



**TALKING
NUMBERS\$**

Road to
financial
recovery

Community information session
Hunter Room, Newcastle City Hall
Thursday 29 May 2014



Talking numbers today

We are here to talk about the draft

- four-year delivery program
- operation plan and budget
- fees and charges

Written comments should be sent to

- The General Manager
Draft Delivery Program
The City of Newcastle
PO Box 489
NEWCASTLE NSW 2300
- or email: mail@ncc.nsw.gov.au by close of business on **Wednesday 4 June 2014**



Ground rules

- **A range of views** perhaps different from your own
- **Be respectful** of others views
- **Listen** for understanding
- **Hold questions** until the Q & A
- **Questions** not statements
- **One question per person** with a two minute limit
- **Turn off** your phones
- **Session will be recorded** and FAQs available on Council's website
- **Photographs may be taken** and used in future publications
- **Please advise** if you do not wish to be photographed
- **Networking opportunity** with Councillors and council staff at session end



Agenda

- **Facilitator**
Heidi Alexandra Pollard, UQ Power
- **Introduction**
Ken Gouldthorp, General Manager
- **What have we achieved so far**
Martin Coates, Acting Director Corporate Services
- **External advice and review**
Mark Fitzgibbon, Financial Advisory Panel
- **Current financial position**
Andrew Glauser, Manager Finance
- **Our commitment to Newcastle**
Ken Gouldthorp, General Manager
- **Questions and Answers**
Session



Councillor Jeff McCloy
Lord Mayor
The City of Newcastle



Newcastle: Our city

- **12 months ago** we were in trouble
- **The budget** was in the red
- **We were overcommitted** and underfunded
- **Today the picture** is different
- **We are on the road** to recovery
- **We are not out of the woods** but the future is looking much brighter
- **There is unprecedented** interest and investment in our city
- **Decisions are** being made
- **We are** getting the job done



Our changing face

- **Get Councils** house in order
- **Long-term** port lease
- **Hunter Street** transformation
- **New laneways**, cafes, wine bars
- **Facade** improvement scheme
- **New uni & law** precinct
- **People** back in city
- **Christmas** in the City
- **Public** Art
- **Newcastle** City Hall
- **Coastal** revitalisation
- **City**Serve
- **Resurgence** in new developments



