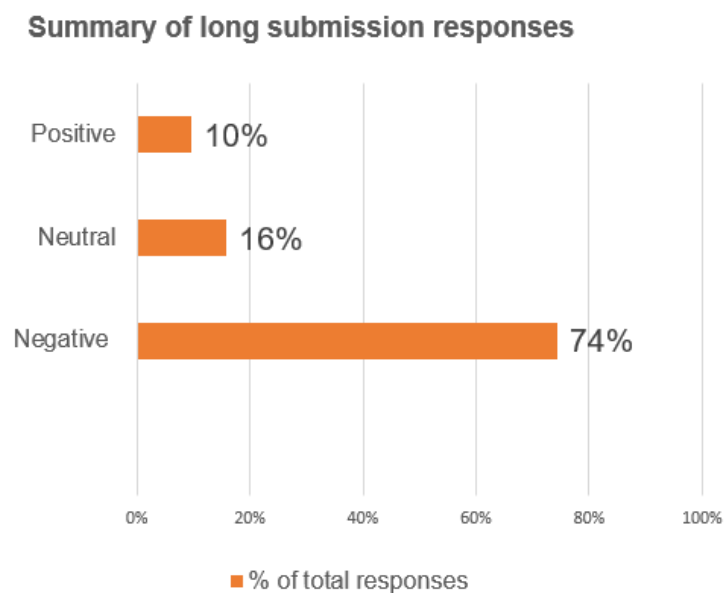
As the analysis was undertaken, trends and common issues developed for both supportive and not supportive submissions.

A short online submission could also be completed through Council's *Have Your Say* portal, EHQ. These submissions reflected similar issues as raised in the emails and letters. The analysis of both is provided in detail in ATTACHMENT A6.1.1.

If a respondent supported a SRV, it was scored as “positive. If they supported rate peg only, it was scored “negative”. If no option was expressed it was scored as “nil”

Figure 29 shows that the majority of respondents did not support a SRV.

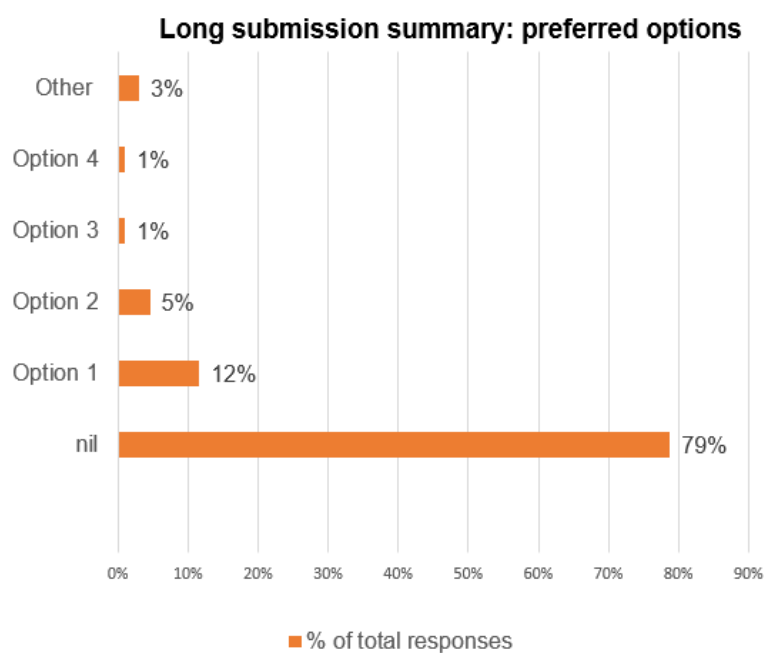
Figure 29: Summary of long submission responses



Source: PSC data

Further analysis shows, those that did support a SRV, supported Option 2 - 6.5%.

Figure 30: Preferred options of long submissions



Source: PSC data

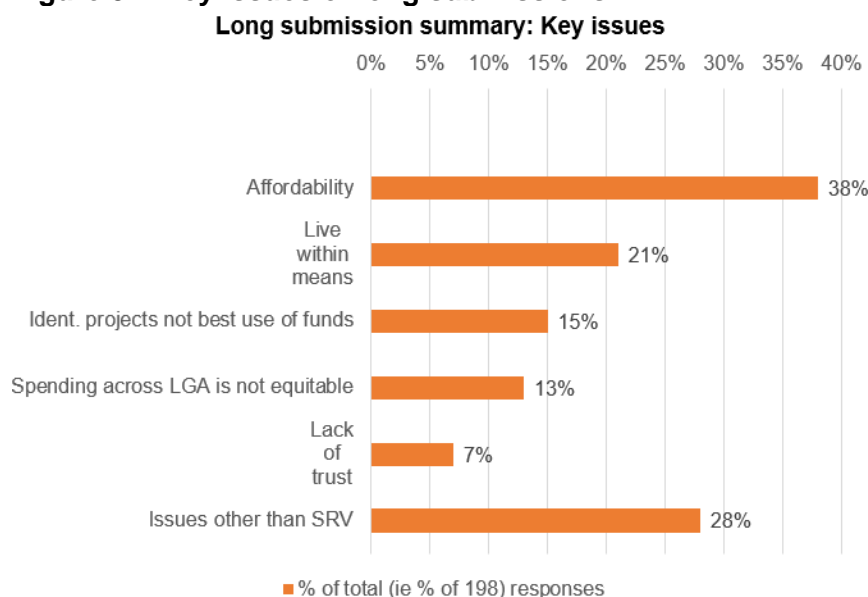
28% of respondents commented on issues other than the proposed SRV. Those who supported a SRV recognised that there was a need for Port Stephens to improve rather than just maintain infrastructure and facilities and support a growing community.

There were concerns about lack of detail on the cost of projects and how they were to be prioritised (including the need for detailed business cases). There was also a view that projects needed to be more strongly linked to planning strategies such as the Medowie Planning Strategy and to the Strategic Asset Management Plan.

Key Issues

Figure 31 provides a summary of the key issues identified in submissions.

Figure 31: Key issues of long submissions



Source: PSC data

1. Affordability

This included comments such as:

- Impact on people on fixed or low incomes (including pensioners and self-funded retirees), small businesses and renters
- Renters and business leases will not be able to afford the rent increases
- Other costs rising (electricity, insurance, petrol) but not wages and pensions
- Economic uncertainty makes a 7 year SRV period risky
- Any rate increase should not burden those on lower incomes and pensions
- Consider option between One and Two –more affordable and reasonable, focussing on core projects such as roads.

2. Live within means

This included comments such as:

- Council needs to live within its means by using current budget better and not waste money
- Find efficiencies in staffing
- Council is inefficient on how it spends its existing funds.
- Council should improve its performance without increasing rates.
- Staff and Councillors can take a pay cut
- Council should sell non-performing assets and apply for more grants
- Developer contribution and population growth should pay for the extra infrastructure

3. Identified projects are not best use of SRV funds

This included comments such as:

- Lack of detail on specific projects to be supported by the SRV
- Some projects were grandiose and outside the remit of Council eg. sports complex
- Too much being spent on visitors and tourists and not residents
- Council should focus on roads, drains etc.
- Council rates are funding projects that benefit developers, business development and tourism. Tourism does not benefit the majority of residents. This should be funded by NSW or Federal government, businesses or developers.

4. Lack of equity of project funding across the LGA

This included comments such as:

- Funding will not divided evenly across the Port Stephens area.
- My rates disproportionally fund projects in Nelson Bay / Raymond Terrace / Medowie etc.
- Rates in my area should only fund projects in my area.
- Western part of LGA is ignored
- Infrastructure promised but not delivered as funds spent elsewhere in LGA

5. Lack of trust in Council

This included comments on:

- Council does not have the ability to deliver the projects
- There is very little detail on the projects
- No business cases or evaluation for some projects; e.g. the art centre
- Little integration into the Capital Works Program or connection to Capital Plus Program
- Lack of connection to planning documents
- Unclear is rates will return to lower rate or stay high after 7 years
- Don't trust Council will spend the extra funding sensibly or fairly
- Council lacks ability to manage an continuous improvement process
- Not clear how Council will undertake the projects

Those in support of a SRV provided comments such as:

- Council needs to increase rates to provide good infrastructure for a good standard of living, not be left behind.
- More infrastructure and services equal a better future for the next generation.
- Opportunity to make a difference to our future.
- Any rate increase should not burden those on lower incomes and pensions

Numerous submissions also raised issues not related to the SRV such as:

- Council's past performance
- Lists of projects with no comment on SRV
- Comment of Council's past performance
- A proposed SRV was not an election issue
- Comments on projects unrelated to the proposed SRV
- Objection to Spencer Park carpark
- Objection of some gated communities paying full rates with little perceived return (garbage collection only)

Unfortunately, as part of the consultation and in some responses, it became apparent that there was some misunderstanding about how rates are calculated and applied. A pro-forma letter received from 24 residents (approx. 12% of submissions) opposing a SRV due to a potential increase in rates through land valuations from the Valuer General. They incorrectly asserted that Council would receive extra income both from the rates increase and higher land valuations.

Full submissions are provided at ATTACHMENT A6.3.1.

Key projects

The order of priority for key projects was consistent both in the Micromex telephone and the EHQ/hardcopy surveys.

The order of priority is as follows:

- Drains and roads maintenance (highest priority)
- Town centre and neighbourhood revitalisation
- Public amenities and BBQ facilities
- Libraries, community and events services
- Paths and cycleways
- Works depots relocation

SURVEYS

The majority of survey respondents not support a SRV. The level varied across the feedback format.

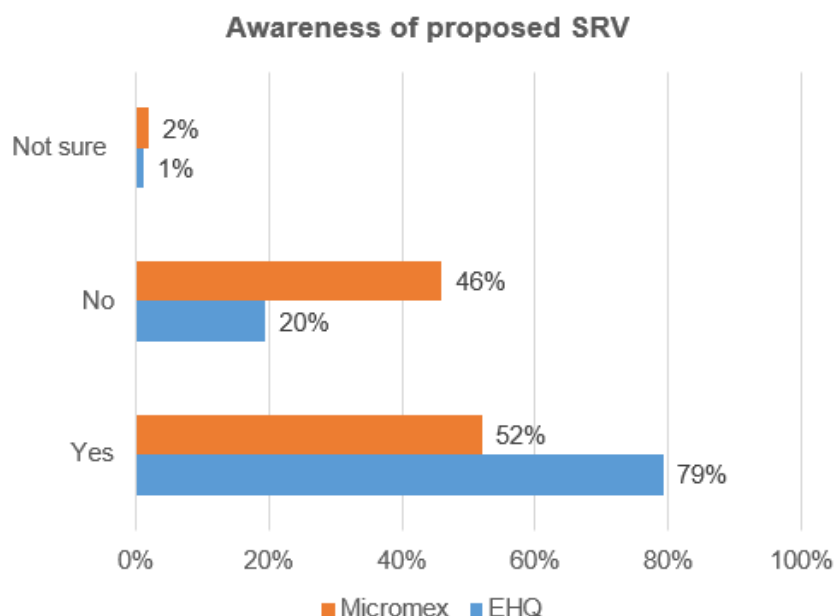
Figure 32: Response to proposed SRV – Stage One surveys

Respondents	Support Rate Peg only	Support some form of SRV	No response
EHQ	74%	17%	9%
Micromex	61%	39%	0

Source: PSC data

For figure 33, in response to “Were you aware that Council was considering a SRV and seeking community comment?”, data shows a strong awareness of the proposal across both survey formats.

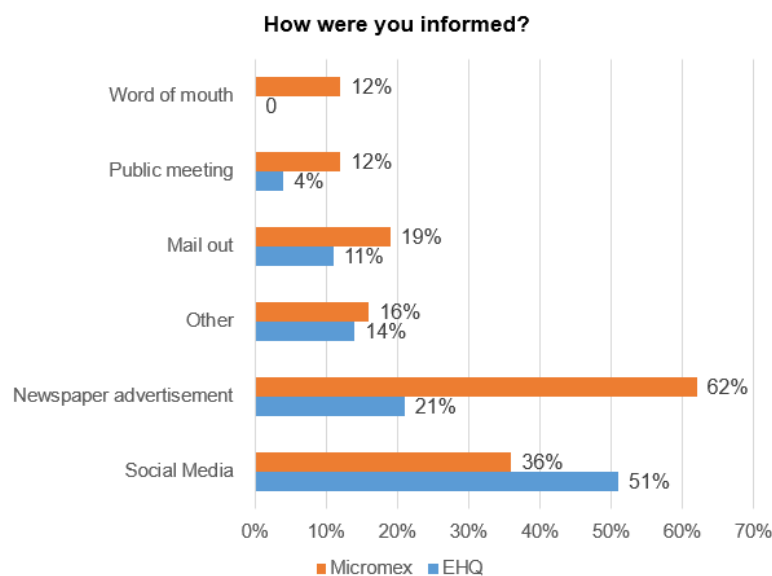
Figure 33: Awareness of proposed SRV - Stage One surveys



Source: PSC data

For figure 34, in response to “How were you informed of the SRV?”, data shows that traditional and social media were primary sources of information.

Figure 34: Source of information – Stage One surveys

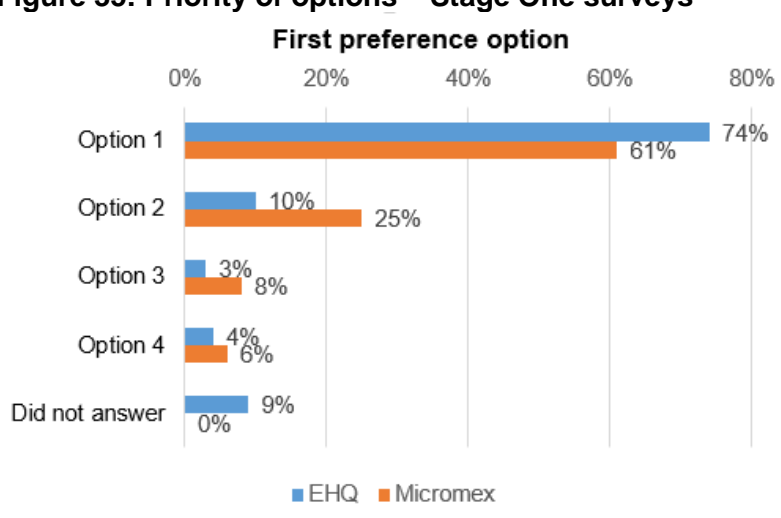


Source: PSC data

Note: Respondents could provide multiple answers

Figure 35 shows respondents supporting no SRV, only rate pegging.

Figure 35: Priority of options – Stage One surveys



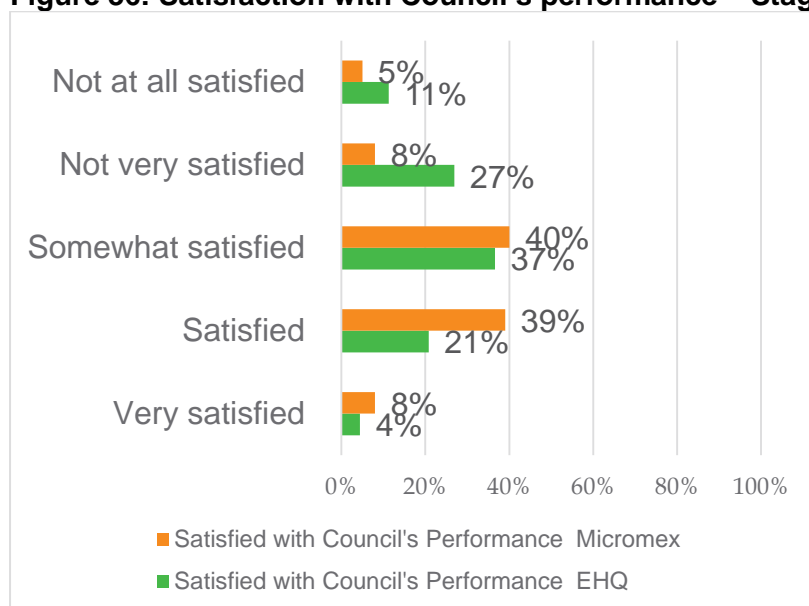
Source: PSC data

Figure 36 shows that on the whole, respondents were satisfied with Council's performance:

- 62% somewhat satisfied to very satisfied (EHQ)
- 87% somewhat satisfied to very satisfied (Micromex)
- 38% not very to not all satisfied (EHQ)
- 13% not very to not all satisfied (Micromex)

This is in line with Council's 2018 Community Satisfaction Survey Report 2018 score of 84.87% for overall satisfaction.

Figure 36: Satisfaction with Council's performance – Stage One surveys

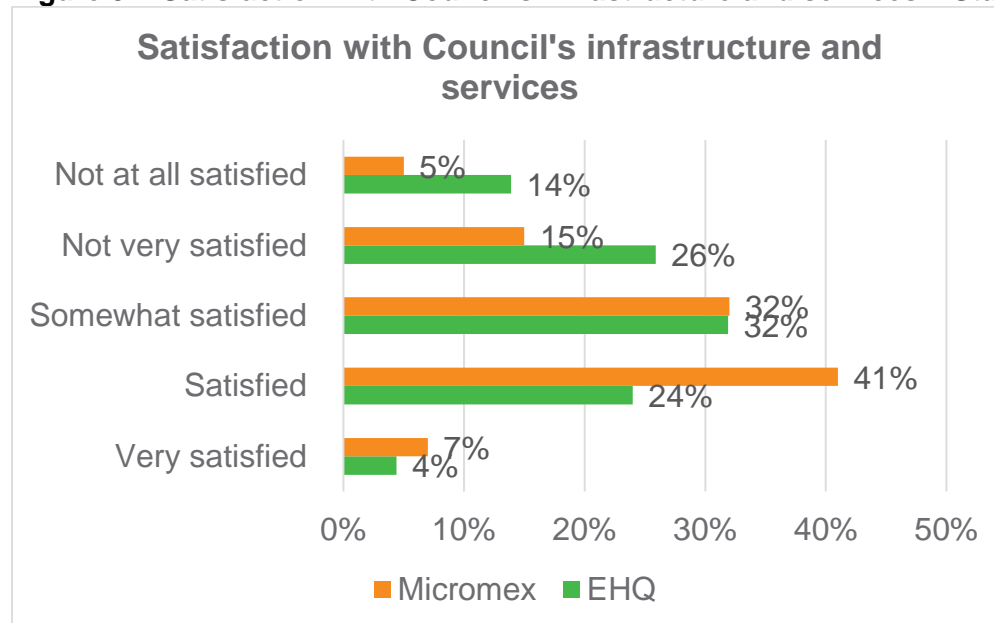


Source: PSC data

Figure 37 shows that on the whole, respondents were satisfied with Council's infrastructure and services:

- 60% somewhat satisfied to very satisfied (EHQ)
- 80% somewhat satisfied to very satisfied (Micromex)
- 40% not very to not all satisfied (EHQ)
- 20% not very to not all satisfied (Micromex)

Figure 37: Satisfaction with Council's infrastructure and services – Stage One surveys



Source: PSC data

EHQ – online survey

The online version of the Micromex survey was available in the *Have your Say* EHQ portal on Council's website from the beginning of the consultation period. This ensured those who attended community meetings had the ability to provide detailed feedback.

1,016 online surveys were completed. There was:

- A reasonable age spread in EHQ – although still young people are under – represented;
- Significantly more people were 'aware' the Council was considering a special rate variation on EHQ (this is understandable as it was opt in);
- People who found about the SRV on social media were much higher than Micromex;
- 95% of people who completed the online EHQ survey were ratepayers again significantly higher than Micromex;
- The suburb of Medowie accounted for 25%, the EHQ results which is generally within 5% of the overall results and probably in line with the demographics of the area; and
- 77 surveys were completed by staff or an immediate family member.

Hard copy survey

The survey was also available in hard copy at community meetings and discussion groups, or on request from Customer Service. Again, this is an "opt-in" approach.

115 hard copy surveys were completed. These were aggregated with the online surveys.

Micromex telephone survey

A key element was a random, "opt-out" survey of 403 residents, conducted in the week of 20 August 2018, deliberately planned at the end of the consultation period to capitalise on the community's awareness of the proposal.

The survey, designed by Micromex Research in conjunction with Council staff, was a key feedback component of the consultation. Micromex's full report is at ATTACHMENT A6.2.

The survey is regarded as a statistically valid sample of the community. The results show 61% of respondents selected Option 1 (rate peg only) as their first preference, while 39% of respondents selected one of the SRV options as their first preference.

This was an "opt-out" sample where participants are contacted without volunteering to take part in the research and excluded only when they say they are unwilling to participate. The sample is also weighted to reflect the community profile of Port Stephens LGA.

361 of the 403 respondents were selected by a computer based random selection process using the electronic White Pages. In addition, 42 respondents were recruited face-to-face. This was undertaken at a number of locations around the Port Stephens LGA, eg, Marketplace in Raymond Terrace and Salamander Square.

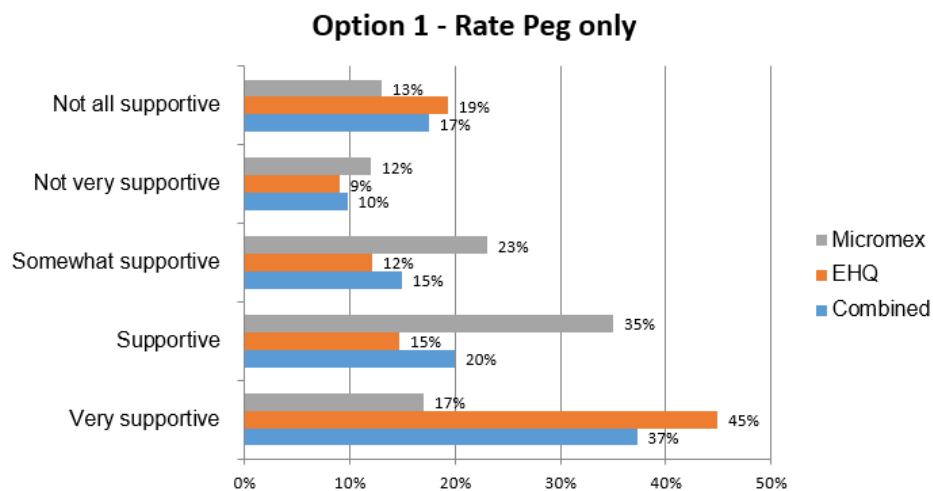
All percentages are calculated to the nearest whole number and therefore the total may not exactly equal 100% with the greatest margin of error +/- 4.9%.

Figure 38 shows responses to questions in the telephone (Micromex) and the other surveys (online and hard copy) to the four options presented to the community.

Figure 38: Survey responses to rate options.

Option 1: Rate peg only

How supportive are you of Council proceeding with Option 1?

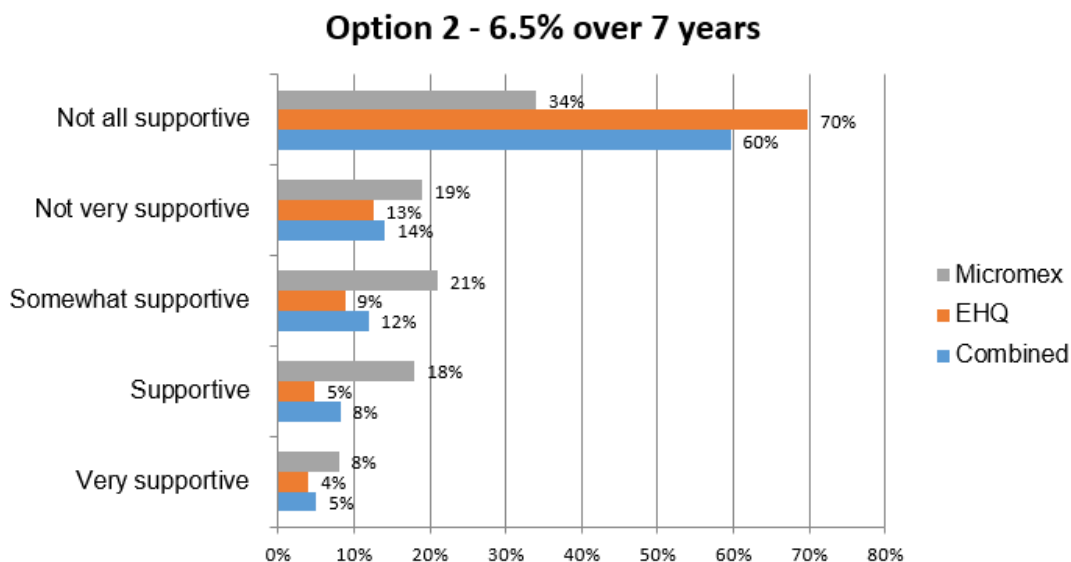


72% of residents were at least somewhat supportive of Option 1 (EHQ)

75% of residents were at least somewhat supportive of Option 1 (Micromex)

Option 2: 6.5% over 7 years

How supportive are you of Council proceeding with Option 2?



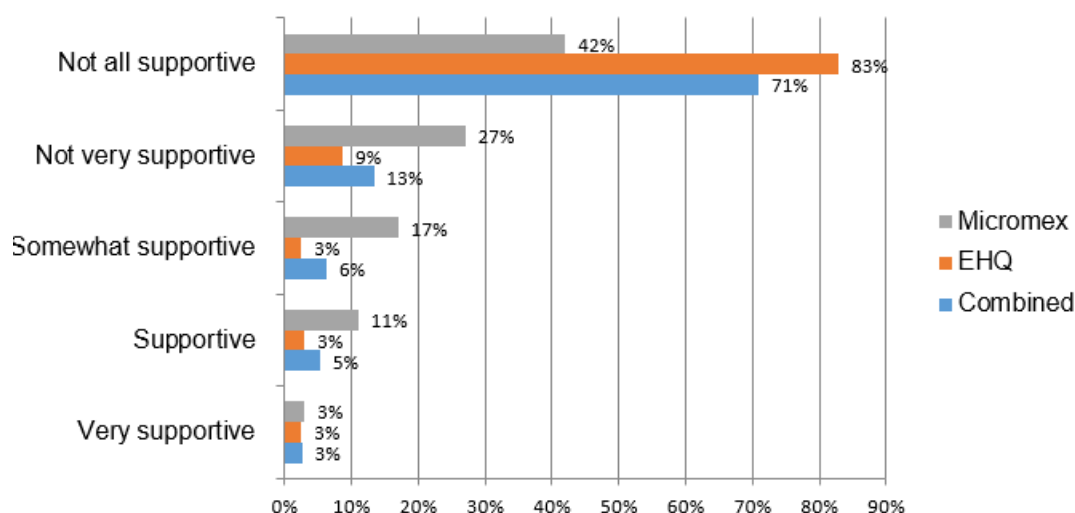
18% of residents were at least somewhat supportive of Option 2 (EHQ)

47% of residents were at least somewhat supportive of Option 2 (Micromex)

Option 3: 7.5% over 7 years

How supportive are you of Council proceeding with Option 3?

Option 3 - 7.5% over 7 years



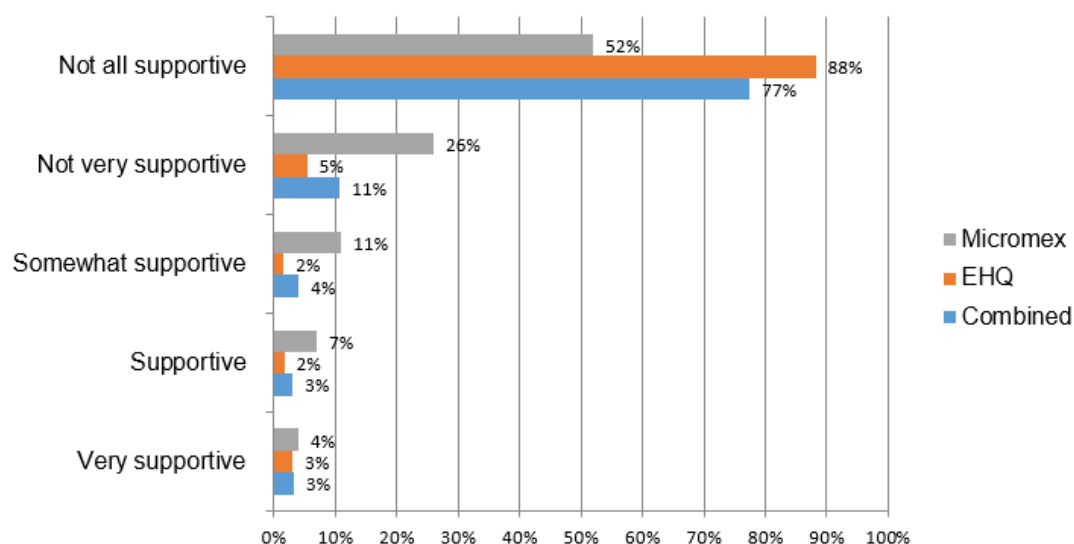
8% of residents were at least somewhat supportive of Option 3 (EHQ)

31% of residents were at least somewhat supportive of Option 3 (Micromex)

Option 4: 8.5% over 7 years

How supportive are you of Council proceeding with Option 4?

Option 4 - 8.5% over 7 years



7% of residents were at least somewhat supportive of Option 4 (EHQ)

22% of residents were at least somewhat supportive of Option 4 (Micromex)

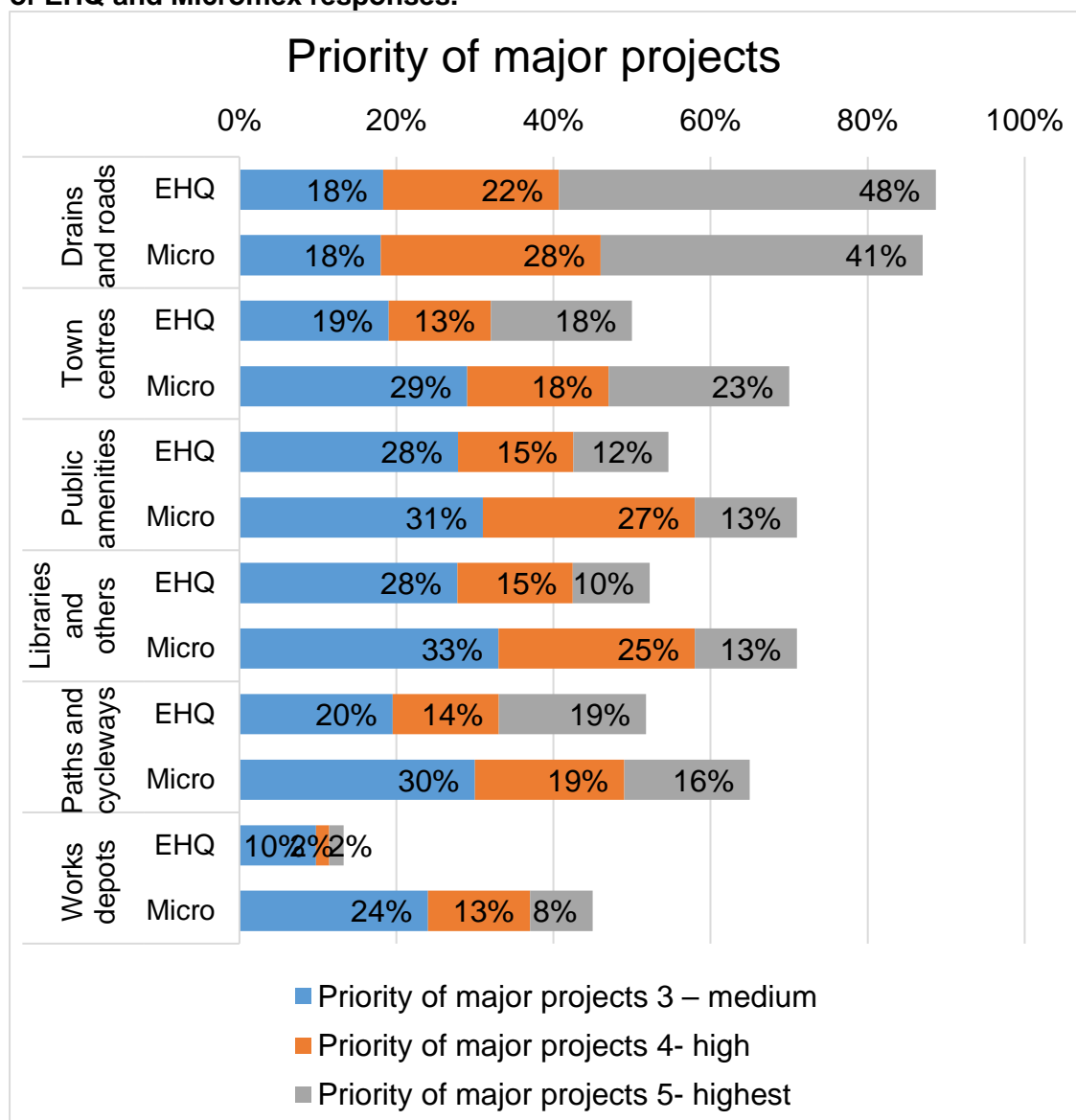
Source: Micromex survey and EHQ data

Figure 39 shows the top priority of projects by rank.

Figure 39: Survey responses to rate options.

Aggregation of top three priorities		
Drains and roads	EHQ	89%
	Micro	87%
Town centres	EHQ	50%
	Micro	70%
Public amenities	EHQ	55%
	Micro	71%
Libraries and others	EHQ	52%
	Micro	71%
Paths and cycleways	EHQ	52%
	Micro	65%
Works depots	EHQ	13%
	Micro	45%

Figure 40: Priority of projects provided during the Stage One consultation – comparison of EHQ and Micromex responses.



Source: PSC data

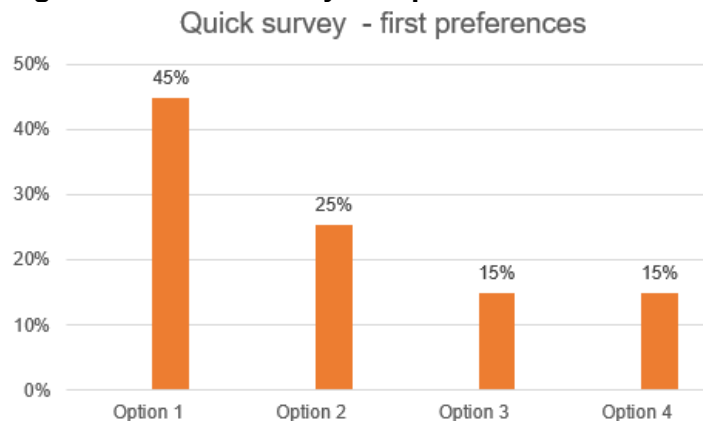
Note: Shows three level of priority – medium, high and highest for each category of work.

Quick exit survey

Council also offered an informal quick exit survey at the end of each community meeting. Its aim was ascertain if by attending a presentation, community members provided a more considered response rather than a default position of “no rate increase”.

This survey was completed by 91 people, who attended a consultation event. Of these, 87 people nominated their first preference options as follows:

Figure 41: Quick survey first preference for SRV options – Stage One



After the first stage, taking into account community feedback and Councillors' knowledge of the community, Council resolved to develop option 3: a SRV of 7.5% per year over seven years including rate peg, to remain permanently in place because it provided benefits for the community while mitigating possible financial hardship.

The projects and programs were refined to fit this funding option in the following way:

- Noting high level of priority for roads works, confirmed commitment to significant road resealing and rehabilitation with a staged increase in funding over 10 years;
- Noting high level of priority for drainage, confirmed commitment with funds for drainage projects in Medowie and Shoal Bay;
- Noting low community interest using SRV funds for depot relocations, reducing SRV funds and alternative funding sources identified;
- To accommodate cash flow with the loan requirements, the recurring programs were costed for a gradual introduction over the 10 year period; and
- recognised need for further consultation on larger projects.

To ensure capacity to deliver and to maintain adequate cash flow, the construction projects were spread over 10 years based on community need, expectations and risk.

4.2.3 Stage Two Feedback

Council received 90 submissions on the draft IP&R documents (ATTACHMENT A6.3.2) and three submissions for the draft Debt Recovery and Hardship Policy (ATTACHMENT A6.4.1).

Figure 42: Stage Two - Community feedback

Type		Number
Submissions	57 handwritten and emailed submissions (long) 33 Engagement HQ submissions (short)	90

Source: PSC data

Submissions consisted of:

- 77 individuals.
- 12 community organisations and groups:
 - Anna Bay All Abilities Regional Play Park Inc.
 - Destination Port Stephens
 - EcoNetwork – Port Stephens Inc. (on EHQ)
 - Fern Bay Fullerton Cove Progress Association
 - Lemon Tree Passage Parks, Reserves and Landcare Group – work group of Council
 - Shoal Bay Community Association Inc.
 - Soldiers Point Community Group Inc. (2 submissions)
 - Tilligerry Community Association Inc.
 - Tilligerry Landcare Group - 355C committee.
 - Tilligerry Forward Committee - community group.
 - Tomaree Business Chamber Inc.
 - Tomaree Ratepayers and Residents Association Inc.

Comments were also made on social media and verbal feedback was provided to the Mayor and Councillors.

The most visited and downloaded document was the Delivery Program and Operational Plans followed by the Community Strategic Plan.

Document name	Visits	Downloads
Delivery Program and Operational Plans	28	29
Community Strategic Plan	19	20
Long Term Financial Plan	8	9
Strategic Asset Management Plan	6	6
Workforce Plan	4	6
Summary of SRV Plans	2	2
Debt Recovery and Hardship Policy	2	2

Many submissions were received from people and organisations that had responded in Stage One. This is consistent with industry trends where communities have a core of active participants who consistently respond in engagement activities.

ANALYSIS

As with the first stage of consultation, due to the significance of the proposed SRV and the projects, each submission was analysed (see ATTACHMENT A6.2) and tabled at Council on 29 January 2019. A full set of redacted submissions were tabled at Council and are provided in ATTACHMENT A6.3.2. A full set of un-redacted submissions was also available to Councillors on a confidential basis.

Of the 57 long written submissions received:

- 19 (33%) commented on the SRV only;
- 16 (28%) commented on the IPR documents only;
- 21 (37%) commented on both the SRV and IP&R; and
- 1 (2%) commented on neither (Morrison Low report).

Of the 57 respondents:

- 58% were not supportive of the proposed SRV;
- 32% made no comment about the SRV; and
- 10% were supportive of the proposed SRV.

Numerous submissions commented on supporting the proposed SRV in principle, but at a lower rate over a shorter period of time.

Of the 33 short submissions received via Engagement HQ, the majority did not support the proposed SRV and felt that Council was ignoring results of earlier community consultation.

Given the importance of this proposal to the community, Council plans to provide a response to each respondent for their long, written submissions.

Having reviewed these submissions, Council adopted some minor changes to the IP&R documents.

GENERAL COMMENTS

- Whilst this was the public exhibition of the IP&R documents, many submissions did not provide feedback on these but continued to raise concerns about the proposed SRV.
- Submissions questioned the level and length of the SRV and the project priorities. There is some commentary supporting a lesser amount over a shorter period for more rigorously prioritised projects.
- Some continued to support a rate peg rise only and there was some support for the proposed rate rise.
- The project priorities should be a focus on the key role of local government being roads maintenance and fixing deteriorated infrastructure.
- A number of submissions only addressed the proposed SRV projects and made recommendations for removal of some (eg Spencer Park, Soldiers Point) and inclusion of others (eg Iris Moore Reserve works, Drungall Avenue, Corlette). Whilst others supported the prioritisation of specific projects like the Avenue of the Allies, Tanilba Bay.

- Some submissions provided alternative priority projects to be added to the proposed SRV projects, without indicating which projects could be removed to remain cost neutral.
- A number of works proposed by respondents are already listed as part of the Capital Works Program.
- Some commented on the low level of funding for some projects; eg foreshore rehabilitation. It is envisaged that these funds would be matched with NSW Government grants available for this work.
- No comment was received in relation to the proposed Williamstown sub-categories of the ordinary residential and farmland rates within the Williamstown Management Area.
- Some submissions were very detailed, while others only addressed single issues.

Affordability of the proposed SRV continued to be of concern to respondents. Others did provide feedback on the IP&R documents, particularly on projects listed in the SAMP. Some felt that the projects did not reflect true community need while others stated that Council should “live within its means” and prioritise the projects more carefully.

RESPONSE

In developing the proposed project and program list, Council aimed to provide equitable distribution of expenditure across the LGA, with major assets to benefit the whole community through to more location specific projects. The enhanced community services also aimed to support the whole community.

However, respondents tended to focus on their own areas, rather than comment on the broader benefit of the SRV projects and programs, often questioning the necessity of projects in other locations.

HARDSHIP

- Impact of the proposed SRV being hardship caused to pensioners, low/fixed incomes, renters and businesses.
- Hardship Policy does not address impact on self-funded retirees or renters specifically.
- The potential impact of the proposed SRV on fixed and low incomes – such as families, pensioners, self-funded retirees, renters and small business – is of concern.

RESPONSE

- Council undertook considerable research to determine the community’s ability to pay a rate increase. Details are provided at ATTACHMENT 15.
- The revised Debt Recovery and Hardship Policy (see ATTACHMENT 7) proposes a new Rates Assistance Program which provides mechanisms for Council to provide practical financial assistance to financially vulnerable ratepayers.
- As part of the draft Statement of Revenue, Council proposed to assist pensioners with a reduction in Domestic Waste Service Charges (DWSC). Unlike rates, Council has the ability to modify waste charges. An affordability measure is to provide lower DWSC for eligible (receiving a pensioner rate concession) pensioners.

- To recoup this subsidy for eligible pensioners, Council would charge a higher DWSC to all other ratepayers, for land categorised as “residential”, “farmland” or “business” whether occupied or unoccupied.

The following waste service charges would be applied:

Figure 43: Proposed DWSC for pensioners

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
If SRV proceeds	\$398	\$379	\$360	\$341	\$323	\$305	\$287
If SRV not approved	\$428	\$439	\$450	\$461	\$473	\$485	\$497

Figure 44: Proposed DWSC for non - pensioners

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
If SRV proceeds	\$436	\$453	\$471	\$490	\$508	\$527	\$546
If SRV not approved	\$428	\$439	\$450	\$461	\$473	\$485	\$497

Source: PSC data

No comment was received on this proposal. However, two public charities and one financial counselling service provided submissions on the draft Debt Recovery and Hardship Policy which is outlined later in this section.

OPPOSITION TO PROPOSED SRV

- Council should live within its means. The proposed SRV is not necessary.
- A number of comments about a Council that has previously been rated as ‘Fit for the Future’ making a proposed SRV was unjustifiable.
- Concern about existing costs such as the Lagoons Estate (drainages issues and legal costs).
- Many projects are “nice to have” rather than essential.
- Priorities should be roads, foreshore erosion and environment.

RESPONSE

Council can continue with its current program of works and service delivery without a SRV. The annual rate peg rise allows for maintenance of services but a continuing diminution of infrastructure and no ability to undertake and maintain range of new infrastructure.

However, community feedback has highlighted that more is expected and this cannot be funded by grants or investment income alone.

PREVIOUS COMMUNITY FEEDBACK

There was a misconception expressed at meetings and in a number of submissions that the majority of ratepayers have objected to the proposed SRV in the Stage One consultations.

RESPONSE

During Stage One, Council undertook extensive consultation and received 1,624 surveys and 416 submissions. Council has approximately 34,000 ratepayers.

Of the surveys, 403 were random phone surveys in which 61% of respondents selected rate peg only (no SRV) as their first preference, while 39% selected one of the SRV options as their first preference. The survey was conducted in such a way that it is a statistically valid sample of the community.

This first stage consultation was to assess the willingness of the community to adopt a rate rise above rate pegging.

Taking into account community feedback, Council resolved to develop the 7.5% model because it provided benefits for the community while mitigating possible financial hardship.

The proposed SRV and financial hardship were continual themes of community feedback. Other submissions focussed on projects – both included and not listed as part of SRV funded projects.

There was a misperception in the community that there was a high level of opposition to the rate rise amongst ratepayers/residents in Stage One. Approximately 70% of respondents in Stage One were opposed to a rate rise. Results of the statistically valid telephone survey were slightly lower - 61% selected Option 1 (rate peg only) as their first preference, while 39% selected one of the SRV options as their first preference.

Council also responded to community feedback by reducing proposed SRV funds being made available to depot relocations and increasing funds for the roads program.

Major infrastructure works are the outcome of previous community consultation and are also the outcomes of various strategic planning documents. Before these projects would proceed, further community consultation would be undertaken. Also, plans would be reviewed where appropriate; for example, the Anna Bay Strategy and Town Plan.

Many respondents commented on the potential hardship of a rate rise and Council has responded by the proposed introduction of a new Rates Assistance program in the Debt Recovery and Hardship Policy and lower domestic waste service charges for pensioners.

PROJECT AND PROGRAM FUNDING

There was some questioning of the level and veracity of budget estimates for projects – some considered too low, some too high.

RESPONSE

Council has used a variety of tools to estimate the building and construction project estimates of proposed SRV projects. These include extrapolating costs from current projects and using industry guides such as Cordell Cost Guide and Rawlinsons Construction Cost Guide.

Councils are also required to produce detailed Capital Expenditure Reviews for large projects expected to cost in excess of 10% of Council's annual ordinary rate revenue or \$1m, whichever is the greater (GST exclusive). Capital Expenditure Reviews have been developed for a number of the proposed SRV projects and were lodged with OLG prior to the lodgement of the SRV application.

These are:

- Raymond Terrace and King Street revitalisation;
- Nelson Bay revitalisation;
- Medowie revitalisation; and
- Depot relocations.

Some of the projects are not fully funded by the SRV but would rely on other funds for sources such as grants, general revenue and loans.

More detail is and would be available in the IP&R documents and annual reports as the projects are undertaken. Further community consultation would also be undertaken for the major projects. Council would also be required to report on the progress of SRV funded projects on an annual basis.

RATE LIABILITY OF DIFFERENT ACCOMMODATION COMMUNITIES

- Continued concern over the different types of land ownership (and hence rates responsibilities) amongst gated communities.
- Lack of understanding about the different models of gated, over 50s lifestyle resorts.
- Some concern about why some pay rates (and allegedly receive no benefit) while others do not pay rates yet benefit from Council's facilities and services.

RESPONSE

The issue of accommodation development models and liability to pay rates in the Port Stephens LGA is complex. There are a variety of models which include:

- Community title under the *Community Land Management Act 1989 (NSW)*, where each lot is Torrens Title, each owner is rated and the community may or may not be gated. Whether a community is considered "gated" or not has no effect on whether the lot owners are liable to pay rates and receive services in return.

- Tenancy under the *Residential (Land Lease) Communities Act 2013 (NSW)*, where each occupant owns their home but not the land. This may be a caravan park or a manufactured home estate. The entity that owns the land is rated as business.
- Aged care facilities that are public charities pay no rates.
- Strata title where each lot is Torrens Title and each owner is rated.
- Non-strata units, duplexes and granny flats where a single rate notice is issued for multiple occupancies.

Given the level of confusion about this issue and the potential impact on planning and future rate revenue, it is proposed that Council prepare a discussion paper (in consultation with the relevant communities) on the issue.