1. Museum site
2. Empire Hotel site
3. The Star Hotel
4. Jolly Roger site

5. University of Newcastle - City Campus
6. NSW Law Courts
7. Schwartz Hotel Project
8. City Centre Urban Growth/GPT

9. A grade office space - Watt Street
10. Newcastle Beach hotel & apartments
11. Function Centre
12. Bimet Lodge

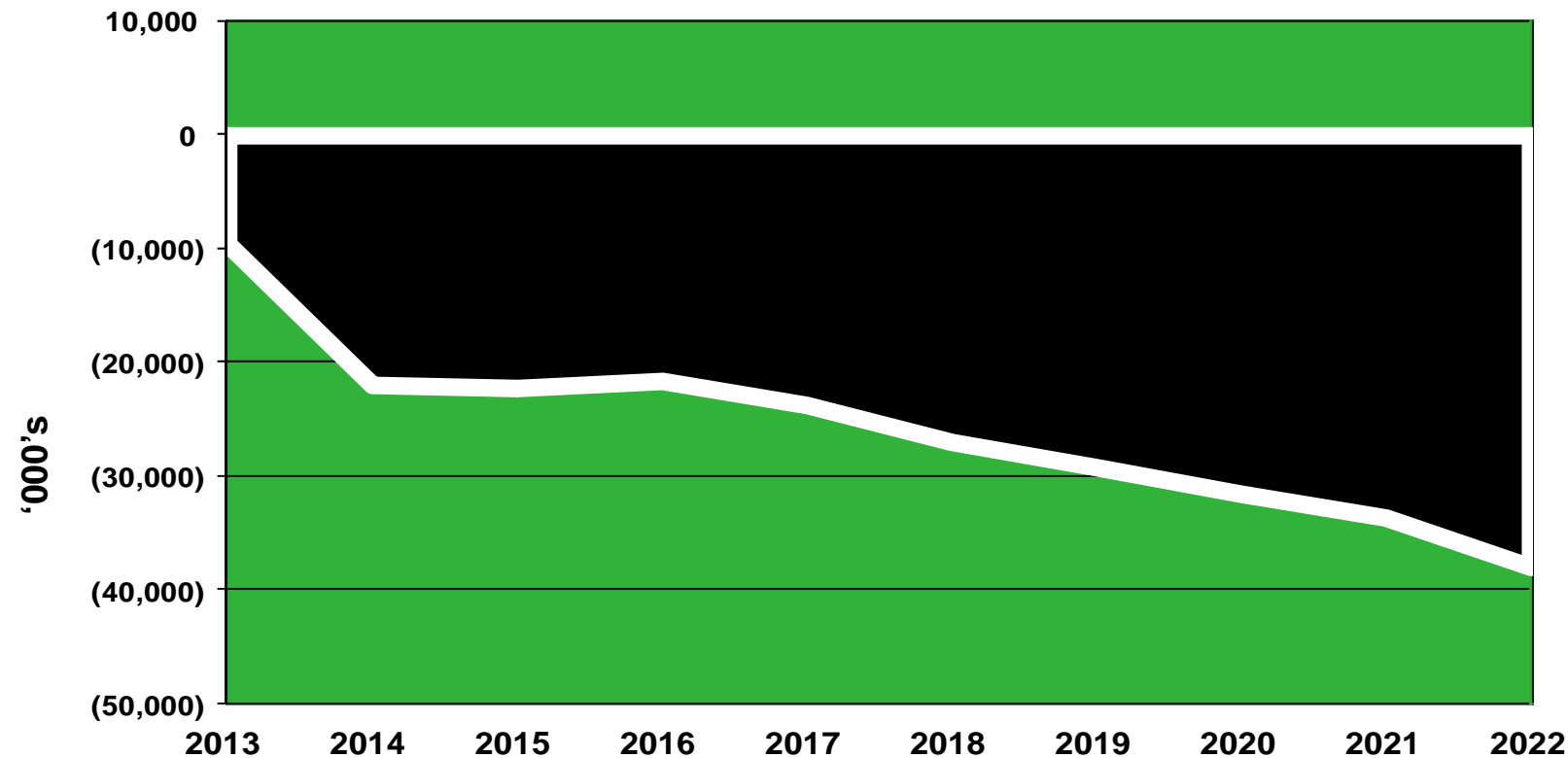
13. The Lucky Hotel
14. Lawlers Accountants
15. King Street carpark
16. Bolton Street carpark



Martin Coates
Acting Director Corporate Services
The City of Newcastle

Tough decisions

- **NSW Treasury Corporation** advise moderate with a negative outlook
- **Risk of insolvency** by 2017



A photograph of a man in a red and black striped shirt carrying a young boy in an orange shirt on his shoulders. They are standing near a pond with a metal railing, surrounded by green foliage.