TILLIGERRY PENINSULA

- A number of submissions raised concern about the proposed projects to be funded on the Tilligerry Peninsula, again adding to the list of potential new projects.
- A number of submissions raised that Lemon Tree Passage is not the town centre of the peninsula and that Tanilba Bay also needed to be considered.
- Some submissions questioned the significant amount earmarked for the upgrade of McCann Park.

RESPONSE

Given the diverse range of projects and views proposed by the residents of the Tilligerry community (individuals, three community groups and one informal group) and the lack of consensus on their priority, it is proposed that an Infrastructure Plan be developed for the Tilligerry Peninsula. This would allow projects to be considered and prioritised. To assist in this work, it is proposed to establish a community advisory panel through a public EOI process (similar to Medowie and Raymond Terrace) to guide the plan and projects.


DRAFT DEBT RECOVERY AND HARDSHIP POLICY

The most significant inclusion in the policy revision was the proposed Rates Assistance Program. The Rates Assistance Program was part of Council's response to the affordability issues raised during the first stage public consultation on the SRV.

Council contacted five local financial relief or counselling services during the exhibition period to gauge their response to the Rates Assistance Program as proposed. Council also made contact with Financial Counselling Hunter Valley Project Inc. and had discussions with the financial counsellor active within the LGA. The services were generally supportive of the proposed Rates Assistance Program.

During the exhibition period, the OLG issued Debt Management and Hardship Guidelines. These guidelines propose changes to the contemporary Council approach to debt management and will require a comprehensive review of Council's current practices and consideration of the resource implications, including human resources, computer software resources and the current debt collection contract.

Council received three submissions in response to the Draft Debt Recovery and Hardship Policy (ATTACHMENT A6.4.1). Their analysis is at ATTACHMENT A6.4.2.



The two charities that responded with submissions were happy to participate in the Rates Assistance Program. One charity estimated it might receive up to 200 requests for financial assistance from PSC LGA homeowners each year. An amount of \$5,000 per service under the program was perceived as reasonable by the respondents. Another charity did not assist many homeowners from Port Stephens so was unable to estimate demand for the Rates Assistance Program. One charity would prefer their intensive support workers or financial counsellor administer the program in preference to their volunteers.

Council's recently amended debt recovery and hardship policy has incorporated suggestions from respondent service providers.

Amendments to the IP&R documents are shown in Criterion 4 (IP&R documents).

5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:

- *clearly show the impact of any rises upon the community*
- *include the council's consideration of the community's capacity and willingness to pay rates and*
- *establish that the proposed rate increases are affordable having regard to the community's capacity to pay.*

The impact of the council's proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the proposed special variation. We also review how the council has assessed whether the proposed rate rises are affordable, having regard to the community's capacity and willingness to pay.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the proposed special variation on rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this may differ from the current rating structure, or that which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, and how this was communicated to the community. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes (eg, receipt of new valuations) in the rating structure.

Impact on rates

The following provides details of the potential impact of this proposed increase on rates across categories.

In considering this proposed SRV, Council initially sought the community's views on four levels of rates. In reviewing the CSP and considering ways to fund the requested infrastructure projects and programs, Council balanced the needs of the community relative to their capacity and willingness to pay increased rates.

Council considered household income, Council's rate comparable with other LGAs and other socio economic factors (see 5.2). Based on these factors, the middle option of 7.5% was selected. Detailed information material (ATTACHMENT A5.2) for different land values and categories were available for the community:

- Ready reckoners for:
 - Residential rates and charges estimates
 - Residential pensioner rates and charges estimates
 - Business rates and charges estimates
 - Farmland rates and charges estimates
 - Farmland pensioner rates and charges estimates
 - Williamstown rates and charges estimates
 - Williamstown pensioner rates and charges estimates
- Other documents:
 - Special Rate Variation information booklet
 - SRV myths busted
 - Special Rate Variation Frequently Asked Questions
 - Town Centre Revitalisation – Morrison Low Cost Benefit Analysis
 - Special Rate Variation Community Projects
 - Special Rate Variation Residential Factsheet
 - Special Rate Variation Business Factsheet
 - Special Rate Variation Farmland Factsheet

To demonstrate the impact on rates, Council provides the following data:

1. Rating structure and charges
2. Comparison of PSC rates to comparable councils in the region
3. Pensioner ratepayers comparison with other councils
4. Application of a Special Rate Variation
5. Impact on pensioner ratepayers
6. Impact on Williamstown Management Area ratepayers

5.1.1 Rating structure and charges

Structure

Council's rating structure consists of four categories – residential, business, farmland and mining (currently no assessments in the mining category). Council has made sub-categories of the ordinary rate in the residential and farmland categories for ratepayers whose properties are located within the Williamtown Management Area, an area defined by the NSW Environment Protection Authority as being affected by contamination with fire-fighting foam originating from the RAAF Base at Williamtown. Rate structure details are provided below.

Figure 45: Port Stephens Council rate structure 2018-2019

Category	Sub-category	Base amount \$	Rate in \$	Base amount yield
Residential		369.00	0.30330	35%
Residential	Williamtown Primary Mgt Zone	184.00	0.15135	35%
Residential	Secondary Management Zone	276.00	0.22703	38%
Residential	Broader Management Zone	331.20	0.27243	37%
Farmland		369.00	0.30330	22%
Farmland	Williamtown Primary Mgt Zone	184.00	0.15135	27%
Farmland	Secondary Management Zone	276.00	0.22703	23%
Farmland	Broader Management Zone	331.20	0.27243	25%
Business		1,557	0.85130	35%

Source: PSC rates data

The Williamtown Management Area subcategories (lower rates) were implemented for the first time in 2018-2019. Prior to 2018-2019, Williamtown residential and farmland ratepayers were subject to the same rates as the rest of the LGA.

The beneficial financial impact of implementing sub-categories for Williamtown Management Area, on average ratepayers within those sub-categories, is shown in figure 56.

The total benefit provided through this sub-categorisation is approximately \$90,000 in 2018-2019 with the cost being borne by re-distribution of burden to other ratepayers at an annual cost of approximately \$2.71 per rate assessment.

At its meeting on 13 November 2018, Council has resolved to continue the different land categories for Williamtown Management Area as part of the 2019-2020 IP&R process (ATTACHMENT A13.1.5: Min No: 133).

Figure 46: Rate Revenue 2018-2019

Rate category	Rate income	Income percentage
Residential	\$33,095,305	78.71%
Business	\$8,152,259	19.39%
Farmland	\$801,240	1.90%
TOTAL	42,048,804	100%

Source: PSC Annual Report 2018-2019, Volume 2, Special Schedule 2: Permissible Income Workpaper.

Charges

Council has included information about other charges that make up a ratepayer's bill as it is proposed in 5.3.4 that the largest of these charges, domestic waste service charges, be reduced for pensioners to partially offset the impact of rate increases for this financially vulnerable segment of our community.

Waste charges

In addition to ordinary rates, Council's annual waste charges consist of four elements:

1. Waste Management Charge – to pay for land fill and waste transfer;
2. Waste Service Charge – for kerbside collection;
3. Additional Waste Service – for high volume users; and
4. Additional Recycling Service – for high volume users.

Domestic waste management services are self-funding. Council is not permitted to raise more from domestic waste management charges than the reasonable cost of providing the service. For this reason it is not subject to rate pegging. Council has discretion concerning the charging structure. The varying nature of the charging structure over the last 10 years is illustrated in figure 47.

Figure 47: Annual waste charges 2010-2019

Year	Waste management charge \$	Waste service charge \$	Additional red bin \$	Additional yellow bin \$
2010	57	286	189	97
2011	73	287	190	97
2012	60	308	205	105
2013	62	336	224	112
2014	48	354	236	118
2015	63	372.50	198	99
2016	61	388	200	100
2017	57	401	230	115
2018	55	415	230	120
2019	58	418	240	125

Source: PSC charges data records

The *Local Government Act 1993* requires these charges be applied where the service is available including to vacant land. No reduction is given for developed land where the service is not used.

On-site Sewage Management fees

Council also includes On-site Sewage Management fees on over 4,800 onsite sewage management systems in use in the Port Stephens LGA.

Water and sewer charges

Hunter Water Corporation manages water and sewer service charges to residents in Port Stephens.

Catchment contribution

Council levies on rate notices and collects a catchment contribution on behalf of Hunter Local Land Services for properties within a defined area in the western half of the local government area (generally south and west of the locality of Salt Ash). The contribution applies to all land with a land value over \$300 within the catchment area and is very small, averaging \$25 per rate assessment.

5.1.2 Rate comparison to other councils

Residential

Currently, Port Stephens Council's average residential rate is the lowest of comparable councils in the Hunter region.

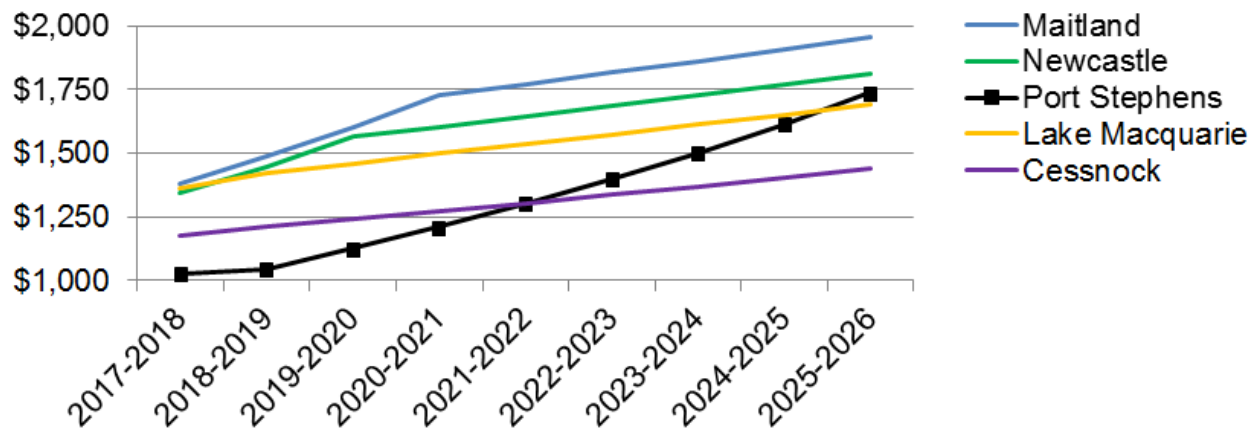
Figure 48: Average Residential Rates 2018-2019

LGA	Average rate	Average land value
Port Stephens	\$1,047	\$224,000
Cessnock	\$1,210	\$163,000
Lake Macquarie	\$1,425	\$281,000
Newcastle	\$1,448	\$331,000
Maitland	\$1,487	\$176,000

Source: PSC Annual Report 2018-2019, Volume 2, Special Schedule 2, Permissible Income Workpapers 2017-2018 and 2018-2019 for each Council

With a proposed SRV of 7.5%, PSC rates would rise and place PSC on par with Lake Macquarie City Council but less than Newcastle City Council and Maitland City Council.

Figure 49: Average residential rates (with SRV) comparison with Lower Hunter councils last year, this year and over the proposed SRV term



Data source: Annual Reports, Volume 2, Special Schedule 2, Permissible Income Workpapers for each Council 2017-2018 and 2018-2019, IPART SRV determinations for Maitland City Council and Newcastle City Council and Council's SRV forecasts.

Assumptions:

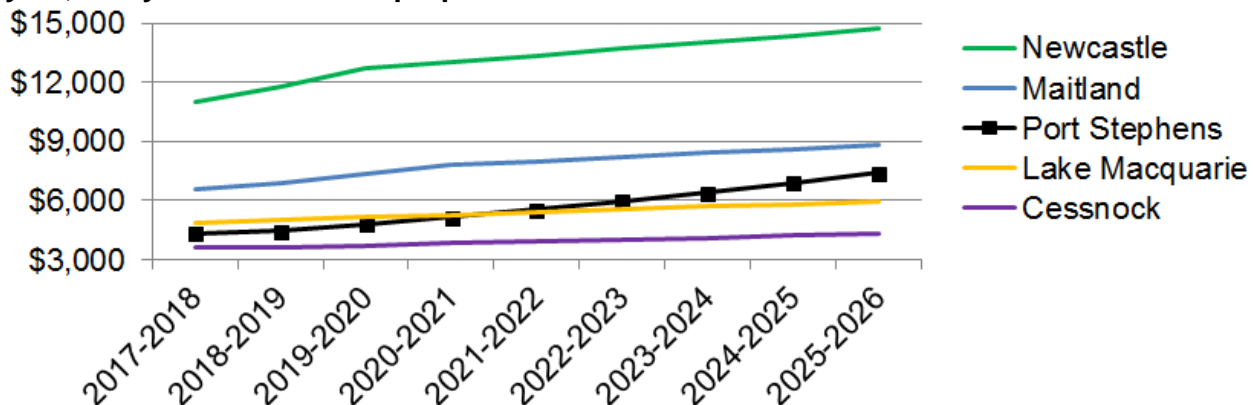
- Port Stephens Council 7.5% increase each year 2019-2020 to 2025-2026;
- Maitland City Council 7.83% increase in 2019-2020, 7.79% increase 2020-2021 and 2.5% increase each year 2021-2022 to 2025-2026;
- Newcastle City Council 8.0% increase in 2019-2020 and 2.5% increase each year 2020-2021 to 2025-2026;
- Lake Macquarie City Council 2.5% increase each year 2019-2020 to 2025-2026; and
- Cessnock Council 2.5% increase each year 2019-2020 to 2025-2026.

It is assumed the other councils would not apply for an SRV during the period.

Business

PSC current average business rate is lower than most comparable Lower Hunter councils and would remain competitive with a SRV.

Figure 50: Average business rates (with SRV) comparison with Lower Hunter councils last year, this year and over the proposed SRV term



Data source: Annual Reports, Volume 2, Special Schedule 2, Permissible Income Workpapers for each Council 2017-2018 and 2018-2019, IPART SRV determinations for Maitland City Council and Newcastle City Council and Council's SRV forecasts.

Assumptions:

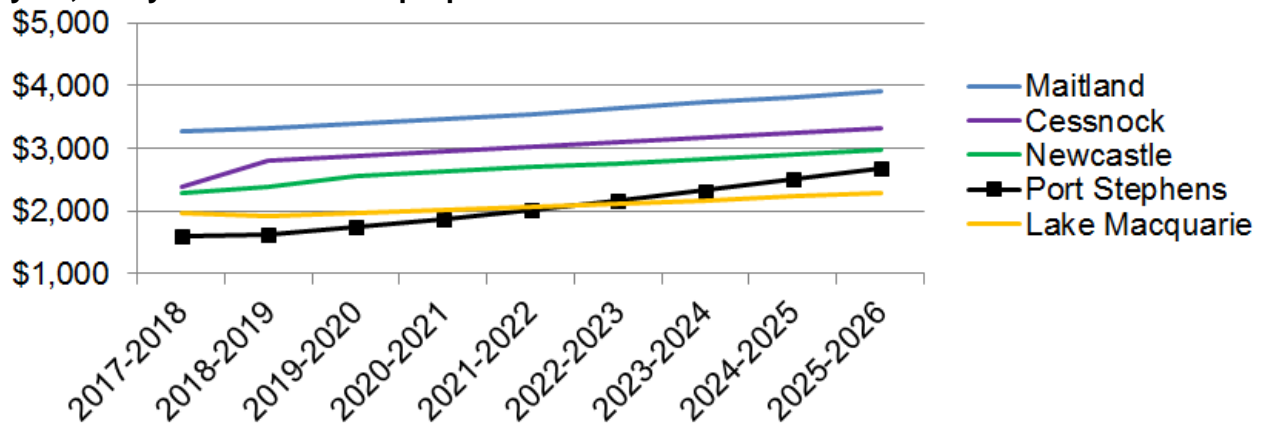
- Port Stephens Council 7.5% increase each year 2019-2020 to 2025-2026;
- Maitland City Council 6.17% increase in 2019-2020, 6.24% increase 2020-2021 and 2.5% increase each year 2021-2022 to 2025-2026;
- Newcastle City Council 8.0% increase in 2019-2020 and 2.5% increase each year 2020-2021 to 2025-2026;
- Lake Macquarie City Council 2.5% increase each year 2019-2020 to 2025-2026; and
- Cessnock Council 2.5% increase each year 2019-2020 to 2025-2026.

It is assumed the other councils would not apply for an SRV during the period.

Farmland

Currently, Port Stephens Council's average farmland rate is the lowest of comparable councils in the Hunter region and would remain competitive with a SRV.

Figure 51: Average farmland rates (with SRV) comparison with Lower Hunter councils last year, this year and over the proposed SRV term



Data source: Annual Reports, Volume 2, Special Schedule 2, Permissible Income Workpapers for each Council 2017-2018 and 2018-2019, IPART SRV determinations for Maitland City Council and Newcastle City Council and Council's SRV forecasts. Note: Cessnock Council discontinued its "Farmland – Low Intensity" sub category in 2017-2018 and transferred a corresponding 219 low rated rate assessments across to the residential category, resulting in the above noticeable increase in the Cessnock average farmland rate in 2018-2019.

Assumptions:

- Port Stephens Council 7.5% increase each year 2019-2020 to 2025-2026;
- Maitland City Council 6.17% increase in 2019-2020, 6.24% increase 2020-2021 and 2.5% increase each year 2021-2022 to 2025-2026;
- Newcastle City Council 8.0% increase in 2019-2020 and 2.5% increase each year 2020-2021 to 2025-2026;
- Lake Macquarie City Council 2.5% increase each year 2019-2020 to 2025-2026; and
- Cessnock Council 2.5% increase each year 2019-2020 to 2025-2026.

It is assumed the other councils would not apply for an SRV during the period.

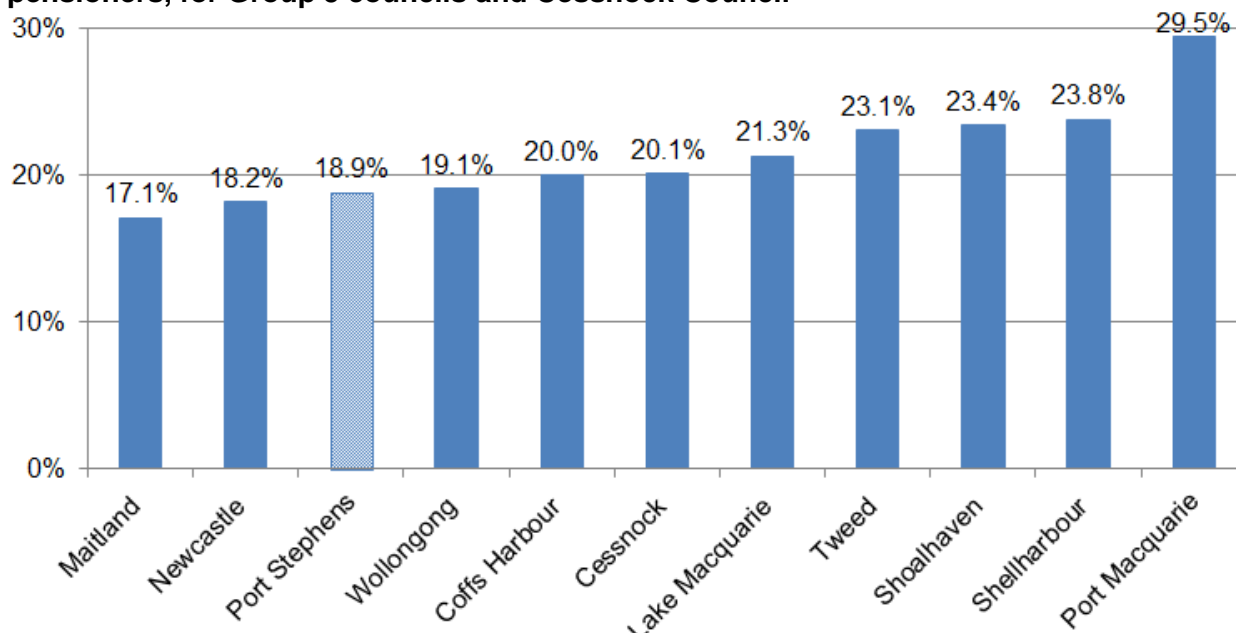
5.1.3 Pensioner ratepayers comparison with other councils

The OLG classifies NSW councils into 11 groups based on broad demographic variables to compare the performance of different councils in a meaningful way. Port Stephens Council is classified as a Group 5 Council - Large Urban Regional Town/City with a population over 70,000 people.

In Port Stephens, under 20% of ratepayers are pensioners, which is lower than both Cessnock and Lake Macquarie and nearly on par with Newcastle. It is also at the lower end of all NSW Group 5 councils.

This is based on most recent comparative data published by the OLG being for the 2016-2017 financial year.

Figure 52: Comparison of the percentage of residential rate assessments owned by pensioners, for Group 5 councils and Cessnock Council



Source: OLG comparative data, 2016-2017 Note: Information unavailable for the new Mid-Coast Council
Note: Cessnock is not a Group 5 council but included for regional comparison.

5.1.4 Application of a Special Rate Variation

Council proposes to apply an increase uniformly across its rates categories. Council would continue the sub-categories of the ordinary rate in the residential and farmland categories for properties located in the Williamstown Management Area (see 5.1.6).

Part A of the application shows the cumulative impact on residential, business and farmland ratepayers over the seven years.

Substantial material (printed and online) was available for the community so they could assess the potential impact of a rate rise on their rates.

Council intends to partially mitigate the impact on pensioner ratepayers by providing a reduction in the Waste Service Charge for ratepayers holding the Commonwealth Pensioner Concession Card. For more detail see 5.3.4.

5.1.5 Impact on pensioner ratepayers

Community feedback consistently expressed concern about the impact of a potential rate rise on fixed income households, in particular, age pensioners.

The Association of Independent Retirees Ltd estimate that 70% of people over 65 are eligible for the Commonwealth Pensioner Concession Card and receive a full or part pension while 30% receive no support. (This includes 9% who receive no pension but hold the Commonwealth Health Card).

Recent Council data is consistent with the 2016-2017 OLG comparative data and indicates that approximately 19% of PSC residential rate assessments are owned by pensioners, based on 6,011 pensioner assessments out of 31,591 residential land category rate assessments levied to 31 August 2018.

Pensioner land value profile

Pensioner's property land values in the LGA range from \$22,460 to \$1,376,000 with the average land value being \$224,000, which is the same as the average value of all residential properties, refer to figure 48.

Under the proposed SRV, the average pensioner's rates would increase from \$1,048 in the current year to \$1,739 in 2025-2026 (less the existing \$250 per annum pensioner rate concession) refer to figure 53. This is an increase of \$691 or \$493 above the estimated 2.5% annual rate peg. Refer to 5.3.4 for details on the partial mitigation of rate increases for pensioners.

Figure 53: Pensioner land value profile and SRV rate increases of 7.5% per annum for seven years

Pensioners 2018-2019			Pensioners Annual Increase above Rate Peg							7.5% x 7 years		
Land Value*	No. Assess	Current Rates	Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$	Above Rate Peg \$	Rate Peg	2025-2026 Future Rates
50,000	105	521	26	29	31	34	38	41	45	245	98	864
100,000	256	672	34	37	41	45	49	53	58	316	127	1,115
150,000	1,015	824	41	45	50	55	60	65	71	388	155	1,367
200,000	1,445	976	49	54	59	65	71	77	85	459	184	1,619
224,000		1,048	52	58	63	69	76	83	91	493	198	1,739
300,000	2,175	1,279	64	70	77	85	93	102	111	602	241	2,122
400,000	734	1,582	79	87	96	105	115	126	137	744	299	2,625
500,000	131	1,886	94	104	114	125	137	150	164	887	356	3,128
600,000	41	2,189	109	120	132	145	159	174	190	1,030	413	3,631
700,000	22	2,492	125	137	151	165	181	198	216	1,172	470	4,135
800,000	3	2,795	140	154	169	185	203	222	243	1,315	527	4,638
900,000	5	3,099	155	170	187	205	225	246	269	1,458	585	5,141
1,000,000	11	3,402	170	187	206	225	247	270	295	1,600	642	5,644
1,100,000	5	3,705	185	204	224	245	269	294	321	1,743	699	6,147
1,200,000	8	4,009	200	220	242	266	291	318	348	1,885	756	6,650
1,300,000	4	4,312	216	237	260	286	313	342	374	2,028	814	7,154
1,400,000	4	4,615	231	254	279	306	335	366	400	2,171	871	7,657

Source: PSC rate structure 2018-2019 and PSC data

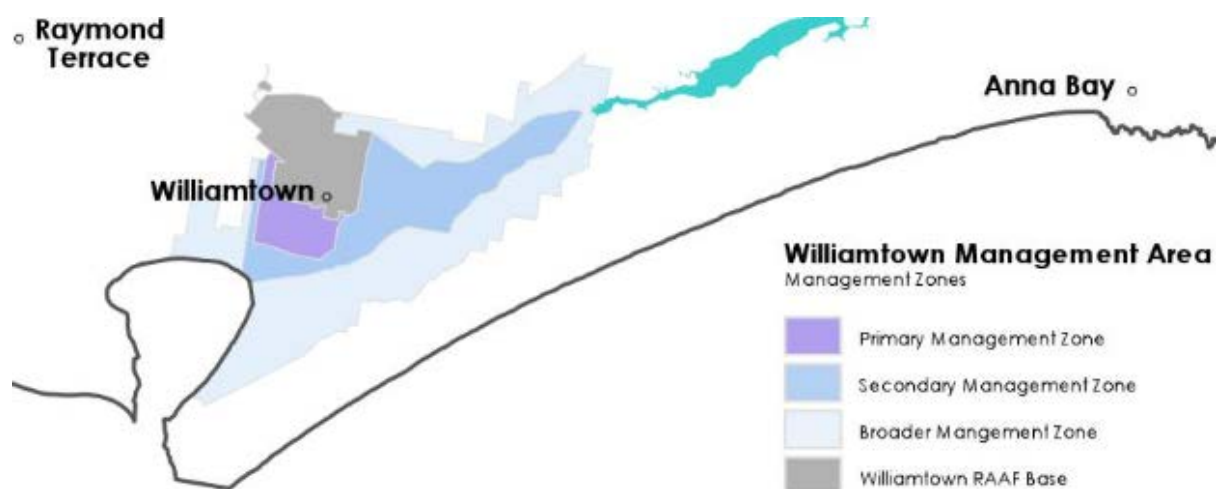
5.1.6 Impact on Williamstown Management Area ratepayers

There are 514 rateable properties located within the Williamstown Management Area. For rating purposes, 428 of these properties are categorised as residential, 42 are categorised as farmland and 44 are categorised as business.

In June 2016, the NSW Valuer General provided lower land values to apply to properties that were located in the former Williamstown Contamination Investigation Area. The 1 July 2013 base land values were reduced on average 15%. After the investigation area boundary was re-defined by the EPA in late 2017, the NSW Valuer General provided lower land values to apply to properties that were added to the expanded boundary which was renamed Williamstown Management Area. The 1 July 2016 base date land values for those newly added properties were also reduced on average 15%.

In 2018-2019, Council made sub-categories of the ordinary rate in the residential and farmland categories to apply to properties located inside a boundary based on the NSW Environment Protection Authority (EPA) Williamstown Management Area Primary, Secondary and Broader Management Zone Map dated 19 December 2017. Council made lower rates that applied in 2018-2019 to residential and farmland properties within the sub-category areas.

Figure 54: Williamstown Management Area



Source: PSC Geographic Information System

Figure 55: Williamstown Management Area profile as at 12 July 2018

Rate sub-category	Number of properties	Total land value \$	Average land value \$
Residential Williamstown Primary Mgt Zone	22	4,960,000	225,454
Residential Williamstown Secondary Mgt Zone	155	30,830,600	198,907
Residential Williamstown Broader Mgt Zone	251	52,112,000	207,618
Farmland Williamstown Primary Mgt Zone	9	2,956,000	324,444
Farmland Williamstown Secondary Mgt Zone	17	6,434,000	378,471
Farmland Williamstown Broader Mgt Zone	16	5,762,000	360,125

Source: PSC rate levies, July 2018

The lower ordinary rates Council made to apply to the Williamstown Primary Management Zone residential and farmland sub-categories were approximately 50% lower than the residential and farmland rate that applied across the remainder of Port Stephens LGA, refer to figure 45. The reductions were approximately 25% in the Secondary Management Zone and 10% in the broader management zone.

The lower ordinary rates applied to the Williamstown Management Area sub-categories resulted in significant reductions in the total rates and charges bill on average rate assessments in each sub-category mitigating to some extent adverse financial impacts of the SRV, refer to figure 56.

Figure 56: Williamstown Management Area average change in total rate and charges bill between 2017-2018 and 2018-2019

Rate sub-category	Rate bill reduction
Residential Williamstown Primary Mgt Zone	-\$493.11
Residential Williamstown Secondary Mgt Zone	-\$212.19
Residential Williamstown Broader Mgt Zone	-\$68.73
Farmland Williamstown Primary Mgt Zone	-\$630.77
Farmland Williamstown Secondary Mgt Zone	-\$336.03
Farmland Williamstown Broader Mgt Zone	-\$104.69

Source: PSC rate levies, July 2018

Refer to ATTACHMENT 15 (pp17-18) for full calculations of Williamstown Management Area total rate and charges bill reductions.

Part A of the SRV application form at *WK5a – Impact on Rates* shows that the average Williamstown residential and farmland property in the primary management zone will receive a cumulative rate increase of \$349.73 and \$449.18 each respectively over the seven years. However figure 56 shows that these properties already received a rate reduction through the introduction of ordinary rate sub-categories in 2018-2019 of \$493.11 and \$630.77 each respectively, which means that those properties most impacted by the contamination, in the primary management zone, will have lower rates under the SRV in 2025-2026 than they had in 2017-2018 (subject to the effect of the two general revaluations due to occur during the SRV). It is acknowledged that the beneficial effect is much more moderated for those properties in the secondary and broader management zones, however their increase between 2017-2018 and 2025-2026 is lower than elsewhere in the LGA.

5.1.1 Minimum Rates

The proposed special variation may affect ordinary rates, special rates and/or minimum rates.

For minimum rate increases, a council must seek approval via an instrument when it:

- ▼ proposes to increase its minimum rates above the statutory limit for the first time with or without increasing its general income above the rate peg limit;
- ▼ it is already imposing an ordinary minimum rate above the statutory limit and it seeks to increase that rate by more than the rate peg or the percentage allowed by a special variation; or
- ▼ is seeking to increase the minimum amount of its **special rates** above the statutory limit.

Under these scenarios, where the council is also proposing a special variation in the same rating year, it may submit a combined special variation and minimum rate application.

Complete this section if the council is seeking approval to increase the minimum amount of an ordinary rate or special rate via an instrument as outlined above.

Does the council have an ordinary rate subject to a minimum amount? Yes ☐ No ☒

Does the council propose to increase the minimum amount of its ordinary rates above the statutory limit for the first time? Yes ☐ No ☐

Which rates will the increases apply to? Residential ☐ Business ☐ Farmland ☐

Does the council propose to increase the minimum amount of its ordinary rate/s by:

- The rate peg percentage ☐
- The special variation percentage ☐
- A different amount ☐ indicate this amount (%) _____ (\$)

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$ _____

If the increase applies to a special rate, complete this section

What will the minimum amount of the special rate be after the proposed increase? \$ _____

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

- ▼ the rationale for increasing minimum rates above the statutory amount,
- ▼ the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category, and
- ▼ the consultation the council has undertaken to obtain the community's views on the proposal.

See the separate **Minimum Rate Application Form Part B** for more detail on how IPART will assess applications against each of these criteria. It is the council's responsibility to provide enough evidence in its application to justify the increase. Where applicable, councils should make reference to the relevant parts of its Integrated Planning and Reporting documentation to demonstrate how the criteria have been met.

The council must explain how the proposed special variation will apply to the minimum amount of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories that will occur as a result (refer to Part A of the application as necessary).

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

N/A – Does not apply to this application

It is not necessary for a council to apply to IPART for an increase in minimum rates when the council:

- ▼ is seeking to increase its ordinary minimum rates to any level at or below the statutory limit (even if the increase is by more than the rate peg); or
- ▼ has previously had an increase to its ordinary minimum rate above the statutory limit approved by IPART, and is seeking further increases by the rate peg or the percentage applied for in a special variation application (see section 548(4) and (5) of the Act).

Complete this section for information only if the proposed increase to the minimum amount is not above the statutory limit or if above the statutory limit, the council has previously been granted approval for an increase above the statutory limit (see section 548(4) and (5) of the Act).

Does the council have ordinary rates subject to a minimum amount? Yes ☐ No ☒

Which ordinary rate will the proposed increase apply to? Residential ☐ Business ☐ Farmland ☐

Does the council propose to increase the minimum amount of its ordinary rate/s by:

- The rate peg percentage ☐
- The special variation percentage ☐
- A different amount ☐ Indicate this amount (%) _____ (\$)

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$_____

Where the minimum rate increase is proposed without a corresponding variation to ordinary rates, a separate Minimum Rate application is required. See the separate Minimum Rate Application Forms Part A and Part B for 2019-20.

5.2 Consideration of affordability and the community's capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

Council has balanced the needs of the community relative to their ability and willingness to pay rates. For example, Council elected not to apply for the higher rate of 8.5%, cognisant that this might place undue stress on some sections of the community.

Council has assessed its rating structure, fees and charges and analysed the socio-economic characteristics of the community to understand capacity to pay.

Council has also modified its **Debt Recovery and Hardship Policy** to include a new program to assist ratepayers who may experience financial hardship under the proposed rate rise.

Council established the affordability of the proposed SRV by reviewing a range of socioeconomic data from a range of authoritative sources. This included:

1. Demographics of the LGA
2. Port Stephens Economy
3. Comparison of Median Household Income
4. Unemployment
5. Socio-Economic Indexes For Areas
6. Weekly income vs residential rates
7. Mortgage monthly repayments
8. Potential impact of SRV on rents
9. Comparison of outstanding rates ratios in the Lower Hunter
10. Land values
11. Willingness to pay

Sources included:

- Australian Bureau of Statistics
- OLG comparative data
- NSW Family and Community Services
- Department of Jobs and Small Business

5.2.1 Demographic profile of Port Stephens

Population

Port Stephens has experienced consistent population growth over the last 10 years. The residential population is projected to increase to 90,384 by 2038. Other population trends include:

- an ageing population with growth rates of people aged 65 years and over (in keeping with NSW and national trends);
- modest decline in family age group of 25 to 54 years
- increase in median weekly household income with similar increases in median monthly mortgage repayments
- Port Stephens data trends are consistent with those of NSW and Australia

Although often perceived as a wealthy tourist and retirement destination, the area has a broad range of residents from different socio-economic backgrounds. Areas within the LGA differ in their population characteristics with the Tilligerry and Tomaree peninsulas attracting the older age groups.

Figure 57: Trend demographic data for Port Stephens

	Census 2006	Census 2011	Census 2016
Residents	60,484	64,807	69,556
0 to 14 years	20.8%	19.2%	17.9%
20 to 34 years	<i>Not available</i>	14.8%	14.7%
25 to 54 years	37.4%	35.8%	34.2%
65 years and over	16.9%	19.3%	22.9%
Median Age	40	42	45
NSW Median Age	37	38	38
Median weekly household income	\$830	\$999	\$1,180
Median monthly mortgage repayments	\$1,300	\$1,725	\$1,733

Source: ABS Census data

Figure 58: Census 2016 data for the Port Stephens LGA

	Port Stephens	NSW Median
Population	69,556	<i>Not applicable</i>
Median weekly household income	\$1,180	\$1,486
Median monthly mortgage repayments	\$1,733	\$1,986
Median weekly rent	\$305	\$380
Families	18,893	<i>Not applicable</i>
Average children per family for families with children	1.9	1.9
for all families	0.17	0.8
All private dwellings	33,082	<i>Not applicable</i>
Average people per household	2.5	2.6
Average motor vehicles per dwelling	1.9	1.7

Source: ABS Census 2016

5.2.2 Port Stephens economy

This data is provided to demonstrate that residents on the whole have the ability to pay an increase in rates based on the LGA's demographics.

The economy of Port Stephens continues to experience change. Economic activity is varied with aviation, retail, tourism and other services (aged care residential services) dominating in the latest Census.

Major employers include Williamtown RAAF Base, Tomago Aluminium, Newcastle Airport and Port Stephens Council. There has been a notable reduction in employment in the recent past in areas such as mining, agriculture and the provision of utilities. Despite a slowdown in manufacturing in the Hunter Region, the Port Stephens area continues to experience growth. Port Stephens has a diverse range of incomes, with a median household income of \$1,180 reported in the 2016 Census.

There are slightly more people on lower incomes than the NSW average and this is attributed to high youth unemployment and a sizable retirement population.

Overall, the state of the economy is healthy with growth over the last 10 years being generated by increased population and a strengthening in the key industry sectors (airport/aviation; RAAF and defence support; engineering industries – mining industry and heavy engineering related; construction); and the overall strength of Newcastle and the Hunter Region.

There are current pressures on some sectors, including a softening in the tourism sector, which is experiencing competition and is being affected by national trends in the visitor market; and retail which is under pressure from escape spending to Newcastle and Maitland.

An assessment of the state of the economy identified advantages and constraints. The major advantages for Port Stephens relate to place (environment and lifestyle and accessibility – regional, state, national, and international), industry base (defence and defence support, manufacturing, tourism, retail, aged care) and economic infrastructure (airport, industrial land).

The major constraints include limited higher order knowledge based services, current skill shortages (particularly skilled trades in manufacturing and construction), infrastructure gaps particularly roads, energy and services in industrial areas, current weaknesses in the tourism market and limited public transport.

Council's economic analysis software *Remplan* provides additional data and analysis.

Figure 59: Remplan data and analysis of Port Stephens

Region	Hunter
Area	858.5 square kilometres
Population	71,716 people (2017 estimated residential population)
Population projection	90,384 by 2038
Population density (persons/ha)	0.81
Population by Ward	West 36.58% (72.91% of the land area) Central 32.07% (21.33% of the land area) East 31.18% (5.17% of the land area)
Major population centres	Raymond Terrace, Medowie, Nelson Bay
Labour force	29,754 (ABS 2016)
Number of businesses	4,653 (ABS June 2017)
Gross Regional Product	\$4.88 billion
Main employing industries	Public Administration and Safety (14.75%) Manufacturing (11.79%) Construction (11.41%)

Source: *Remplan* 16 August 2018 as reported in PSC Annual Report 2017-2018

Council's Economic Development Unit recently undertook a survey of more than 200 businesses in Port Stephens. Results showed that 75% rated town centre amenity as important, while only 5% thought the current amenity quality was excellent.

Council also recently commissioned Morrison Low to undertake a cost benefit analysis of the proposed town centre revitalisation projects.

Their report concluded that:

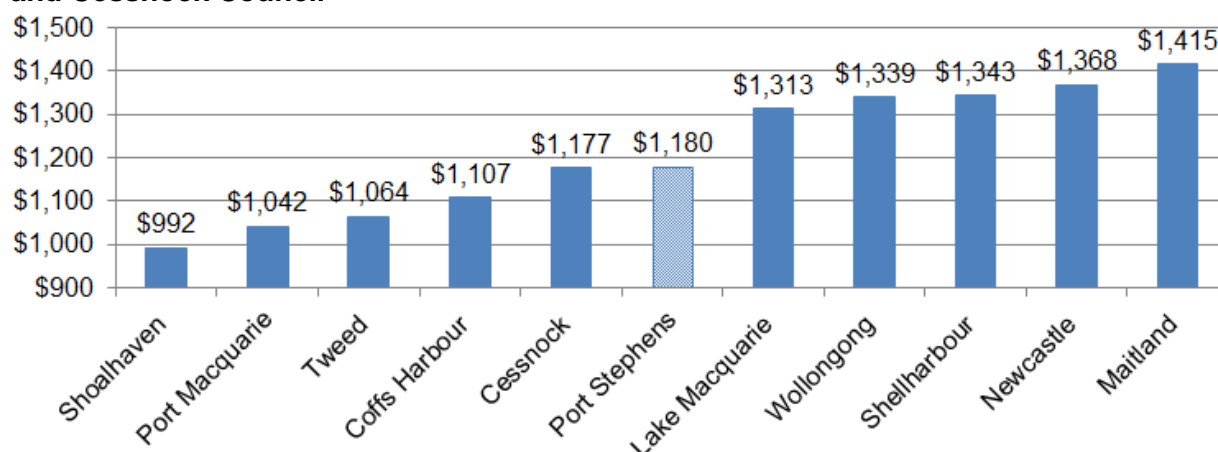
- Port Stephens Council's proposal to invest \$43m in rejuvenating town centres would deliver an estimated \$109m economic benefit for our local areas during the construction periods; and
- Further benefits estimated at more than \$65m are projected over the next two decades and include increased tourism, more access to shops and services, increased spending at local businesses, uplift in property values, improved road safety, as well as positive social and community benefits.

Source: Morrison Low: Business Case Cost Benefit Analysis: Town Centre Revitalisation projects, Port Stephens Council, November 2018

5.2.3 Comparison of median household income 2016

Port Stephens Census 2016 median household income is above that of Cessnock, lower than Newcastle and Maitland, but towards the middle of Group 5 councils.

Figure 60: Comparison of median household income Census 2016 for Group 5 councils and Cessnock Council



Source: ABS Census 2016. Note: information unavailable for the new Mid-Coast Council.
Note: Cessnock is not a Group 5 council but included for regional comparison.

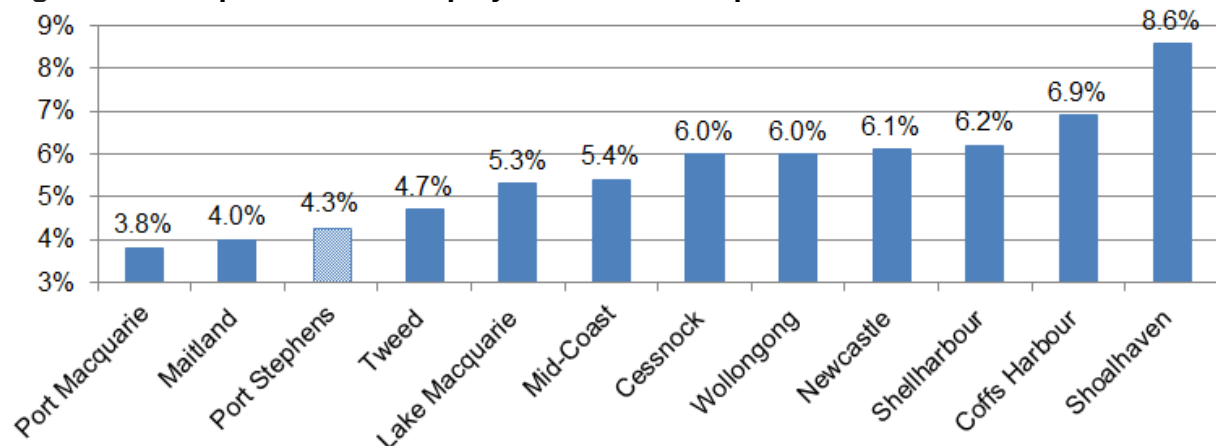
5.2.4 Unemployment

Port Stephens has one of the lowest unemployment rates in the Lower Hunter, placed 2% lower than nearby Newcastle and Cessnock areas, and 1% less than Lake Macquarie.

In June 2014, unemployment was at 6% - and it rose to a high of 9.8% in September 2015 and in June 2017, fell to 4.3%.

Figure 61 is based on most recent OLG comparative data for Group 5 councils and Cessnock. It is acknowledged that more recent data is available (see discussion below) however the OLG comparative data is valuable for comparison within a single data set of a wide range of indicators, by LGA at a single point in time, repeated annually.

Figure 61: Comparison of unemployment rates Group 5 councils and Cessnock Council



Source: OLG comparative data, 2016-2017. Note: Cessnock is not a Group 5 council but included for regional comparison.

At the end of the June quarter 2018, Port Stephens unemployment rate was 5.6%, comparable with 5.6% in the broader Hunter region, 4.7% NSW and 5.3% nationally.

This is based on the Small Area Labour Markets (SALM) data has been compiled by Australian Government Department of Jobs and Small Business (DJSB). SALM data incorporates three primary datasets:

1. Centrelink data on people in receipt of Newstart or Youth Allowance (other), by postcode (not including people in receipt of the Community Development Employment Projects Participant Supplement)
2. ABS Labour Force Survey data at the ABS Labour Force Region level
3. ABS Census of Population and Housing labour force data at the Statistical Local Area level, Statistical Area 2 level and Local Government Area level.

The estimates presented have been smoothed by Department of Jobs and Small Business using a four-quarter average to minimise the variability inherent in the estimates at the Statistical Local Area level, Statistical Area 2 level and Local Government Area level.

For states, territories and other large regions, unemployment rate data from the Australian Bureau of Statistics (ABS) Labour Force Survey is presented. The Labour Force Survey is based on a multi-stage area sample of private dwellings (currently approximately 26,000 houses, flats, etc.) and a list sample of non-private dwellings (hotels, motels, etc.), and covers approximately 0.32% of the civilian population of Australia aged 15 years and over.

Source: Department of Jobs and Small Business, Small Area Labour Markets (SALM).

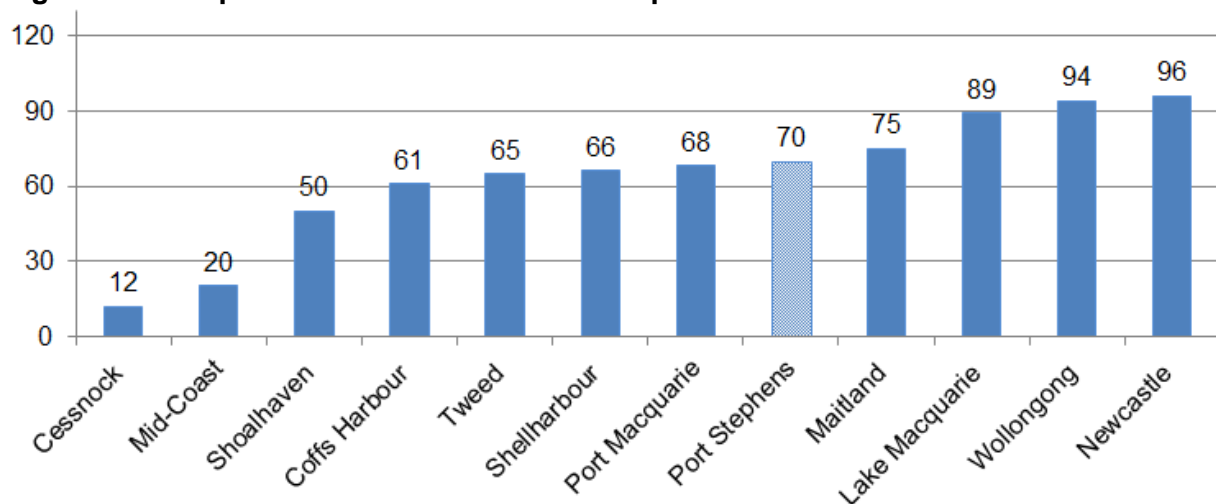
5.2.5 Socio-Economic Indexes For Areas

An important metric that identifies relative socio-economic advantage and disadvantage is the Socio-Economic Indexes for Areas (SEIFA), developed by the Australian Bureau of Statistics. The Index ranks areas in Australia according to indexes based on information from the five-yearly Census and uses the following data:

- Income;
- Education;
- Employment types and child households with jobless parents;
- Occupation types;
- Housing including ownership, mortgage, rent overcrowding, living alone;
- Car access;
- Internet access;
- Disability; and
- Family structure including one parent households and proficiency with English.