Why did this happen

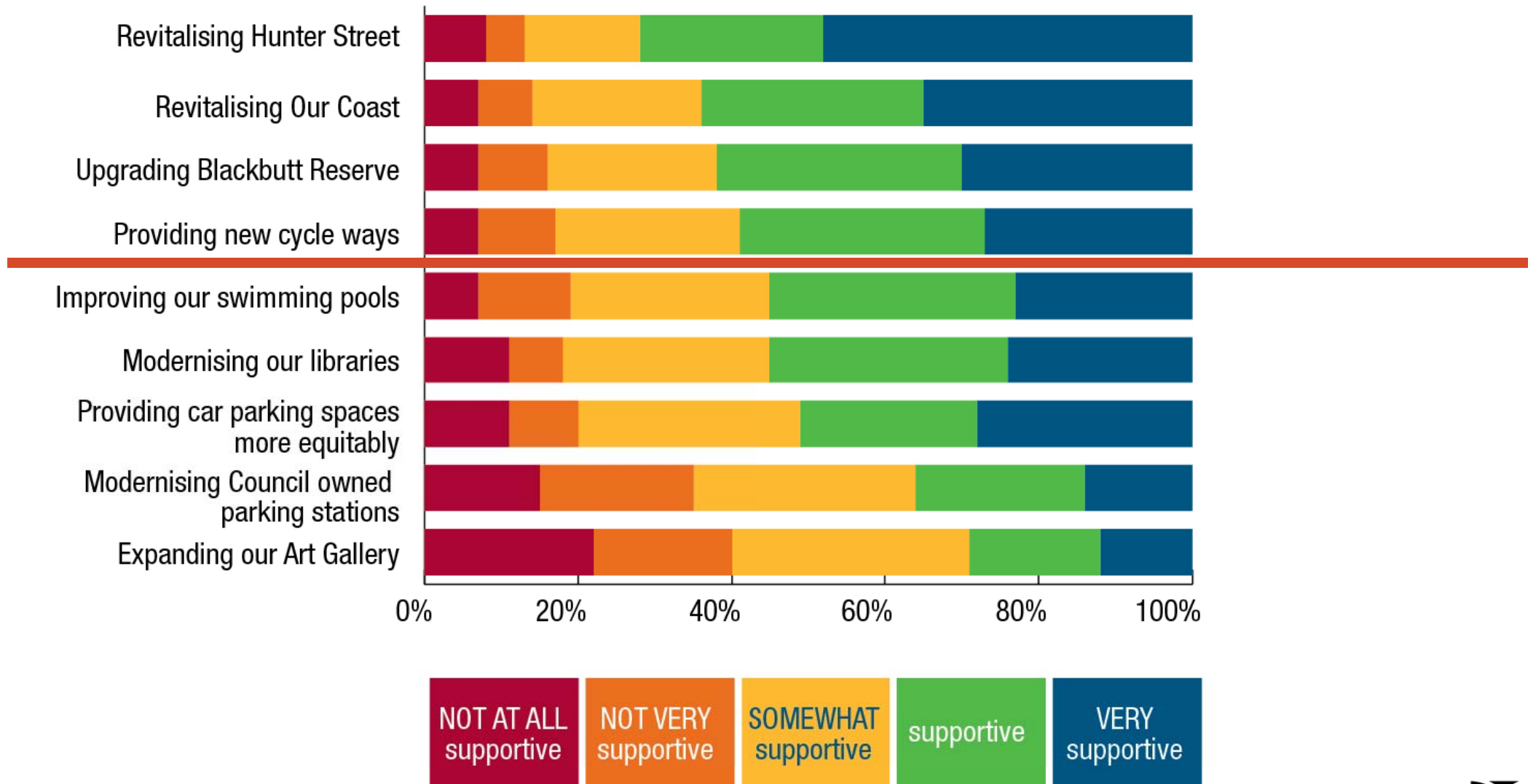
- **\$1.6 billion asset portfolio** with a substantial infrastructure backlog
- **Cost shifting** of more responsibilities but no increase to resources
- **Restricted** ability to raise additional revenue due to rate capping
- **Rising operating costs** exceeding revenues - employee costs, utilities, materials and borrowings
- **Over ambitious** capital works program with inadequate/unreliable funding

A photograph of a man in a red and black striped shirt carrying a young boy in an orange shirt on his shoulders. They are standing outdoors near a body of water with green foliage in the background.

What did we do

- **Staff reductions** by 90 full time positions
- **Organisational restructure** reducing management positions and better align responsibility and accountability
- **Reduce ongoing** operational expenses
- **Prioritise capital works** and make sure all projects are fully funded before work starts
- **Reduce priority projects** funded by the special rate variation from nine to four
- **Identify surplus assets** for disposal
- **Increase spending on** infrastructure maintenance and renewal
- **Increase income** from commercial operations

Support for priority capital projects

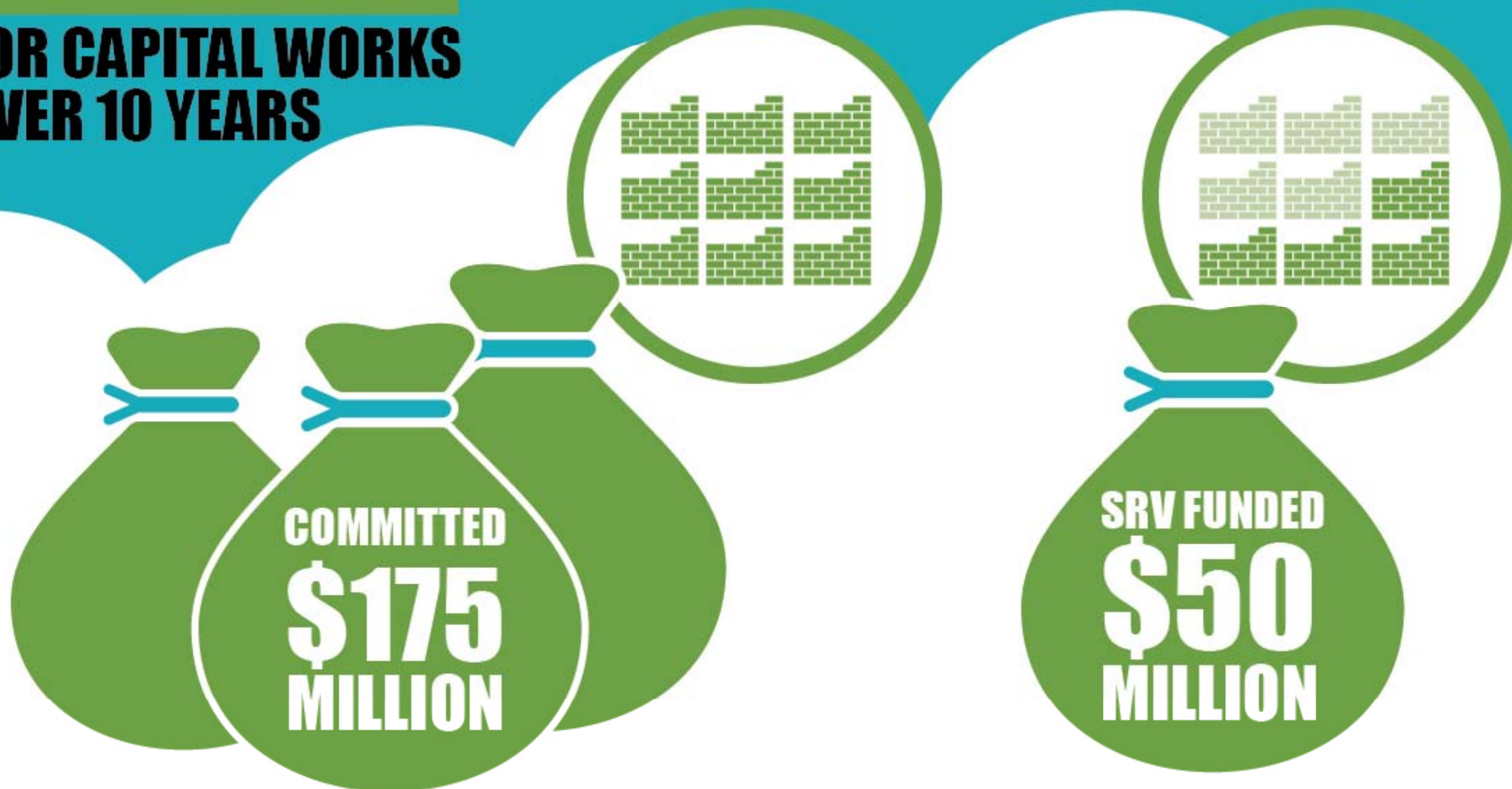


(Source: Micromex Research 2011 Special Rate Variation Survey)

FUNDING SHORTFALL

\$125 MILLION

FOR CAPITAL WORKS OVER 10 YEARS



(SRV) Special Rate Variation 2012/13

Coastal Revitalisation

Our vision for Newcastle 2030 is to have a smart, liveable and sustainable city.

Our flagship project for the city is the revitalisation of our coast. In the next 12 months we will spend close to \$10 million creating the Bathers Way shared pathway and public domain improvements from Dixon Park to Bar Beach, Nobbys to Newcastle and the King Edward Park section of the project.