Lower scores indicate disadvantage. The OLG ranks NSW councils from 1 (most disadvantaged – Brewarrina LGA) to 130 (least disadvantaged - Ku-ring-gai LGA). The most recent comparative data 2016-2017 has Port Stephens Council allocated a ranking of 70 which is slightly higher than the median for Group 5 councils and NSW.

Figure 62: Comparison of SEIFA rank for Group 5 council and Cessnock Councils



Source: OLG Comparative Data 2016-2017 for individual councils (most recent data) Note: Cessnock is not a Group 5 council but included for regional comparison.

5.2.6 Median household income and average residential rates

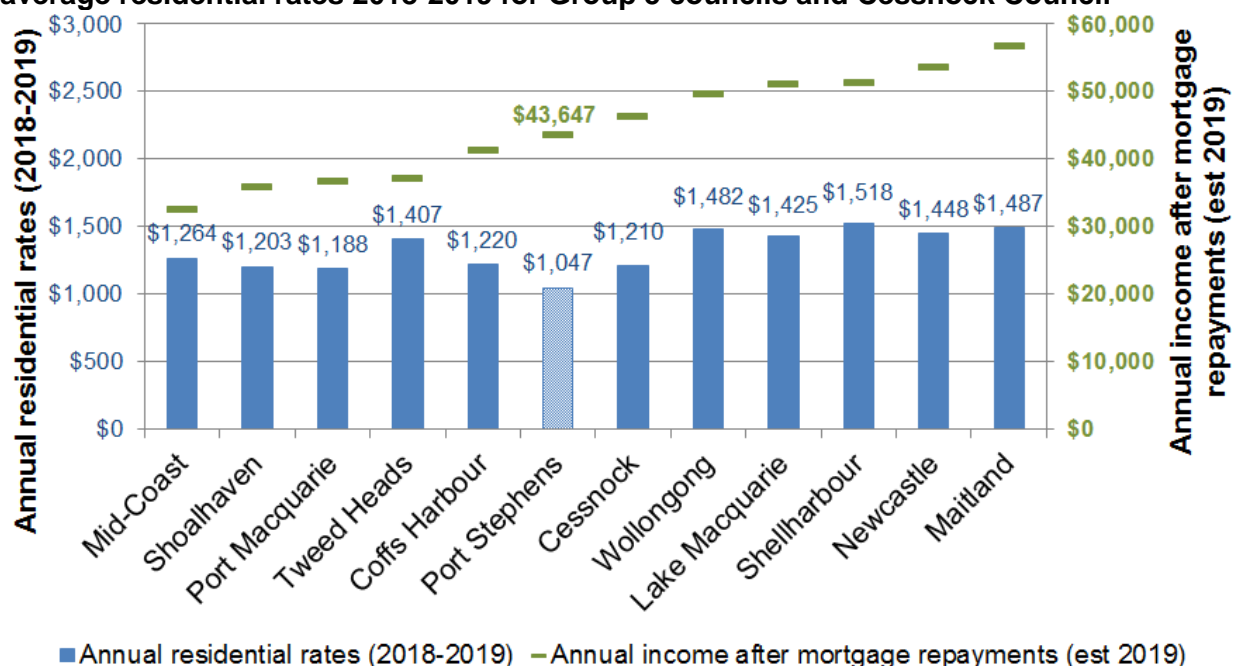
At the end of the proposed SRV period, the average residential rate in Port Stephens would be comparable with other Lower Hunter councils. The following four figures compare median annual household income after mortgage repayments with annual average residential rates for Group 5 councils and Cessnock Council.

Figure 63 shows the comparison in the current financial year 2018-2019 and figure 65 shows the comparison in the final year of the SRV 2025-2026. Median household income and median mortgage repayments for each LGA has been obtained from the ABS Census 2016. These figures (both median income and median mortgage repayments for each LGA) have been increased by 2.5% cumulatively for three years to arrive at the figures disclosed for 2018-2019, and for 10 years to arrive at the figures disclosed for 2025-2026.

The 2.5% increase to incomes and mortgage repayments has been selected, as future income and mortgage repayment growth is difficult to predict and the percentage is consistent with current rate pegging estimates. The annual average residential rates are obtained from each council's Schedule 2 Permissible Income Workpapers 2018-2019 and increased by the estimated 2.5% rate peg for future years, except where a council has an IPART approved special variation in place, in which case the increase is as per the approval.

The objective of these figures is to show the likely reduction in discretionary spending funds to be experienced by PSC ratepayers as a result of the SRV and to demonstrate this is reasonable when compared with similar councils.

Figure 63: Comparison of annual household income (after mortgage repayments) and average residential rates 2018-2019 for Group 5 councils and Cessnock Council



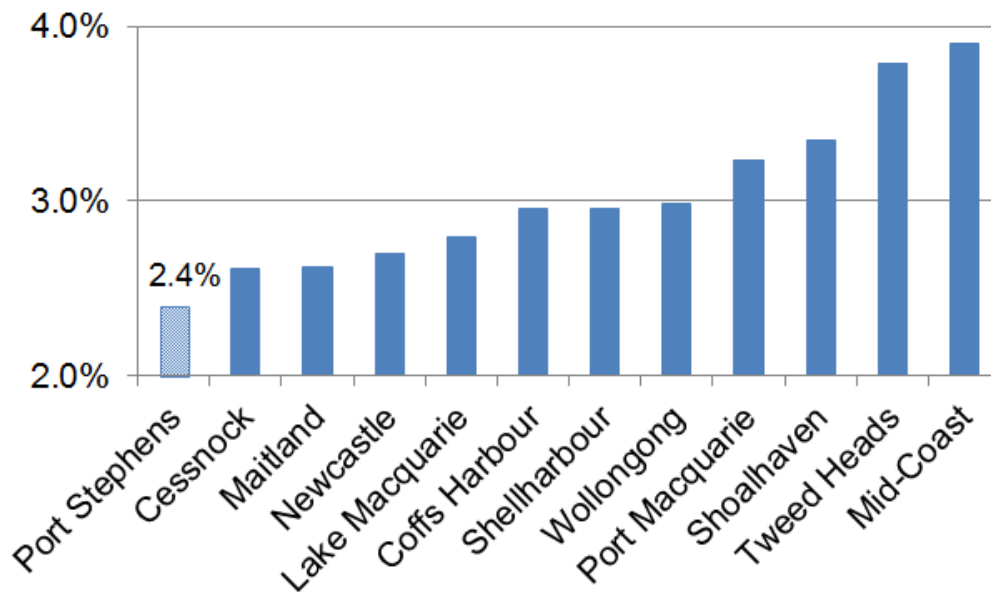
Data sources and assumptions:

- Annual income after mortgage repayments (est. 2019) is the median weekly household income from the Australian Bureau of Statistics Census 2016 for each LGA annualised and increased 2.5% per annum for three years, less the median monthly mortgage repayments from the same census for each LGA annualised and increased 2.5% per annum for three years.
- Average residential rates 2018-2019 is obtained from each council's Schedule 2 Permissible Income Workpapers 2018-2019.

Note: Cessnock is not a Group 5 council but included for regional comparison.

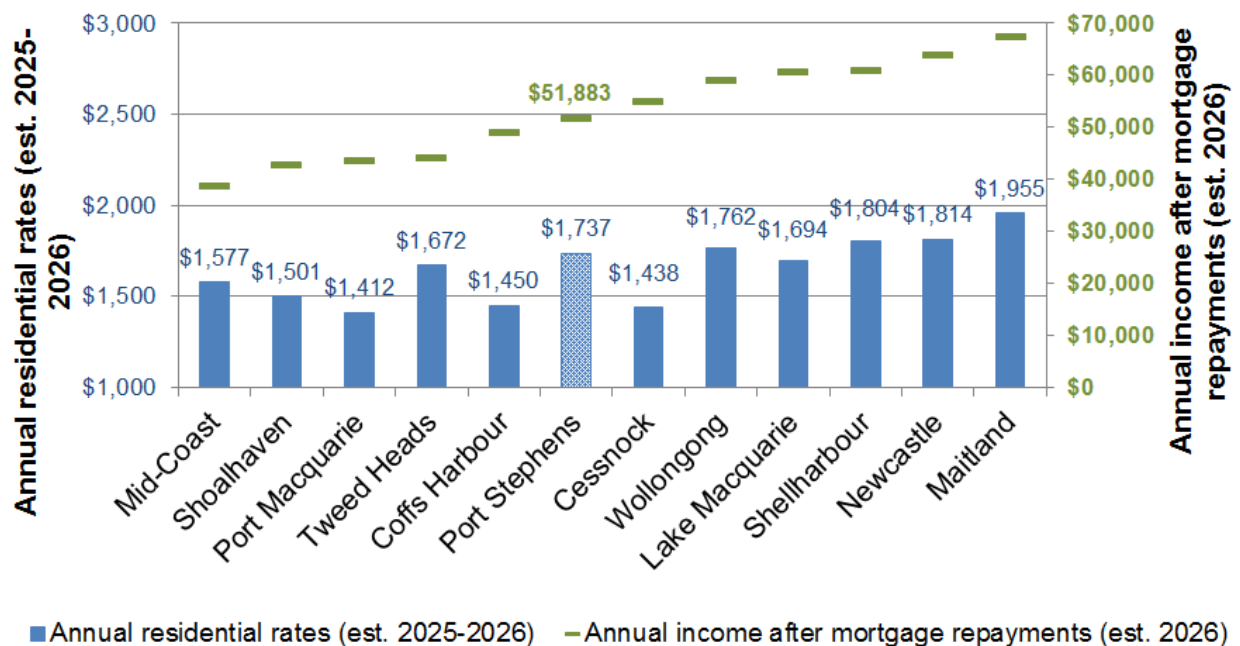
Figure 63 demonstrates that in the current year 2.4% of the average PSC residential ratepayer's annual household income after mortgage repayments is required to pay annual rates (calculation: $\$1,047 / \$43,647 = 2.4\%$). This is the lowest percentage of all Group 5 councils and Cessnock Council. Refer to figure 64 for a comparison.

Figure 64: Comparison of percentage of annual household income (after mortgage repayments) committed to paying annual residential rates 2018-2019 for Group 5 councils and Cessnock Council



Data source: uses the data from figure 63 above

Figure 65: Comparison of estimated annual household income (after mortgage repayments) and estimated average residential rates 2025-2026 for Group 5 councils and Cessnock Council



Data sources and assumptions:

- Annual income after mortgage repayments (est. 2026) is the median weekly household income from the Australian Bureau of Statistics Census 2016 for each LGA annualised and increased 2.5% per annum for 10 years, less the median monthly mortgage repayments from the same census for each LGA annualised and increased 2.5% per annum for 10 years.
- Average residential rates (est. 2025-2026) is obtained from each council's Schedule 2 Permissible Income Workpapers 2018-2019. IPART SRV determinations for Maitland City Council, Newcastle City Council, Shoalhaven City Council, Mid-Coast Council and Council's SRV forecasts.

Average residential rates (2025-2026) assumptions:

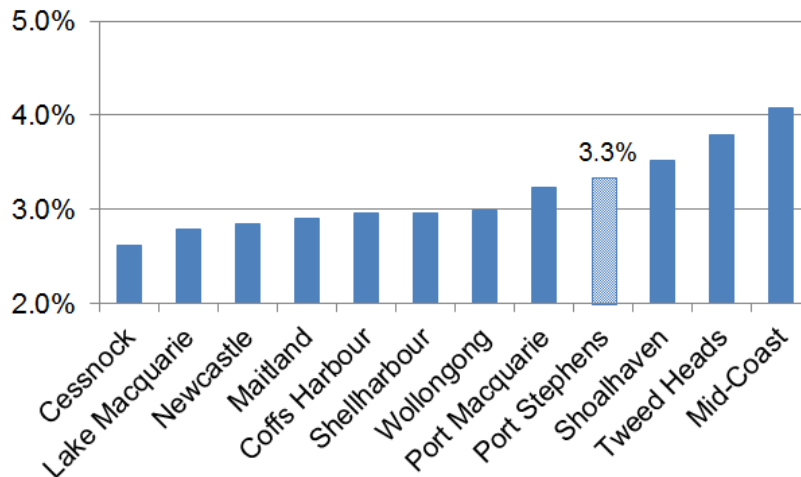
- Port Stephens Council 7.5% increase each year 2019-2020 to 2025-2026;
- Maitland City Council 7.83% increase in 2019-2020, 7.79% increase 2020-2021 and 2.5% increase each year 2021-2022 to 2025-2026;
- Newcastle City Council 8.0% increase in 2019-2020 and 2.5% increase each year 2020-2021 to 2025-2026;
- Shoalhaven City Council 5.0% increase each year 2019-2020 to 2020-2021 and 2.5% increase each year 2021-2022 to 2025-2026;
- Mid-Coast Council 5.0% increase each year 2019-2020 to 2020-2021 and 2.5% increase each year 2021-2022 to 2025-2026; and
- All other councils assume 2.5% increase each year 2019-2020 to 2025-2026.

It is assumed the other councils would not apply for an SRV during the period.

Note: Cessnock is not a Group 5 council but included for regional comparison.

Figure 65 demonstrates that in the seventh year of the SRV, 3.3% of the average PSC residential ratepayer's annual household income after mortgage payments would be required to pay annual rates (calculation: $\$1,737 / \$51,883 = 3.3\%$). This is towards the higher percentage of all Group 5 councils and Cessnock Council, but within the typical range. Refer to figure 66 for a comparison.

Figure 66: Comparison of percentage of annual household income (after mortgage repayments) committed to paying annual residential rates 2025-2026 for Group 5 councils and Cessnock Council



Data source: uses the data from figure 65 above

5.2.7 Monthly mortgage repayments

Figure 67 shows monthly mortgage repayments in Port Stephens LGA that demonstrate relative stability in repayment amounts between the last two census years, and a slight reduction in mortgage stressed households.

Figure 67: Monthly mortgage repayments in Port Stephens LGA

	2011	2016
Median monthly mortgage repayment	\$1,725	\$1,733
Households where mortgage repayments are < 30% of household income	91.6%	93.6%
Households where mortgage repayments are 30% or greater of household income	8.4%	6.4%

Source: ABS Census data

5.2.8 Potential impact of SRV on rents

During the community consultation Council received comments that rate increases would cause rent increases. Regional rate and rent increase data does not support this assertion and show that SRVs have no discernible impact on rents.

NSW Family and Community Services (FACS) maintains a database of rents by LGA across NSW. From this data, drivers of median rents appear to be factors other than the level of annual rates and the existence of SRVs. Those other factors might include market forces of supply and demand and capacity of tenants to pay rent.

Figure 68: Median weekly rents (for all dwelling types): September 2018 quarter

Median weekly rent	Location	Comments
\$340	Cessnock	<ul style="list-style-type: none"> based on 4,839 rental bonds held no median rent change from September 2017
\$390	Maitland	<ul style="list-style-type: none"> based on 6,472 rental bonds held up \$10 from \$380 in September 2017
\$395	Port Stephens	<ul style="list-style-type: none"> based on 5,447 rental bonds held up \$15 from \$380 in September 2017
\$400	Lake Macquarie	<ul style="list-style-type: none"> based on 13,445 rental bonds held up \$10 from \$390 in September 2017
\$400	Newcastle	<ul style="list-style-type: none"> based on 19,146 rental bonds held up \$10 from \$390 in September 2017
\$480	State median	<ul style="list-style-type: none"> based on 740,556 rental bonds held no median rent change from September 2017

Source: NSW FACS website Rent Dashboard

While Newcastle City Council is in the fourth year of a SRV of 8% per annum and Maitland City Council is in the fifth year of a SRV of 7.25% per annum and Lake Macquarie City Council is in the seventh year of a mixed percentage per annum SRV totalling 57.48% and PSC has had rate peg only increases over this time, median rents across the four council areas as at September 2018 vary by no more than \$10 per week.

Figure 69: Comparison of rents and residential rates on a weekly basis September 2018 quarter Hunter councils

Council	Rate increase percentage 2018-2019	Average residential rate 2017-2018	Average residential rate 2018-2019	Average residential weekly rate 2017-2018	Average residential weekly rate 2018-2019	Average residential weekly rate increase 2017-2018 to 2018-2019	Median rent increase September 2017 to September 2018
Cessnock	2.30%	\$1,176	\$1,210	\$22.62	\$23.27	\$0.65	\$0
Maitland	7.87%	\$1,380	\$1,487	\$26.54	\$28.60	\$2.06	\$10
Port Stephens	2.30%	\$1,025	\$1,047	\$19.71	\$20.13	\$0.42	\$15
Lake Macquarie	4.75%	\$1,364	\$1,425	\$26.23	\$27.40	\$1.17	\$10
Newcastle	8.00%	\$1,342	\$1,448	\$25.81	\$27.85	\$2.04	\$10

Source: NSW FACS website Rent Dashboard. Special Schedule 2, Permissible Income Workpapers for each Council 2017-2018 and 2018-2019, PSC own calculations

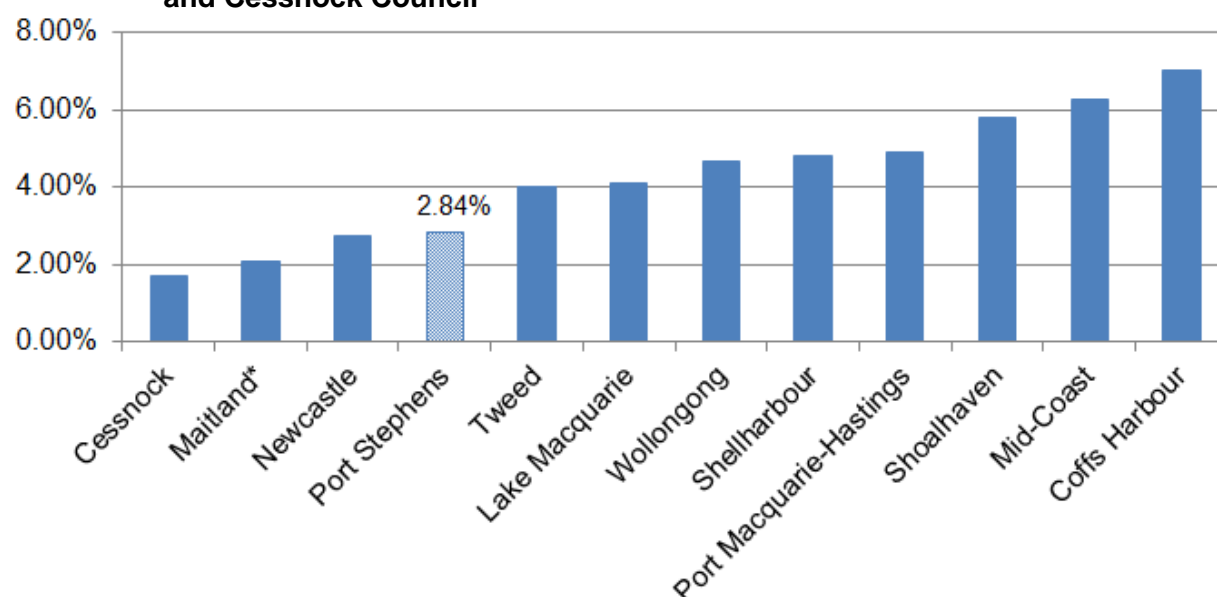
5.2.9 Comparison of outstanding rates in the Lower Hunter

In 2017-2018, Port Stephens Council's outstanding rates and charges ratio of 2.9% is well below the OLG's performance ratio bench mark of less than 5% for city and coastal areas, and less than 10% for other regional and rural areas.

PSC's default rate is one of the lowest amongst Group 5 and Lower Hunter councils.

This, and the comparison of annual household income and average residential rates (figure 65 and figure 66) show that there is a capacity to pay modest rate increases compared with similar councils.

Figure 70: Comparison of outstanding rates and charges 2017-2018 for Group 5 councils and Cessnock Council



Source: Individual council's annual financial statements 2017-2018 for Groups 5 councils and Cessnock Council. Note: Cessnock is not a Group 5 council but included for regional comparison. Note*: The percentage used for Maitland City Council is for the 2016-2017 financial year.

5.2.10 Land values

Land values are spread over a considerable range across the LGA. Highest land values generally apply to the coastal waterfront properties of the region.

Land values for rating purposes are supplied by the NSW Valuer General, most recently in 1 July 2016. The 2016 land values were used for 2017-2018 and 2018 – 2019 rating years.

The NSW Valuer General will release new values in late 2019, for rating from 1 July 2020, which may affect the distribution of rates across ratepayers in 2020-2021, i.e. the second year of the rate increases proposed by this SRV.

To assist ratepayers calculate the impact of land value on their rates, Council annually publishes the average land value ranked by locality for current financial year compared with the previous year with changes in rate on its [website](#). It is not possible to reliably predict the effect of future general land revaluations.

5.2.11 Willingness to pay

Feedback from community consultation indicated little support for a rate rise but strong support for the infrastructure and service delivery improvements. Some industry associations supported the proposed rate rise in recognition of the need to improve infrastructure to meet the needs of a growing community and enhance an important tourist destination.

5.3 Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise to address issues of hardship.

Does the council have a Hardship Policy?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

A copy of the adopted Debt Recovery and Hardship Policy is at ATTACHMENT 7.

5.3.1 Existing hardship support measures

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. Hardship may be temporary (change in circumstance such as loss or change in income, illness or family situation) or permanent (low income sensitive to cost changes).

Affordability was the most prevalent concern cited by respondents to Council's engagement and consultation about a proposal to apply for a SRV. Micromex Research found that 32% (20% of total sample) of respondents that preferred option 1 (rate peg only), did so as they cannot afford a rate increase and a further 30% believe option 1 was the most affordable option. 29% of pensioners/retirees and 15% of non-pensioners stated that they could not afford a rate increase.

Council has in place a number of mechanisms to act fairly and flexibly to assist a ratepayer who is experiencing hardship – whether it be temporary or more enduring. These are in Council's Debt Recovery and Hardship Policy.

Council also proposes to implement a cost reduction and support program to assist ratepayers who may have signalled potential difficulty in paying increased rates (see 5.3.3 and 5.3.4).

5.3.2 Debt Recovery and Hardship Policy

Council's Debt Recovery and Hardship Policy aims to ensure that hardship is recognised and people are treated with respect and compassion in considering their circumstances.

5.3.2.1 All ratepayers

The policy currently provides the following rate hardship assistance for all ratepayers including self-funded retirees:

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

Council has 27,888 non-pensioner rate assessments. These are predominantly residential rate assessments with 485 farmland properties and 1,823 business rate assessments. Approximately 9,500 rate notices are sent to destinations outside Port Stephens LGA.

The impact of a SRV increase is mitigated to an extent by the tax deductibility of rates as a business expense for farms, businesses and rental properties.

Self-funded retirees of retirement age are unable to access a part pension (and consequently a pensioner rate concession) if their assets or income is above the Centrelink means test. It is arguable that self-funded retirees have been assessed by Centrelink as having sufficient assets or income (refer to 5.3.2.2 for Centrelink age pension income and asset limits) making them less likely to require hardship assistance.

Flexible periodic payment options

Council offers a range of payment methods for rates to assist ratepayers pay on time. Ratepayers have the option to make payments via direct debit, mail, Bpay and BPoint, telephone, online and in person at any Australia Post Office or Council's Administration Building. They can be paid fortnightly, quarterly or annually through an automatic transfer arrangement.

To encourage punctual and direct debit payment, Council offers \$1,000 prize in a draw if ratepayers pay their first quarterly instalment in full by direct debit. This assists Council reduce its mailing costs, paper usage and transaction costs.

Extended and flexible repayments of overdue charges

Council accepts flexible repayment arrangements including fortnightly direct debits. Council presently has 376 ratepayers utilising fortnightly direct debit.

Interest reduction

Council staff are delegated the power to write off interest charges where payment of the interest would cause hardship. Assistance is upon application and assessment of financial position and personal circumstances.

Revaluation rate increase

Following a general revaluation of land for rating purposes, Council offers financial assistance of up to \$200 to ratepayers whose rates have increased by a higher percentage than an amount that Council determines each revaluation. This provides potential assistance to the 5% of ratepayers who have experienced the largest increase in rates as a result of the revaluation.

This provides financial assistance for one year following the three yearly general revaluation. Assistance is upon application and assessment of applications is in accordance with a formula and is delegated to staff. Council budgets \$20,000 each revaluation for this assistance.

5.3.2.2 Pensioner concessions

The *Local Government Act 1993* provides for mandatory pensioner concessions, applied up front on rate bills for eligible pensioners who receive a pension from Centrelink or certain pensions from the Department of Veterans Affairs.

Under Centrelink rules, part age pensions cancel when a single home owning pensioner has assets, excluding the family home, of more than \$564,000 or a home owning age pensioner couple has assets, excluding the family home, of more than \$848,000. Part pensions also cancel for age pensioners when income reaches \$52,119.60 for a single age pensioner or \$79,736.80 for a couple.

Pension amounts, including pension supplement and energy supplement amount to \$23,823.80 per annum for a single age pensioner and \$35,916.40 for a couple.

The above data is based on calculations obtained from the Department of Human Services (Centrelink) website. Age pension income cut off limits (as at 22 January 2019): single income limit of \$2,004.60 per fortnight and \$3,066.80 per fortnight for a couple.

Maximum age pension amounts were: single basic rate of \$834.40 per fortnight plus pension supplement of \$67.80 per fortnight plus energy supplement of \$14.10 per fortnight.

Maximum age pension amounts were: couple combined basic rate of \$1,258.00 per fortnight plus pension supplement of \$102.20 per fortnight plus energy supplement of \$21.20 per fortnight.

The concession is a maximum of \$250, funded 45% by Council and has not increased since 1989. Approximately 6,000 rate assessments receive pensioner concessions totalling approximately \$1.55m per annum.

The policy currently provides additional rate hardship assistance for pensioners including:

- Backdating of pensioner concessions and extending concessions to avoid hardship; and
- Deferral of rates against the estate.

Backdating of pensioner concessions and extending concessions to avoid hardship

Pensioner concessions are backdated for up to two years if a pensioner did not apply in a prior year when they were eligible.

Council also deems a pensioner to be liable for paying the rates and grants them a full concession where there is a discrepancy in the ownership of the property. For example, where property ownership remains in the name of a deceased person and the pensioner resides in the property and has assumed responsibility for paying the rates.

Deferral of rates against the estate

Aged pensioners with net annual ordinary rates exceeding 8% of the age pension may enter into a written agreement to defer payment of their rates until after their death. The rates, charges and interest charges accrue annually and Council sends the ratepayer a letter each year to sign and return confirming that they wish to continue the arrangement. Council currently has six deferrals in place and has had numerous agreements in place in the past 14 years which have continued until the ratepayer has passed away and the rates have been paid out of their estate.

Eligibility for a pensioner rate concession requires the pensioner to receive at least a part pension in order to receive a pensioner concession card.

5.3.3 Affordability initiative: Rates Assistance Program

Council would introduce a new Rates Assistance Program for non-pensioners if the proposed SRV application is fully successful. The new Program was included in the revised Debt Recovery and Hardship Policy which was placed on public exhibition at the same time as the revised IP&R documents.

This Program would partner with local welfare and financial counselling services to act as referral points for ratepayers experiencing financial hardship. Participating services would be able to assess a ratepayer's individual financial circumstances and recommend to Council that rates and charges up to \$250 per ratepayer per annum be written off due to financial hardship.

Each participating service would be given an annual limit of \$5,000 that they could recommend for financial assistance. Assistance would be limited to non-pensioners to assist individuals or families who are experiencing financial hardship and difficulty paying rates, but are not eligible for a pensioner rate concession. Participating services would contact Council to recommend assistance. Assistance would be provided in the order that recommendations are received by Council to a maximum total amount of \$25,000 per annum working with five service providers.

The Rates Assistance Program would be included in Council's revenue policy annually and publicly exhibited as a proposed donation for a class of individuals under section 356 of the *Local Government Act 1993* and the aggregated cost included in the annual report.

The initiative was based partially on Newcastle City Council's welfare assistance program which involves printed vouchers for \$65 being distributed to welfare agencies that can be applied to rates. Newcastle Council reports that their program has a budget of around \$29,250 and not all vouchers are utilised each year.

Council proposes to provide more substantial assistance and make it more accessible than a printed voucher program.

Council has discussed the program with:

- Port Stephens Family and Neighbourhood Services;
- Tomaree Neighbourhood Centre;
- St Vincent de Paul Raymond Terrace Conference;
- Salvation Army Raymond Terrace;
- Samaritans Emergency Relief; and
- Financial Counselling Hunter Valley Project Inc.

All organisations are supporting the initiative. While the financial counselling service does not directly provide financial assistance, the other five agencies are willing to partner with Council to administer the Rates Assistance Program.

5.3.4 Affordability initiative – reduction in Waste Service Charge

Ratepayers receive an annual rates and charges bill from Council. While this SRV application relates to the rates component of the bill, ratepayers are concerned with the bottom line amount payable. In PART A (Workpaper WK5a – Impact on Rates) of this application, Council has provided details of domestic waste management services – annual charges over the period of the SRV.

For these reasons, it is relevant to consider whether Council may restructure some of its charges to mitigate rate increases for vulnerable ratepayers.

While the proposed Rates Assistance Program (see 5.3.3) is targeted to assist non-pensioners, if the proposed SRV application is successful, Council would also introduce a waste service charge reduction for ratepayers holding the Commonwealth Pensioner Concession Card. In order to receive a pensioner rate concession, a pensioner must reside at the rateable property. This means pensioners are levied annual charges for domestic waste management along with other charges depending upon where the property is located. Typical pensioner total rates and charges are shown in figure 71.

Figure 71: Pensioner total rates and charges 2018-2019 examples

Property Type, or Location	Land Value*	2018-2019 Current Rates \$	Waste Management \$	Domestic Waste Service \$	OSMS Fee \$	Hunter LLS Catchment Contribution \$	Rebate \$	Total \$
Strata Unit	103,000	681	58	418			-250	907
Karuah	132,000	769	58	418		15	-250	1,010
Raymond Terrace	144,000	806	58	418		16	-250	1,048
Tanilba Bay	171,000	888	58	418			-250	1,114
Seaham	238,000	1,091	58	418	117	26	-250	1,460
Salamander Bay	243,000	1,106	58	418			-250	1,332
Corlette	269,000	1,185	58	418			-250	1,411
Wallalong	272,000	1,194	58	418	117	30	-250	1,567
One Mile	435,000	1,688	58	418			-250	1,914
Fishermans Bay	567,000	2,089	58	418			-250	2,315
Waterfront	1,022,000	3,469	58	418			-250	3,695

Source: PSC data, 2018-2019

It is anticipated that the non-rate items included on rate notices would increase by approximately 2.5% per annum in the foreseeable future apart from the pensioner rate concession or mandatory rebate which is not expected to increase. As the concession is fixed, it does not absorb any of the annual charge or rate pegging increases, so the net cost to the average pensioner is anticipated to increase by a cumulative 23% over the next seven years under rate pegging, see figure 72.

The cumulative increase in total rate/charges bill under rate pegging is calculated as \$1,594 minus \$1,301 = \$293/\$1,301 = 23%.

Figure 72: Pensioner average total rates and charges bill under rate peg only

Rate Peg Only Rate Charge Item	2018-2019 Current Bill	Average Pensioner Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,074	1,101	1,129	1,157	1,186	1,215	1,246
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	428	439	450	461	473	485	497
HCC*	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Payable	1,301	1,340	1,380	1,420	1,462	1,505	1,549	1,594

Source: PSC data, 2018-2019

*HCC refers to a catchment contribution levied by Council on behalf of Hunter Local Land Services

Should the SRV be approved, Council proposes to levy a reduced waste service charge for pensioner rate assessments which would see the annual charge reduced incrementally over seven years. By the end of year seven, pensioners would pay \$230 less for waste service charges than non-pensioners, reducing the financial impact of the SRV on pensioners.

Reducing waste service charges for pensioners reduces the total rate and charges bill increase from 60% to 44% calculated below:

Cumulative increase in total rate/charges bill (with no waste service charge reduction):
 $\$2,087 \text{ minus } \$1,301 = \$786 / \$1,301 = 60\%$. See figure 73.

Cumulative increase in total rate/charges bill (with waste service charge reduction):
 $\$1,877 \text{ minus } \$1,301 = \$576 = \$576 / \$1,301 = 44\%$. See figure 74.

Figure 73: Pensioner average total rates and charges bill under 7.5% SRV without waste service charge differentiation

SRV 7.5% x 7 years		Average Pensioner Rates and Charges Bill (Land Value \$224k)						
Rate	2018-2019							
Charge	Current	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Item	Bill	\$	\$	\$	\$	\$	\$	\$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	428	439	450	461	473	485	497
HCC	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Payable	1,301	1,392	1,490	1,594	1,705	1,824	1,951	2,087

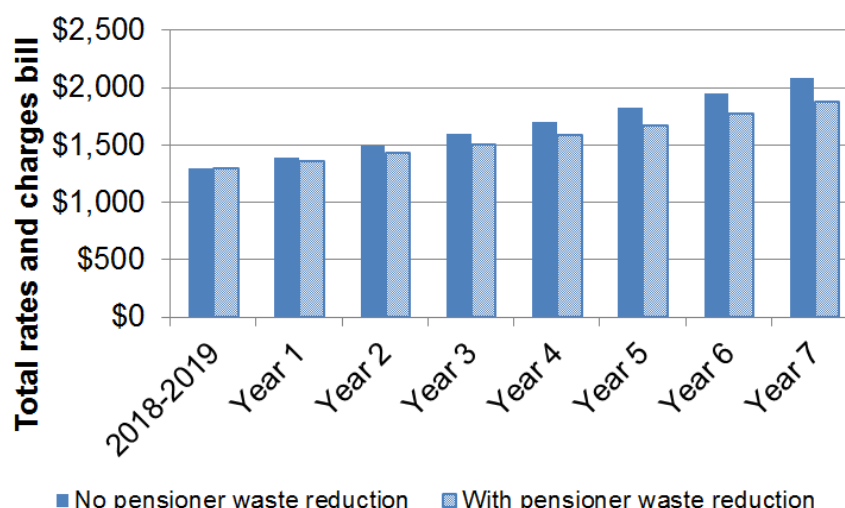
Source: PSC data, 2018-2019

Figure 74: Pensioner average total rates and charges bill under 7.5% SRV with waste service charge differentiation

SRV 7.5% x 7 years		Average Pensioner Rates and Charges Bill (Land Value \$224k)						
Rate	2018-2019							
Charge	Current	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Item	Bill	\$	\$	\$	\$	\$	\$	\$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	398	379	360	341	323	305	287
HCC	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Payable	1,301	1,362	1,429	1,503	1,584	1,674	1,771	1,877

Figure 75 charts the increase in the average pensioner's total rates and charges bill if lower waste service charges are introduced for pensioners.

Figure 75: Comparison of pensioner average total rates and charges bill under 7.5% SRV with and without waste service charge differentiation



Source: PSC data, 2018-2019

The cost of this reduction for pensioners would be recouped by charging other ratepayers a slightly higher domestic waste service charge. The redistribution of charging burden per rate assessment for each year is shown in figure 76. This information was incorporated into the ready reckoners made available to the community as part of consultation.

Figure 76: Additional cost to non-pensioners, per rate assessment

2018-19	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
\$0	\$15	\$22	\$29	\$36	\$42	\$49	\$56

Source: PSC data, 2018-2019

This charging burden redistribution means that the 28,092 non-pensioner domestic waste services would in 2025-2026 pay \$56 more than would otherwise be the case if domestic waste management service charges were not reduced for the 6,049 pensioner waste services.

Put another way, it would cost non-pensioners \$56 a year more in 2025-2026 to save each pensioner \$210. It is arguable that applying a lower charge on pensioner waste services is not cross-subsidisation, but a recognition of the potentially lower consumption, occupancy and waste generation in pensioner households.

While the proposed rates increase is 65.9%, by including all other charges, which would not increase to the same extent, a non-pensioner may expect to pay a cumulative increase of 54% on their total rates and charges bill over the seven year period. This includes the cross subsidy by non-pensioners to reduce pensioner waste services charges.

By comparison, if non-pensioners were not cross subsidising pensioner waste service charges, the expected cumulative increase in the total rates and charges bill would be 51%.

Effectively, the cross subsidy is costing a non-pensioner rate payer a cumulative total of approximately 3.5% on their total rates and charges bill over the seven years.

The supporting data is calculated below.

Cumulative increase in total rate/charges bill for a non-pensioner without charge differentiation: \$2,337 minus \$1,551 = \$786/\$1,551 = 51%. See figure 77.

Cumulative increase in total rate/charges bill for a non-pensioner with charge differentiation: \$2,392 minus \$1,551 = \$841 = \$841/\$1,551 = 54%. See figure 78.

Figure 77: Non-pensioner average total rates and charges bill under 7.5% SRV without waste service charge differentiation

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Average Residential Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	428	439	450	461	473	485	497
HCRMA	27	28	28	29	30	31	31	32
Payable	1,551	1,642	1,740	1,844	1,955	2,074	2,201	2,337

Source: PSC data, 2018-2019

Figure 78: Non-pensioner average total rates and charges bill under 7.5% SRV with waste service charge differentiation

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Average Residential Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	444	461	479	497	515	534	552
HCRMA	27	28	28	29	30	31	31	32
Payable	1,551	1,658	1,761	1,872	1,990	2,116	2,250	2,392

Source: PSC data, 2018-2019

6 Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 in the Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.²

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.³ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

Council continuously uses the IP&R Framework as the key tool to identify and address community need, identify service planning, infrastructure maintenance and delivery. This has been an ongoing process since the introduction of the IP&R process in 2010.

This section demonstrates how Council amended its current IP&R documents to reflect the proposed SRV and the actions taken to publicly exhibit and communicate these changes. Much of this material is provided in section 4.1.1.2.

Prior to the development of a SRV application, Council had consulted on its IP&R documents in line with the Local Government Act 1993, beginning with a discussion paper prior to the September 2017 local government elections.

The IP&R documents were developed in consultation with the community (April 2018) and endorsed at Council on 26 June 2018 as part of the normal IP&R cycle.

On 10 July 2018, Council endorsed the development of a Special Rate Variation application to the Independent Pricing and Regulatory Tribunal to fund new town centres, infrastructure, service delivery and maintenance. Council also endorsed a Communications and Engagement Plan (ATTACHMENT A13.1.3: Min. No. 201).

² The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

³ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

On 9 October 2018, Council considered the outcomes of community consultation for a proposed Special Rate Variation and resolved to notify IPART of its intention to apply for a Special Rate Variation. Council also endorsed the development of the IP&R documents to include the proposed SRV (ATTACHMENT A13.1.4: Min. No. 114).

With the decision in October 2018 to develop a SRV application, the IP&R documents were revised to show how Council would deliver the proposed SRV projects and programs, particularly their delivery in the next two years. On 13 November 2018, Council endorsed the revised IP&R documents to go on public exhibition (ATTACHMENT A13.1.5A and B: Min. No. 133).

The CSP, along with the other IP&R documents, were last publically exhibited in April and endorsed in June 2018. The CSP was reviewed in light of community consultation on the proposed SRV in July/August 2018. Community priorities remained substantially the same and so, the CSP was not modified for public exhibition in November.

The other IP&R documents were revised to show how Council plans to deliver the proposed SRV projects. The documents were written to show:

- If the SRV application is successful, how Council would deliver the identified SRV projects and programs; or
- If the SRV application is not successful, show how Council would continue to deliver its program with a rate rise of rate pegging only.
 - All IP&R documents (except for the CSP) contained a proposed SRV chapter so that if only one document was reviewed, the reader would see the proposed changes.

Fees and Charges 2019-2020, which are normally considered with the IP&R documents, would be prepared for Council's consideration, endorsement and public exhibition in May 2019.

A revised Debt Recovery and Hardship Policy, including a new Rates Assistance Program was also endorsed at Council on 13 November 2018 (ATTACHMENT A13.1.6: Min. No. 139).

These documents were placed on public exhibition from 14 November to 21 December 2018.

Minor amendments were made to the documents following their public exhibition. Some early errors were corrected as part of Supplementary Information provided to Council at its meeting on 13 November 2018 (ATTACHMENT A13.1.5B).

Another administrative error meant that funds being made available for Raymond Terrace town centre revitalisation, while referring to work planned for King Street (\$3m) did not include this in the amount of \$12m. The amount has been corrected to \$15m in all IP&R documents.

As the Raymond Terrace town centre revitalisation did include refurbishment of King Street (\$3m), the total amount should have been \$15m. Because of this, the total of town centre revitalisation be amended from \$40m to \$43m with the total major, one off infrastructure projects with additional borrowing raising from \$112.15m to \$115.15m.

All IP&R documents (except for the CSP) contained a proposed SRV chapter so that only one document was reviewed. The background to the reader would also be available.

Feedback from groups and residents of the Tilligerry Peninsula community raised the issue that Lemon Tree Passage too narrowly defined neighbourhood revitalisation in this area. In response to this, it has been amended to read "Lemon Tree Passage/Tanilba Bay".

A summary of each follows:

Community Strategic Plan 2018-2028

The Community Strategic Plan (CSP) is the cornerstone document of the IP&R document and is treated as the key document for the community to outline its aspirations and priorities over the next 10 years.

Given that the document was most recently reviewed from 2017 into 2018 (see Criterion 2: Community Awareness), it was decided that no changes were required before placing the then current CSP on public exhibition again in November 2018.

Council's CSP establishes the objectives for Port Stephens together with strategies for achieving those objectives over the next 10 years with a schematic based on a community vision of **a great lifestyle in a treasured environment** with four Focus Areas – Our Community, Our Place, Our Environment and Our Council.

Each Focus Area is linked to:

Key directions (Delivery Program)

Where do we want to be? These are the long term priorities to achieve the vision.

Objectives (Operational Plans)

How will we get there? These activities will assist us achieve the long term objectives.

Outcomes (reporting)

How will we know that we have succeeded? To assess this, Council monitors changes in the community and its own performance. Community Indicators are markers that show change in the community over time.

More detail on the CSP is at ATTACHMENT 1.

The community is generally satisfied with the delivery of Council's services, as evidenced in the results of the 2018 Customer Satisfaction Survey with an overall satisfaction score of 84.87%.

No submissions were received during the proposed IP&R consultation and, as a result, the CSP was endorsed unchanged on 29 January 2019 (ATTACHMENT A8.2: Min. No. 004).

Delivery Program 2018-2021 and Operational Plans 2019-2021

Council's response to the CSP (including the impact of a successful SRV) was outlined in the Delivery Program (DP) for the remaining term of Council (until 2021) while the Operational Plan (OP) outlined an annual program of actions for 2019-2020 and 2020-2021. They are contained in one document.

The extract from the DP and OP (ATTACHMENT A13.3) demonstrates direct linkages from the CSP aspirations through to delivery, particularly in the next two years. It details objectives and actions which contribute towards achieving the goals of the CSP.

A number of key priorities were nominated for investigation and progression in 2018-2021, reflecting the aspirations of the CSP. Those dependent of SRV funding were clearly marked.

Also as part of this document, the Statement of Revenue provided two rates for 2019-2020:

- **Scenario One** - Rate pegging only - 2.7% per annum.
- **Scenario Two** - Special Rate Variation - a 7.5% increase including rate pegging

The key elements of Council's rating policy included use of 1 July 2016 base date valuations again for the second year and continuation of 35% base amounts in the main residential and business rate categories.

It also included the continuation of the use of sub-categories for Williamstown Management Area and alignment of residential and farmland rate structures. More information is available in CRITERION 3: Impact on affected ratepayers.

Within the DP and OP, Council included a summary of the projected spend on projects across 10 years. The exact timing was an estimate only at the time of printing. The start dates may slightly altered in order to ensure project planning is correct, delivery demands are achievable and cash flow requirements are met. Overall project values are consistent with the LTFP.

The resourcing strategies for the delivery of the Delivery Program and Operational Plans consist of the Long Term Financial Plan 2019-2029, the Strategic Asset Management Plan 2019-2029 and the Workforce Plan 2018-2021.

While the LTFP and SAMP were not required to be exhibited, as these are critical documents which help to explain Council's capability to deliver the proposed SRV projects, they were also revised and placed on public exhibition.

Long Term Financial Plan 2019 -2029

The LTFP aligns the long term aspirations and goals of the CSP with Council's financial ability to deliver these aspirations.

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 time period from 2019-2020 to 2028-2029.

This LTFP modelled three scenarios, each of which shows a specific financial outlook. These are:

- **Scenario One** Conservative: rate peg of 2.7% pa in 2019-2020 and 2.0% thereafter;
- **Scenario Two** Standard: rate peg of 2.7% pa in 2019-2020 and 2.5% thereafter;
- **Scenario Three** Strategic (SRV): 7.5% pa (incl. rate peg of 2.7% pa in 2019-2020 and 2.5% pa thereafter).

The LTFP also establishes the annual budget for 2019-2020.

Strategic Asset Management Plan 2019 – 2029 (SAMP9)

SAMP9 includes details of asset management in each of the asset categories and the projected Capital Works Programs for both SRV and no SRV funds. These are detailed in the following way:

- Capital Works Program 2019-2029 based on existing known funds
- (SAMP9: Attachment 2);
- Capital Works Plus Plan 2019-2029 which details proposed works that could be undertaken if funds became available (SAMP9: Attachment 3);
- Capital Works Program 2019-2029 based on existing known funds and including projects that are funded under a SRV (SAMP9: Attachment 4); and
- To assist the community identify the proposed SRV projects, only projects funded through a SRV (SAMP9: Attachment 5).

Attachment 3 of SAMP9 is included in this application as ATTACHMENT A11.1.

Attachment 5 of SAMP9 is included in this application as ATTACHMENT A11.2.

SAMP9 uses Census 2011 data. For SAMP10, this data will be updated using Census 2016 material.

As much of the proposed SRV would be used on Capital Works projects, SAMP9 is a particularly large document to show the options. Future versions of the SAMP would be refined to reduce content so the document is usable for both staff and the community.

Workforce Plan 2018-2021

This plan is normally a four year plan or the life of the elected council - in this case for two financial years – 2019-2020 and 2020-2021.

The Workforce Plan was reviewed to include the staffing requirements of the SRV projects and programs to commence in these years.

This is included in Section 2.1.4 and 2.4.3 of the Workforce Plan. The strategies that have been previously identified to ensure that Council's workforce continues to deliver the aspirations of the CSP remain unchanged.

In the first two years, SRV projects and programs simply requires the engagement of additional resources with skills already accounted for in the strategies.

Annual Report 2017-2018

As a key element of the IP&R framework, the Annual Report allows Council to report back to the community on its progress in meeting key directions.

For example, Council has used the annual report to account for a previous special rate variation to the business category rate of 5.3% (including rate peg), a permanent inclusion in the business rate, granted in 2008. The purpose of the special variation was to implement an Economic Development Strategy. The expenditure annually exceeds the amount raised under the rate variation.

Figure 79: Changes to IP&R documents following public exhibition

Document name	Changes
General changes to all IP&R documents	<p>Early errors were corrected as part of Supplementary Information provided to Council at its meeting on 18 November 2018.</p> <p>A minor error meant that funds being made available for Raymond Terrace town centre revitalisation, while referring to work planned for King Street (\$3m) did not include this in the amount of \$12m. This amount was corrected to \$15m in all IP&R documents.</p> <p>As the Raymond Terrace town centre revitalisation did include refurbishment of King Street (\$3m), the total amount should have been \$15m. Because of this, the total of town centre revitalisation be amended from \$40m to \$43m with the total major, one off infrastructure projects with additional borrowing raising from \$112.150m to \$115.150m.</p> <p>Feedback from groups and residents of the Tilligerry Peninsula community raised the issue that Lemon Tree Passage too narrowly defined neighbourhood revitalisation in this area. In response to this, this was amended to read "Lemon Tree Passage/Tanilba Bay".</p>

Figure 79: continued

Community Strategic Plan	As the community priorities remained the same, this document was not amended following public exhibition
Delivery Program and Operational Plans	General changes as outlined above. In addition to the above general changes, a number of minor editorial corrections were made. pp71 and 72 were replaced with correct multi-year amounts.
Long Term Financial Plan	General changes as outlined above. The total of SRV capital spend over 10 years was corrected from \$112m to \$115m. This has had a minor effect on the projected underlying operating surplus from 2023-2024 and sections 1 and 9 of the LTFP were amended accordingly. As a result of the \$3m increase in capital expenditure and subsequent flow-on effect to the underlying operating surplus from 2023-2024, the three primary financial statements and respective ratio graphs were amended in Section 10.
Strategic Asset Management Plan 2019-2029 (SAMP9)	General changes as outlined above and minor corrections. SAMP9 uses Census 2011 data. For SAMP10, this data will be updated using Census 2016 material.
Workforce Plan 2018 -2021	General changes as outlined above.
Debt Recovery and Hardship Policy	Minor administrative changes. Insertion of new Rates Assistance Program if SRV is approved. See ATTACHMENT 7.

Source: PSC Council report, 29 January 2019

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

The council should quantify in dollar terms its past and future productivity improvements and cost savings and present these as a percentage of operating expenditure where possible.

These strategies, which may be capital or operational in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Please include below whether the proposed initiatives (ie, cost savings) have been factored into the council's Long Term Financial Plan.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils (eg, it may provide trends for its operating expenditure as a percentage of population). We will make similar comparisons using various indicators and OLG data provided to us.

In this section, Council demonstrates the costs savings made to date and to be made over the life of the proposed SRV.

Council places significant emphasis on continual, improved productivity and efficiencies.

Port Stephens Council is financially sustainable and fit for the future. Despite some challenges, Council has maintained its financial position in 2017-2018. PSC has continued to meet its asset renewal targets and reduce its overall infrastructure backlog, while improving service delivery to the community.

The consideration of a special rate variation is only one of a number of options Council has considered in order to improve its overall financial performance and better manage and maintain infrastructure.

TO DATE

These are some of the initiatives Council has or is undertaking to become more efficient:

7.1 Service Review Program

Council strives to deliver services demanded by the community in the most efficient and best way possible. This is despite some significant challenges being faced including limited budgets and rate caps, growing community expectations, high public scrutiny, technological revolution, skilled worker shortages and a complex legislative environment

In 2010, in the aftermath of the global financial crisis, increasing costs, changes in legislation and a net reduction in income, Council needed a way to continue to improve the level and quality of its services, while providing value for money to its community. Council introduced a Service Review program to regularly review operations to ensure significant and sustainable savings, while customer satisfaction, employee engagement, service delivery and risk management remained a priority.

The program utilises 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 this type of regular efficiency reviews.

The first review in 2011 focussed on reducing the deficit through efficiencies. The second round in 2015 concentrated more on reviewing Council's processes. The potential merger period with Newcastle City Council interrupted the third round, which looked to find 2% savings in each services area nett operating result.

The Service Review program is spread over four years so that each of Council's 60 plus services are thoroughly reviewed at least once in that time frame using Council's service strategy document. The goal for each Service Review continues to focus on finding a minimum of 2% savings with associated efficiencies. The current process involves a structured 16 step process that includes a review team comprising finance, governance and organisational development to ensure consistency and rigour in the recommendations and compliance with legislative requirements. Each service review is considered by senior management before a report is presented to Council for formal endorsement.

Cost savings have been achieved by a number of ways that include but not limited to alternative service delivery options; internal process efficiencies; and alternate revenue considerations. Since the beginning of this program, Council has saved in the order of \$2.1m.

Case Study One – Children's Services, 2013 Review

Council Children's Services found cost savings through a number of avenues.

In 2013, Council leased its Medowie Children's Centre to the Uniting Church in Australia Property Trust. This not only assured accessibility to an affordable long day care service for families it also delivered increased revenue to Council through commercial rent.

Council continues to deliver Outside School Hours, Port Stephens Activity Van and Family Day Care services with a focus on continuous improvement of processes. Outcomes have included an increase in the number of weekly preschool sessions from three to four, thereby improving accessibility for customers and increasing revenue. This was achieved through the annualisation of staff hours without incurring additional cost.

This improvement in service delivery was fundamental in ensuring the preschool was deemed eligible for a mobile services contract and a guarantee of funding for the next four years. Family Day Care has mitigated the financial impact of the withdrawal of operational subsidy in July 2015 with an increase in fees and a reduction in staff levels. The result has been a combined saving to the business of around \$135,000 pa.

In early 2013, Port Stephens Family Day Care liaised with Newcastle City Council concerning the decision of Newcastle to exit family day care. As a result, in the 2013-2014 Port Stephens Family Day Care registered an additional 33 educators and the number of childcare places grew from 143 each day to 216.

This resulted in increased revenue for the service and improved accessibility for families. At the end of the review, Port Stephens Family Day Care had 81 educators registered in five local government areas. In response to the Federal Government removing operational subsidy from Family Day Care in June 2015, the fee structure changed and staffing levels reduced. Coordinator positions were reduced from four to three and hours from 108 to 77. The result has been a cost reduction to the business of around \$80,000pa.

Case Study Two – Strategic and Environment Section, 2018 Review

More recently, in order to better respond to customer needs a number of changes to the organisational structure in the Strategy and Environment Section were adopted. While the service review proposed an increase in EFT by 0.4 EFT, Council achieved an estimated overall saving of \$94,031pa. The overall staffing changes have resulted in a more effective way of meeting the needs of the organisation and the community and ensures current best practice in environmental and land use planning advice.

This was endorsed by Council in November 2018.

7.2 Alternative revenue

In 2012, Council reviewed revenue opportunities and as a result began a process to yield long term dividends from bio-banking and sand extraction royalties.

The Newcastle Airport Limited was restructured with NSW government and Department of Defence agreement. This partnership with Newcastle City Council yielded a dividend of \$1.9m in 2017-2018 and is estimated to be in the order of \$30m over the next 10 years.

Initiatives such as bio-banking and the restructure of Newcastle Airport have led and will lead to an increase in non-rates revenue that augments other revenue streams such as Council's commercial enterprises (holiday parks, commercial property portfolio and commercial development).

In line with its **Property Investment and Development Policy**, Council invests in and maintains a property portfolio as a strategy to provide capital growth and a recurrent income source. Council holds three commercial investment properties in the Newcastle CBD which provide a healthy investment stream back to Council.

These investment properties have blue chip, long term tenants. Another source of revenue for Council is the property development area which focuses on the divestment of surplus lands to deliver alternative sources of revenue to Council. An example of this is the Salamander Central Development which has seen the provision of a nine lot subdivision of commercial land in the Salamander Bay shopping centre precinct. One of these lots has been retained and Council has entered into a long term lease arrangement with Woolworths Petrol.

7.3 Treasury Model

In 2012, with an underlying operating deficit of \$4.235m, Council introduced a treasury model to strengthen financial management and improve budgetary controls across the organisation.

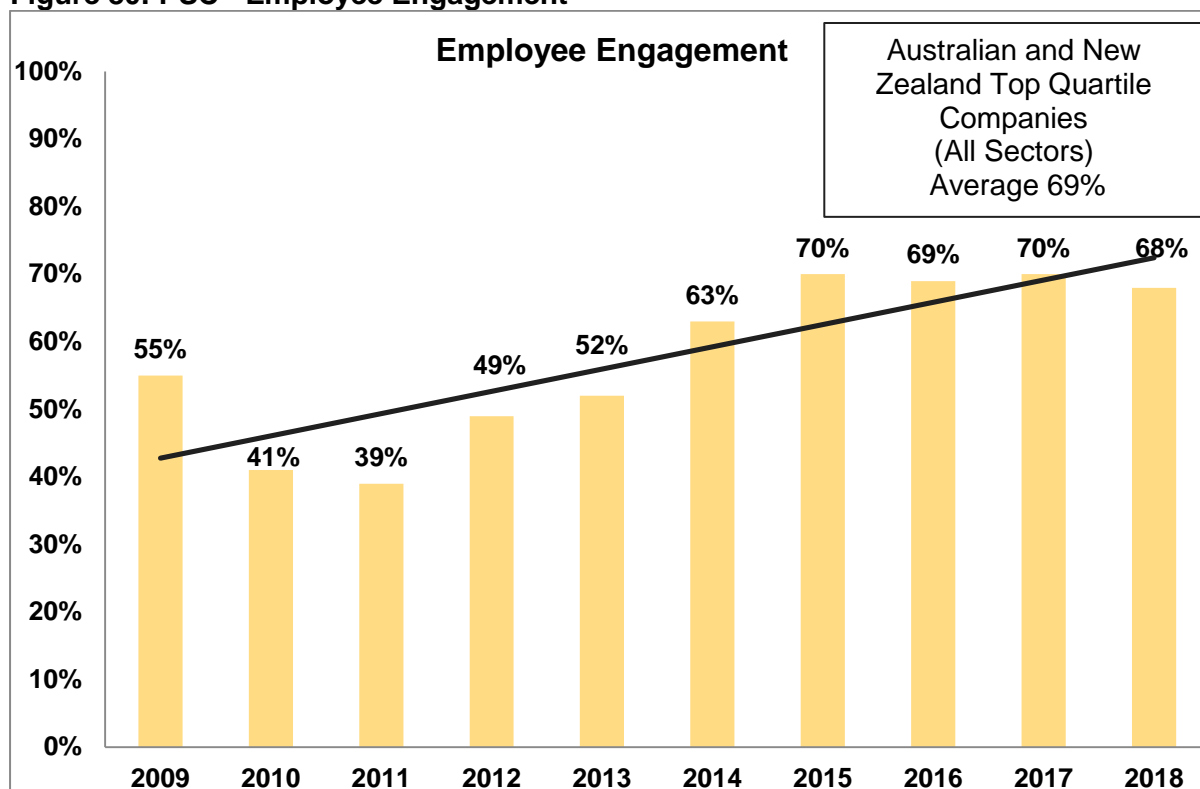
Council has continued to maintain a centralised treasury model approach to budgeting. This involves Financial Services being solely responsible for the setting of the budget which ensures a uniform approach across Council and transparent control. When setting the budget, Council's primary goals are to remain financial sustainable whilst still being able to deliver public outcomes. Deviations from the budget ideally have to be cost neutral and are 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.

7.4 Human resourcing savings

For the past 10 years, Port Stephens Council has consistently pursued a number of strategies within the human resource management area aimed at reducing costs and increasing productivity to assist with improving the financial sustainability of Council.

Our Best Employer strategy ensures that Council is a great place to work. Best employers have greater employee engagement with leads to greater discretionary effort. Port Stephens Council continues to perform at high levels of engagement, outperforming other councils and demonstrating a healthy balance of moderately engaged and actively engaged employees (Internal Council report - AON Report, Engagement Survey 2018, 12 November 2018).

Figure 80: PSC - Employee Engagement

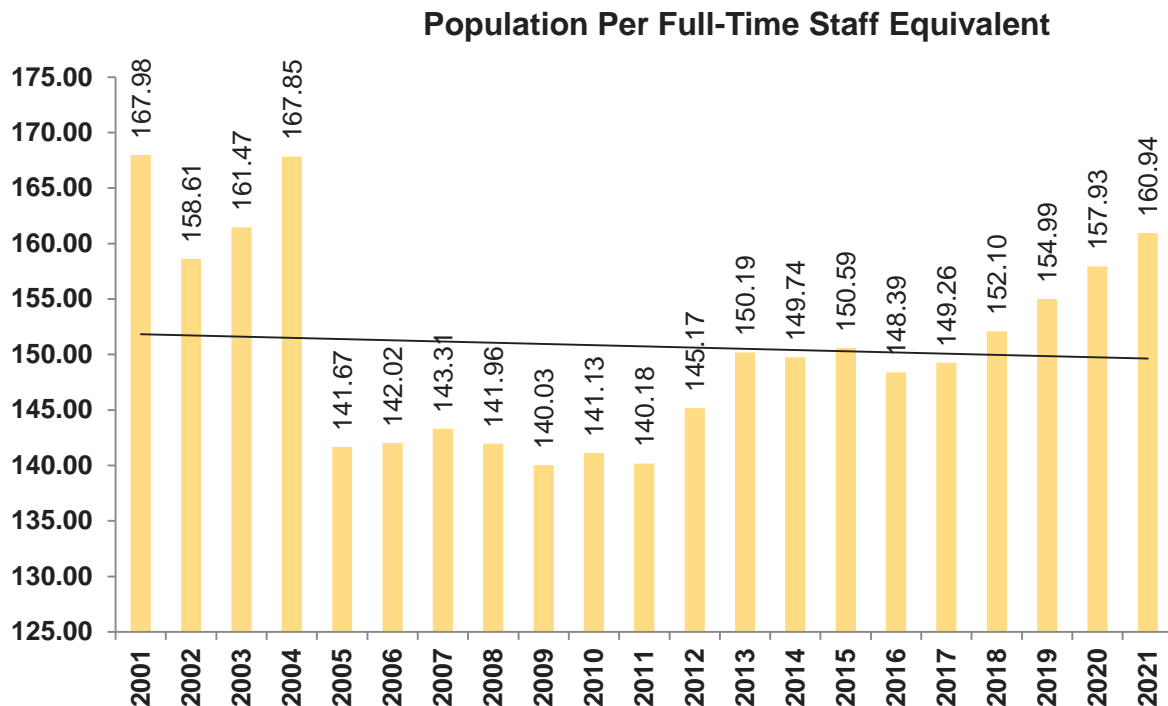


Source: AON Report, Engagement Survey 2018, 12 November 2018

Council's talent management strategy ensures that all components of attracting, retaining and developing staff is conducted in a structured way to ensure Council understands the needs of the organisation to effectively deliver efficient, effective and responsive services to the community, whilst maintaining financial sustainability.

With data from the PSC Community Profile and the ABS, Council could identify the ratio of population to staffing levels. In 2011 this ratio was 144 residents to each staff member. The continual program of service reviews which commenced in 2011 has seen this ratio increase and is currently one staff member to 149.74 residents based on 2016 Census data. Council predicts this ratio would continue to increase over time as the organisation continues to improve and refine the way it delivers services to the community.

Figure 81: PSC - Population per Full-Time Staff Equivalent



Source:

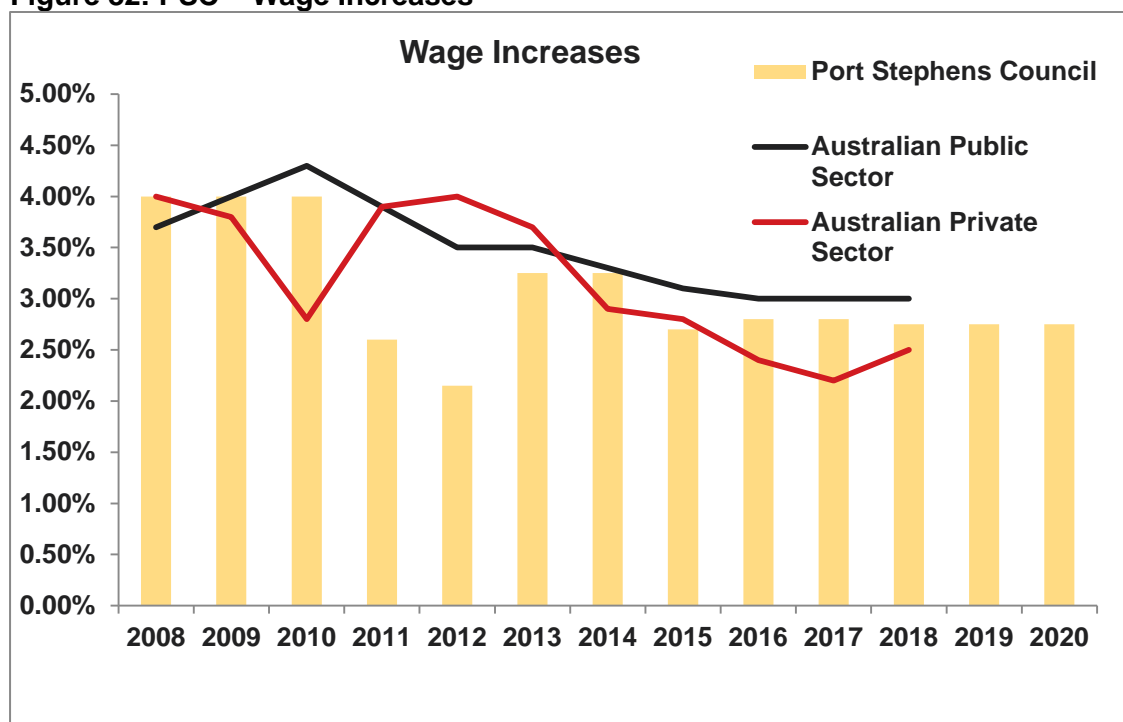
Australian Bureau of Statistics, *Regional Population Growth, Cat. 3218.0* (2016 revised data released on 31 July 2017.)

2016 Census of Population and Housing, *Time Series Profile 2003.0*, Australian Bureau of Statistics

REMPLAN, *Economy Profile*, <http://www.economyprofile.com.au/portstephens/>

A new salary system was introduced in 2008 as part of the PSC Enterprise Agreement negotiations. Council's salary system has adopted the median of the local government market represented as the normal maximum remuneration for each grade. This is a sustainable position for Council. Council's Enterprise Agreement has provided stability in industrial relations and predictability on employment costs since its inception in 2008 and has consistently delivered wage increases lower than the Australian Public Sector generally (*Source: 6345.0 - Wage Price Index, Australia, Sept 2018*).

Figure 82: PSC – Wage Increases



Source: 6345.0 - Wage Price Index, Australia, Sept 2018

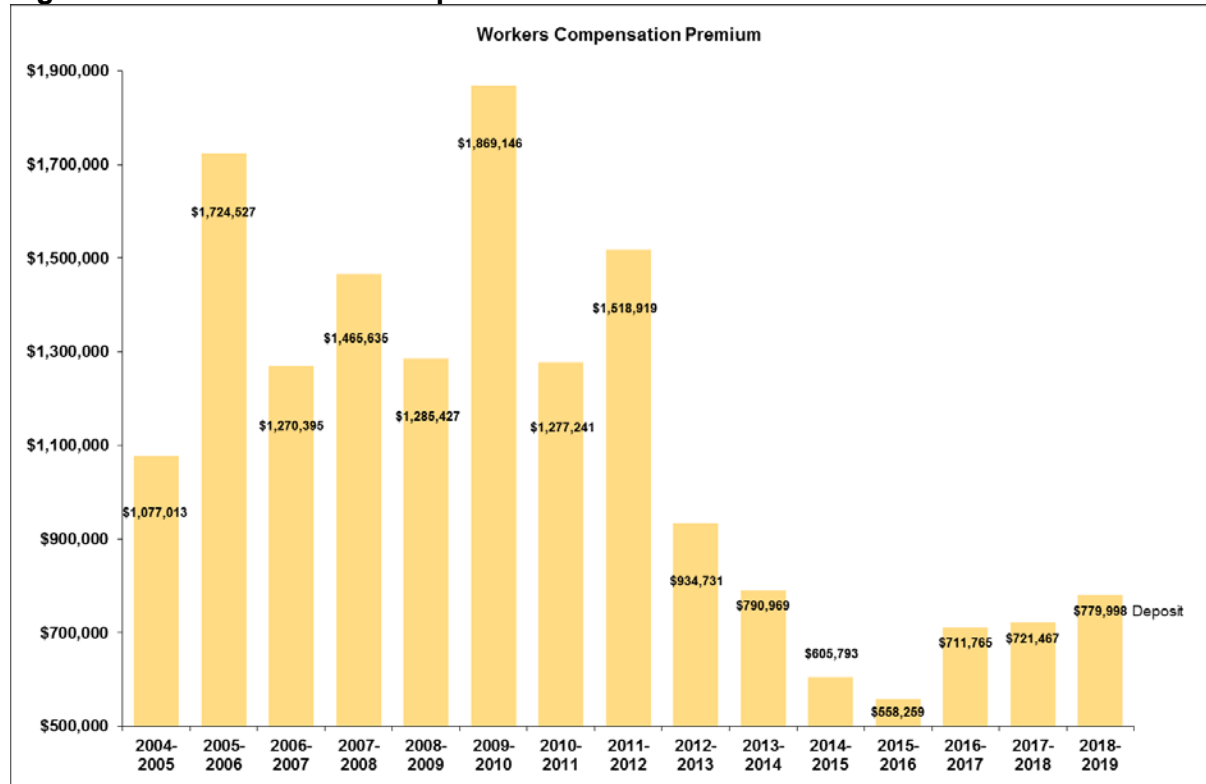
Council believes the safety, security and the physical and mental wellbeing of Council's people is central to the ability of all staff to contribute to the achievement of Council's objectives.

Safety is one of Council's core values and staff are assured of Council's commitment to seeing them going home in the same physical and mental condition, or better, than when they arrived at work.

In order to achieve this, Council has put in place a robust management system to identify, evaluate and control factors in Council's workplace and operations, which may affect the safety, health, security and wellbeing of employees, customers, contractors, visitors and members of the public.

This has resulted in enormous cost savings through a dramatic reduction in Council's Workers Compensation Premium. Since the implementation of this program in 2010, Council has saved at least \$8.9m in premium costs. The PSC 2017-2018 Hindsight Performance Payment was \$96,609 of the maximum \$100,000 available. Together with the rebates received from StateCover for Safety Incentives, Mutual Performance Rebate and the Work Health and Safety Incentive, this effectively reduces Council's 2018-2019 premium to \$541,075.

Figure 83: PSC - Workers Compensation Premiums – 2004 to 2018



Source: PSC data

7.5 Capacity to deliver

Council's capacity to deliver is demonstrated by its past performance, which is detailed in Council's annual reports - the latest volumes for 2017-2018 are [here](#).

Council's annual report is divided into two sections:

Volume one provides an overview of Council's operations, achievements and performance for the year together with statutory and governance information.

Volume two contains Council's audited financial accounts including performance, financial position and cash flows for the financial year ended 30 June 2018. The format of the financial statements is standard across all NSW councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the OLG.

In 2017-2018, Council delivered \$36.9m in major projects and exceeded the set targets for Council's six main result measures, which underpin Council's operations.

Figure 84: Six key performance measures: 2017- 2018 and 2016-2017

Measure	Target	2016-2017 achieved	2017-2018 achieved
Service delivery	> 90% Integrated Plans delivered on time	Target exceeded with 97% of actions in the Operational Plan completed	97.5% of actions in the Operational Plan achieved
Community Satisfaction	> 75%	79.03% overall community satisfaction score <i>Source: 2017 Community Satisfaction Survey</i>	85% overall community satisfaction score <i>Source: 2018 Community Satisfaction Survey</i>
Employee engagement	> 65% employee engagement	69% <i>Source: AON Hewitt</i>	70% <i>Source: AON Hewitt</i>
Governance	> 90% Governance Health Check	96.13% <i>Source: LG Professionals Governance Health Check tool</i>	96.9% <i>Source: LG Professionals Governance Health Check tool</i>
Risk management	> 65% Risk Management Maturity score	83% <i>Source: Australian Standard AS/NZS ISO 31000:2009</i>	83% <i>Source: Australian Standard AS/NZS ISO 31000:2009</i>
Financial sustainability	Underlying financial surplus	Underlying surplus of \$1.414m	Underlying surplus of \$1.078m
Overall	N/A	79.03%	84.87%

*Source: PSC Annual Report, 2017-2018, volume one, pp 18 -19
PSC Annual Report, 2016-2017, volume one, pp 23*

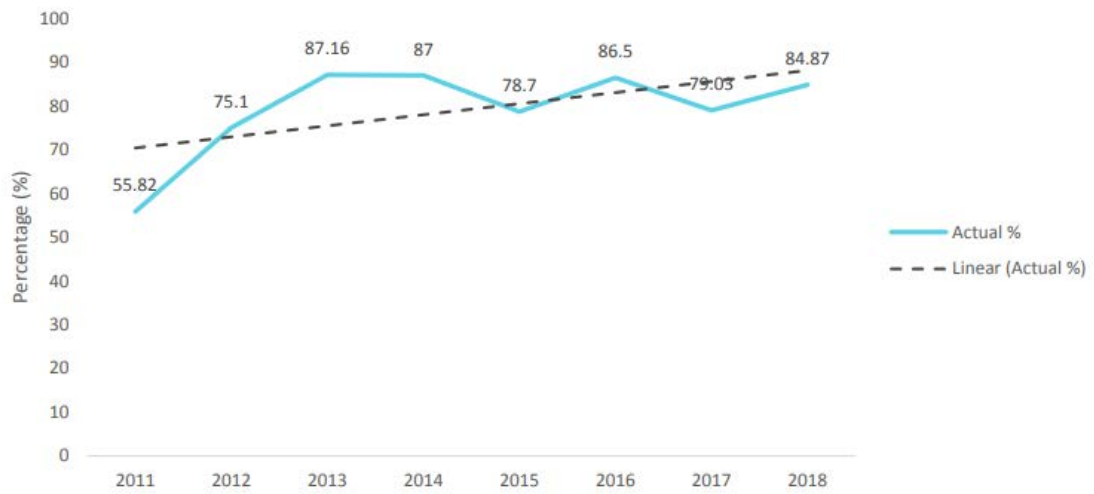
Each year, as required by the Operational Plan, Council conducts its community satisfaction survey across the LGA. This survey seeks feedback from residents and visitors on their satisfaction with facilities and services provided by Council. This annual survey is broadly representative of the population of Port Stephens. To determine statistical validity, with 95% confidence, 1,052 survey responses were required. The total response was 1,352.

The results of the survey are reported to Councillors and staff to inform planning decisions and the allocation of resources; and via Council's website the results are made available to the wider community and stakeholders. The [2018 Community Satisfaction Survey Report](#) is in ATTACHMENT A6.5.

In 2018, overall satisfaction with Council's services was 84.87%, an increase on 2017. Council has consistently been above 75% since 2012.

Council's [End of Term Report 2012–2017](#) provides more detail on Council's achievements in the last five years.

Figure 85: Overall community satisfaction since 2011



Source: PSC Community Satisfaction Survey Report, 2018.

A more detailed breakdown of services and facilities management supports this strong level of general satisfaction.

Figure 86: Individual services and facilities by level of satisfaction, 2018

Facilities/Services	Satisfaction Score %
Libraries	99.15
Children's Services	99.00
Garbage collection services	94.58
Sports and recreational facilities	89.92
Swimming pools	89.81
Community public halls	90.88
Playground equipment	87.87
Maintaining parks and gardens	91.69
Development and building services	95.25
Managing traffic flow (eg lights, roundabouts, street signs)	81.82
Roadside maintenance (eg trees, litter, slashing)	83.64
Public toilet amenities (Council-owned park/community amenities - not those in shopping centres)	76.25
Managing nature reserves, wetlands, beaches & foreshores	84.31
Access to waste depots and recycling	87.38
Managing street trees	87.73
Maintaining footpaths	76.98
Maintaining cycleways/walking tracks	83.77
Maintaining local roads	74.64
Managing storm water drainage systems	79.86
Controlling weeds	80.69
Ranger services (eg animal management)	76.50
Managing illegal dumping	78.88
Ranger services (parking)	74.43

Source: PSC Community Satisfaction Survey Report, 2018.

Detailed information is provided in the full report.

7.6 Energy efficiency initiatives

To date, Council has introduced numerous energy efficiency initiatives such as:

- Solar panels on surf clubs and fires stations
- Green initiatives in waste
- Extended the life of Council's landfill by increasing recycling and diversion rates.
- In 2012-2013, bio banking of Council's Karuah land was registered with the NSW Office of Environment & Heritage. Since that time, bio banking revenue has generated \$533,800 income for Council.

7.7 Additional grant revenue

Council has a strong track record in attracting State and Federal grants for a variety of infrastructure projects; however, these funds often are not available to match the priorities as outlined in strategic planning documents. To maximise these opportunities, Council recently appointed a finance officer dedicated to source, prepare, and apply for relevant grants. To date, the officer has secured funds above targets.

The community regularly requests infrastructure projects that are unable to be funded within current budgets. To track the significant requests, they are articulated in attachments within the SAMP as funded Capital Works Program projects and unfunded projects in the Capital Works Plus Plan. These projects await funding, primarily from grants.

Council continually researches and applies for grants from various sources for infrastructure delivery in line with strategic planning documents. An example of this is the Birubi Information Centre, a project proposed to be part funded by SRV income.

The Birubi Information Centre project is the culmination of 11 years of collaborative work between Council, NSW Crown Lands, Worimi Conservation Lands Board of Management, Worimi Elders and Traditional Owners and tourism operators.

Council has coordinated a strategic and planned approach to place management for what in 2007 was declared the Birubi Point Aboriginal Place. In 2013, Council established a formal advisory panel for the management of Birubi Point Aboriginal Place. This panel funded and oversaw the creation of a master plan and management plan which in turn resulted in the NSW Government awarding \$150,000 in matching funds (Tourism Demand Driver Infrastructure fund) to assist in the planning, design and approval phase for the Birubi Information Centre in 2017.

This approvals phase enabled Council to then prepare a detailed business case for majority funding support from NSW Government which culminated in the awarding of \$5.4m from the NSW Government (Restart NSW Program) in 2018.

Stage One of the project is estimated at around \$6-7m. However, in order to realise the full project and create a long term quality tourism, visitor reception and information centre, more funds are needed to create enough car parking spaces, road entrance improvements, connecting pathways to the Birubi headland and sand dune stabilisation areas. The support of the NSW Government for this important project has been crucial to Stage 1. However, without a further and final investment into Stage 2, one of the most visited tourism destinations in Port Stephens would remain incomplete.

7.8 Shared services

Council currently shares services with other Hunter councils in areas such as library services, weed management, records storage, legal services, regional procurement and environmental services.

Hunter Councils Inc.

In early 2000s, the push for “bigger and better” corporately managed councils, attendant amalgamation pressures, rising community expectations and constraints (such as rate pegging) limited the ability of councils to fund their operations.

While acknowledging that amalgamation of councils was a sometimes necessary and appropriate response, local government in the Hunter determined that economies of scale and effectiveness could also be achieved – and potentially better achieved – through the creation of regionally shared capacity to address specific services.

The Hunter councils began advocating for a focus on achieving scale and effectiveness by building the geographic scope of the services being delivered rather than a focus on building the size of the entity to receive them.

Arising from this, region wide business units were established within Hunter Councils Inc. to deliver initiatives on key council shared priorities such as environmental programs, staff training and the procurement of goods and services.

In 2004, a new corporate entity (Hunter Councils Ltd) was created within the framework of the Commonwealth Corporations Act 2001 to replace Hunter Councils Inc. In 2014, the name of Hunter Councils Ltd was changed to Strategic Services Australia Ltd.

The Hunter Joint Organisation (JO) was established in mid-2015 as part of the OLG’s broader piloting of a joint organisation model in five regions of NSW. It is built on the strong foundations of Hunter Councils Inc., which was established over 60 years ago.

The Hunter JO consists of 10 councils - Cessnock City Council, Dungog Shire Council, Mid Coast Council, Lake Macquarie City Council, Maitland City Council, Muswellbrook Shire Council, Newcastle City Council, Port Stephens Council, Singleton Council and the Upper Hunter Shire Council.

The structure of this organisation is modelled on the concept of regional “Joint Organisations of Councils”, advocated by the NSW Government as a means to work together to deliver regional priorities, resource sharing and achieve economies of scale for shared service delivery.

The organisation has become a model for other Joint Organisations and demonstrates that Council has strived for some time to be as efficient as possible.

The Hunter JO is a separate entity to Strategic Services Australia, which provides shared services to councils in the region and across the State.



7.9 Continual review and rationalisation of assets

Sale of assets - Commercial Development

In the financial year to June 2016, Council developed a 33 allotment subdivision located at Tarrant Road, Salamander Bay. The lots were sold at auction in November 2015 with the Deposited Plan being registered with Land & Property Information in April 2016 allowing Certificates of Title to be issued. Settlement of the sales occurred in May 2016. The gross realisation of the development excluding GST was \$6,145,000. Total costs associated with the development, including holding costs, were \$3,948,044 leaving a net profit from the development of \$2,196,956. A portion of this profit was then reinvested back into capital works program as per the [Acquisition and Divestment of Land Policy](#).

In the financial year to June 2018, Council's property sales achieved \$5.5m, primarily through the development and sale of land at 155 Salamander Way, Salamander Bay, with the sale of lots yet to be finalised.

The challenges facing Council's development operations include:

- The decreasing availability of commercially viable land to develop within the LGA (refer to 3.3 on Council's land ownership restrictions)
- Developing only when there is sufficient market demand and growth (e.g. lending restrictions on investors).
- Retaining a sufficient portfolio of land to fund future needs and financial protection against the cost of natural disasters and economic downturn

Leasing income - Investment Properties

Council's investment property portfolio generates a recurrent income stream of approximately \$2.2m (net) annually. These funds flow into Council's commercial property cash reserve and assist in servicing loans taken out to fund public infrastructure projects.

Council has exhausted all yield opportunities on its investment property portfolio over recent years with the majority of tenants now on long term agreements. A large portion of Council's portfolio is located within the Newcastle CBD which is starting to see an abundant supply of competing commercial office space as a result of the NSW Government's urban transformation.

7.10 Completion of new development contributions plans

Contributions levied under the Port Stephens [Development Contributions Plans](#) (formerly s94, now s7.11 and s7.12) fund specific items of local infrastructure to support new development. The current plans were adopted in 2006 and are currently being revised to take into account new population data and growth forecasts, including by identifying new items of infrastructure required to service the projected demand.

The amount of levies that can be collected under the plans is capped by the NSW Government and there are specific legal requirements that constrain the allocation of funding from developer contributions. As a consequence, the new developer contributions plans are unlikely to result in an increase of available funds (local developer contributions rates are capped) and developer contributions will not be able to fund infrastructure that does not meet the legislative requirements.

The new plans are expected to be reported to Council in the second half of 2019, prior to exhibition and community consultation.

7.11 Best practice management of infrastructure

In 2009, Council changed its funding strategies for the maintenance and renewal of existing assets to reduce its asset backlog. By implementing a best practice management system for infrastructure maintenance, Council has reduced its asset backlog from over \$30m in 2009 to approximately \$14m in 2018.

Additional funding through loans and the Local Infrastructure Renewal Program has resulted in earlier maintenance and renewal of assets than previously undertaken at Council. Early maintenance and renewal of an asset prevents the asset from deteriorating so that it no longer provides the intended or an acceptable service to the community; or it becomes a hazard to the asset user and a risk to Council.

Other sources of funds include:

- sales of commercial or Council lands;
- savings made from the commercial section of Council;
- borrowings;
- operational savings;
- sustainability reviews savings;
- government grants;
- contributions from other organisations and committees;
- continuing to shift funds in the Capital Works Program from new assets to renewal;
- Section 94 contributions; and
- Voluntary Planning Agreements.

These additional funds are used as seed and matching monies to improve Council's position in gaining grants. As these additional funds are not guaranteed, they are prioritised towards the renewal and maintenance of assets listed in the Capital Works Plus Plan in SAMP9 (ATTACHMENT A11.1) or to existing projects in future years that may be brought forward when funds are available.

Successfully maintaining an asset is a constant process. Earlier maintenance and renewal is also a more cost effective way to manage the asset over the life of the asset, and thus reducing the future financial burden on the Council and on generations to come.

This change in focus has been achieved through:

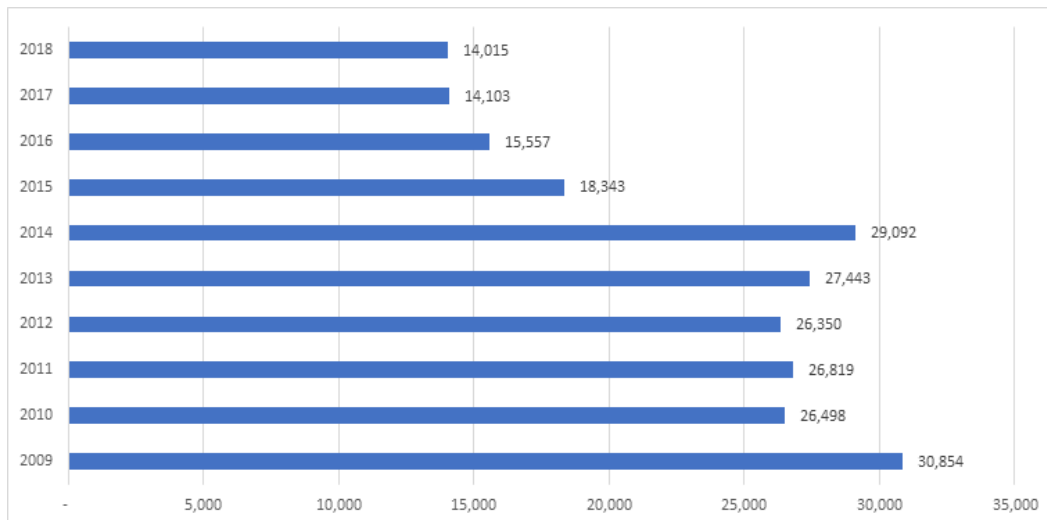
- improving Council's maturity through linking Council's financial and asset position;
- shifting Council's capital works funds towards renewal instead of new assets especially in recent years;
- increasing the amount of road reseals undertaken in any one year;
- taking advantage of the NSW government initiatives such as the Local Infrastructure Renewal Scheme;
- borrowing money to renew assets to reduce asset lifecycle costs;
- improving internal Council efficiencies to free up funds for asset renewal;
- understanding the condition of our assets and prioritising our spending;
- discussions with user groups and the community generally about asset services to closer align spending with expectations;
- a better understanding of our assets' condition has been achieved with the centralisation of asset management through an organisation restructure in 2013; and
- continuous improvement in the capital works and maintenance processes to drive efficiencies and reduce costs. This in turn resulted in savings made to return into the renewal of assets.

Assets are managed in accordance with standards outlined in the International Infrastructure Maintenance Manual, referenced in Council's [Asset Management Policy](#). The asset accounting and modelling is in accordance with the Australian Infrastructure Financial Management Guidelines.

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

To complement Council's risk assessment, the SAMP adopts and implements Statewide Mutual's Best Practice manuals and guidance notes that relate directly to assets. Those best practice documents note that it is Council's responsibility to undertake proactive inspections of asset conditions and undertake the necessary works to repair the defects within Council's resources. This in turn maintains public safety and reduces Council's risk of litigation.

Figure 87: PSC - Asset backlog from 2009 to 2018



Source: PSC Annual Financial Statements

7.12 Efficient development application processing

Over the last five years there has been significant effort to streamline Council's development assessment service and improve the customer experience. A number of improvements were implemented including an expansion of Council's development duty service, electronic lodgement of development applications (DAs), electronic processing of DAs allowing applicants to receive determinations via email rather than in the post.

This minimised the number of DAs over 100 days old and improved the development information available online through Council's website. The result of these improvements has been that Council's DA determination timeframes have improved by approximately four days despite an increase in the number of DAs being received, a significant reduction in the number of DAs over 100 days old and an increase in customer satisfaction.

7.13 Savings from contract negotiations

Council regularly uses prescribed agencies such as Local Government Procurement and Procurement Australia and also uses Regional Procurement supply contracts. The aim of these agreements is to consolidate and aggregate spend to maximise value for money for Council. Council also applies competitive tendering processes to achieve the best value for dollar.

Council does not have a water/sewer business.

7.14 Independent assessment of organisational strength

As outlined in Criterion 1, Council has been independently assessed as financially fit by TCorp and IPART in recent years. Details are provided in ATTACHMENT 4.

Council was one of five Hunter councils considered fit by IPART, while identifying Newcastle, Lake Macquarie, Maitland and Dungog councils as not sustainably fit.

The IPART report found that two-thirds of NSW councils were not 'Fit for the Future'.

An extract of the summary of IPART's report on Port Stephens Council is at ATTACHMENT A4.2.

INTO THE FUTURE

Council is committed to continuing its focus of cost containment and sound financial management.

Key components are:

Revenue enhancements

Grants

- Council will continue to seek appropriate grants for programs identified in the IP&R process. The appointment of a grants officer demonstrates Council's commitment to maximise this revenue stream.

Investment property portfolio

- Council will continue to effectively manage its existing investment property portfolio with the majority of tenants now on long term agreements;
- Further development of investments such as the Newcastle Airport partnership and Greater Newcastle Aerotropolis Partnership Limited;
- Development of a lease for the extraction of sand from Council land at Cabbage Tree Road, Williamstown. This would enable Council to derive a potential income estimated at \$18m over the next 12-15 years based on royalty payments and annual base rental payments;
- Continued successful operation of tourist accommodation properties -Beachside Holiday Parks, Thou Walla Sunset Retreat and Treescape Park. While Treescape delivered a negative result for 2017-2018, it is anticipated that the opening of the new Koala Sanctuary will improve revenue streams.

Managed Crown Land

- Crown land under Council's control (including some of PSC managed holiday parks) may incur additional costs into the future with the introduction of new Crown land legislation. The *Crown Lands Management Act 2016* (enacted July 2018) now requires councils to prepare Plans of Management for all Crown land under its care and control. This is a significant impact to Council in terms of time, cost and resourcing.
- In addition, under the Act, councils assume all responsibility for compliance with the Native Title and Aboriginal Land Rights Acts for all Crown trust managed and divested sites. This includes assuming liability for payment of compensation for non-compliance.

Asset rationalisation and backlog reduction

Council will continue to implement its management system for infrastructure maintenance, to continue to reduce its backlog as outlined in 7.11 and documented in SAMP9.

Operating expense reductions

- continuation of a robust service review program utilising ABEF;
- regular monitoring of financial performance through quarterly, half yearly and year end results as part of the Treasury Model;
- ongoing efficiency savings such as the recent installation of solar panels on the administration building. The system, once commissioned is expected to deliver in excess of 25% reduction in annual energy grid consumption. The system will receive 1,795 small-scale tradable technology certificates valued at \$62,825 and with the expected energy savings have an expected payback of 4.5 years on capital invested; and
- continued participation in the Hunter Joint Organisation.

Continuation of ABEF

Council will continue its robust service review program in accordance with Council's Management Directive. This includes:

- Each service to be reviewed at a minimum once every four years;
- Qualitative and quantitative benchmarking will take place to support recommendations;
- At a minimum of every two years, or as deemed necessary, each service will undertake a structured self-assessment to assess progress against the recommendations of the previous review; and
- The Senior Leadership Team approving all reviews prior to the recommendations being presented to Council by way of a two-way conversation and a council report.

In summary, Council has implemented rigorous and extensive cost containment strategies in recent years, PSC will continue to apply stringent methods to maximise efficiency.

If the SRV application is not successful, Council will continue to apply these strategies to maximise operational efficiencies and savings.

8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications (eg, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

Item	Included?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	X
Part B Application form (Word document) – this document	X
Relevant extracts from the Community Strategic Plan	X
Delivery Program	X
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	X
NSW Treasury Corporation report on financial sustainability (if available)	X
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	X
Community feedback (including surveys and results if applicable)	X
Hardship Policy	X
Resolution to apply for the proposed special variation	X
Certification (see Section 9)	X
Other Attachments	
Relevant extracts from the Asset Management Plan	X
Past Instruments of Approval (if applicable)	N/A
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	X
Other (please specify)	X

See below

LIST OF ATTACHMENTS

Mandatory

1. Relevant extracts from Community Strategic Plan 2018-2028
2. Delivery Program 2018-2021 as adopted 29 January 2019 (in full)
3. Long Term Financial Plan 2019-2029 as adopted 29 January 2019 (in full)
4. Financial assessments and letter of support
 - A4.1 NSW Treasury Corporation financial assessment
 - A4.2 Extract of summary assessment from IPART's *Fit for the Future* report 2015, p325
 - A4.3 Letter of support (for loans) - Commonwealth Bank of Australia
5. Community communication and consultation
 - A5.1 Community Communications and Engagement Plan
 - A5.2 Information material and consultation activities - Stage One
 - A5.3 Information material and consultation activities – Stage Two
6. Community consultation feedback
 - Submissions analysis
 - A6.1.1 Submissions analysis - Stage One
 - A6.1.2 Submissions analysis - Stage Two
 - A6.2 MICROMEX survey report
 - Full redacted submissions
 - A6.3.1 Full submissions (redacted) - Stage One
 - A6.3.2 Full submissions (redacted) - Stage Two
 - Debt Recovery and Hardship Policy
 - A6.4.1 Submissions
 - A6.4.2 Analysis
 - A6.5 PSC Community Satisfaction Survey Report 2018
7. Debt Recovery and Hardship Policy - adopted 29 January 2019
8. Resolutions to apply for the SRV
9. Certification

Non Mandatory

10. Special Rate Variation booklet (in full)
11. SAMP9 (extracts)
 - A11.1 Attachment 3: Capital Works Plus Plan
 - A11.2 Attachment 5: Capital Works Program 2019- 2029 (SRV only)
12. Photographic folio of assets
13. Extracts from relevant documents and other Council meetings
14. Hyperlinks to Council documents
15. Report on SRV affordability and hardship support
 - 16.1 LTFP with projected financial statements - Consolidated (in Excel)
 - 16.2 LTFP with projected financial statements – Unconsolidated (in Excel)
17. Acronyms

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Signed copy is at ATTACHMENT 9.

Name of council: Port Stephens Council

We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (name): Wayne Wallis

Signature:

Date: 6 February 2019

Responsible Accounting Officer (name): Tim Hazell
Financial Services Manager

Signature:

Date: 6 February 2019

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART's website.