Nobbys Beach

Detailed design underway



King Edward Park

Detailed design underway

Memorial Drive

Detailed design underway



Bar Beach car park and viewing platform

Upgrade complete



Dixon Park Beach

In progress

Merewether Beach

Upgrade complete

Merewether Ocean Baths

In progress

For more information visit: www.newcastle.nsw.gov.au



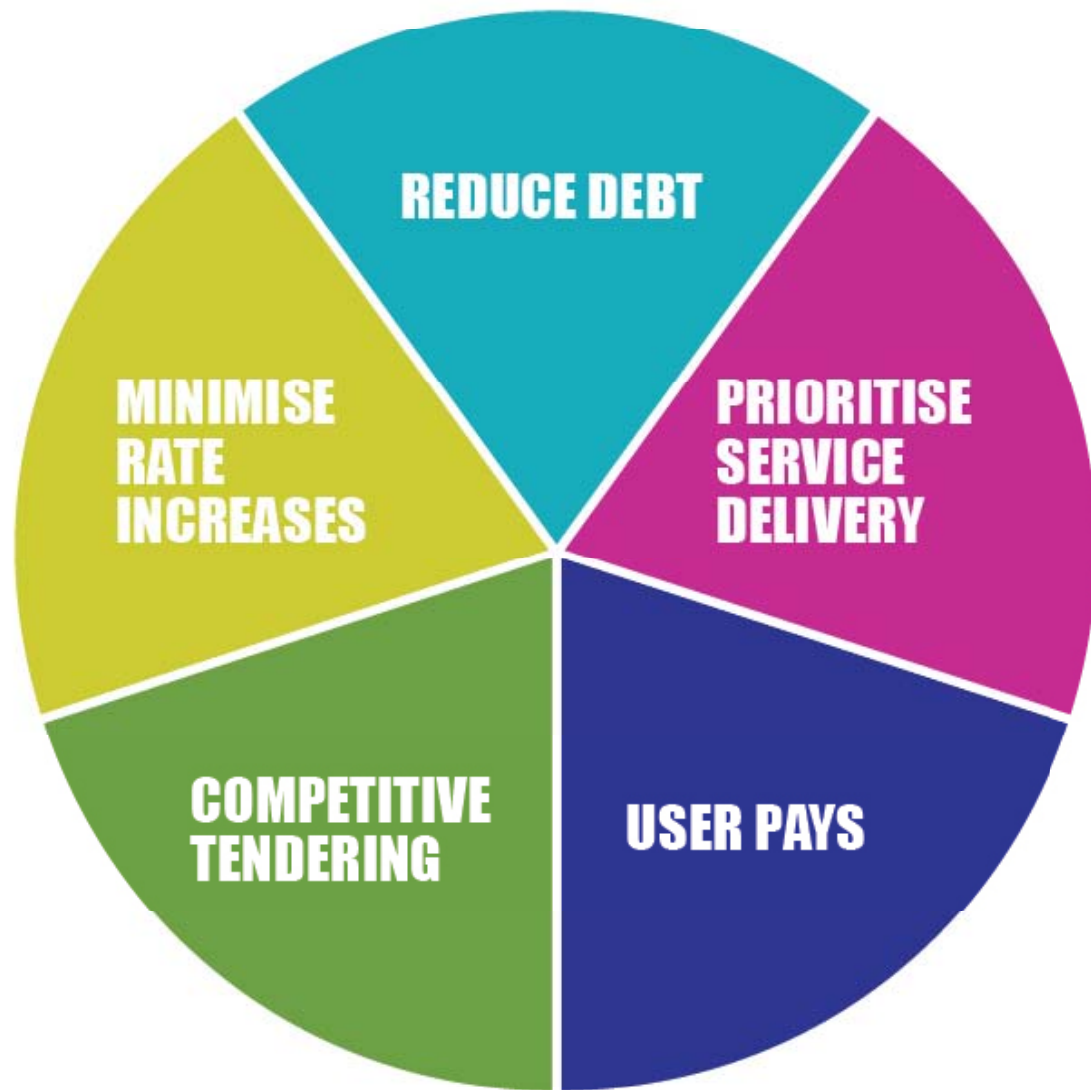
Mark Fitzgibbon

Financial Advisory Panel



How did we get involved?

- **Invited by the Lord Mayor** on behalf of Council to review financial situation and make recommendations to help return the budget to surplus
- **Briefing to council** in May 2013 with five principles and 13 recommendations





Current situation

- **Right approach** but there is more to be done
- **Need operating** surplus to allow investment in new infrastructure for the future generations
- **To become sustainable** and return an operating surplus a 8% turnaround is needed



Andrew Glauser
Manager Finance
The City of Newcastle



TURNAROUND OF **\$18 MILLION**

ADOPTED BUDGET DEFICIT

2013/2014

\$29.9 MILLION

PROPOSED BUDGET DEFICIT

2014/2015

\$11.9 MILLION



\$29.9 MILLION
START 13/14

\$19.9 MILLION
END 13/14

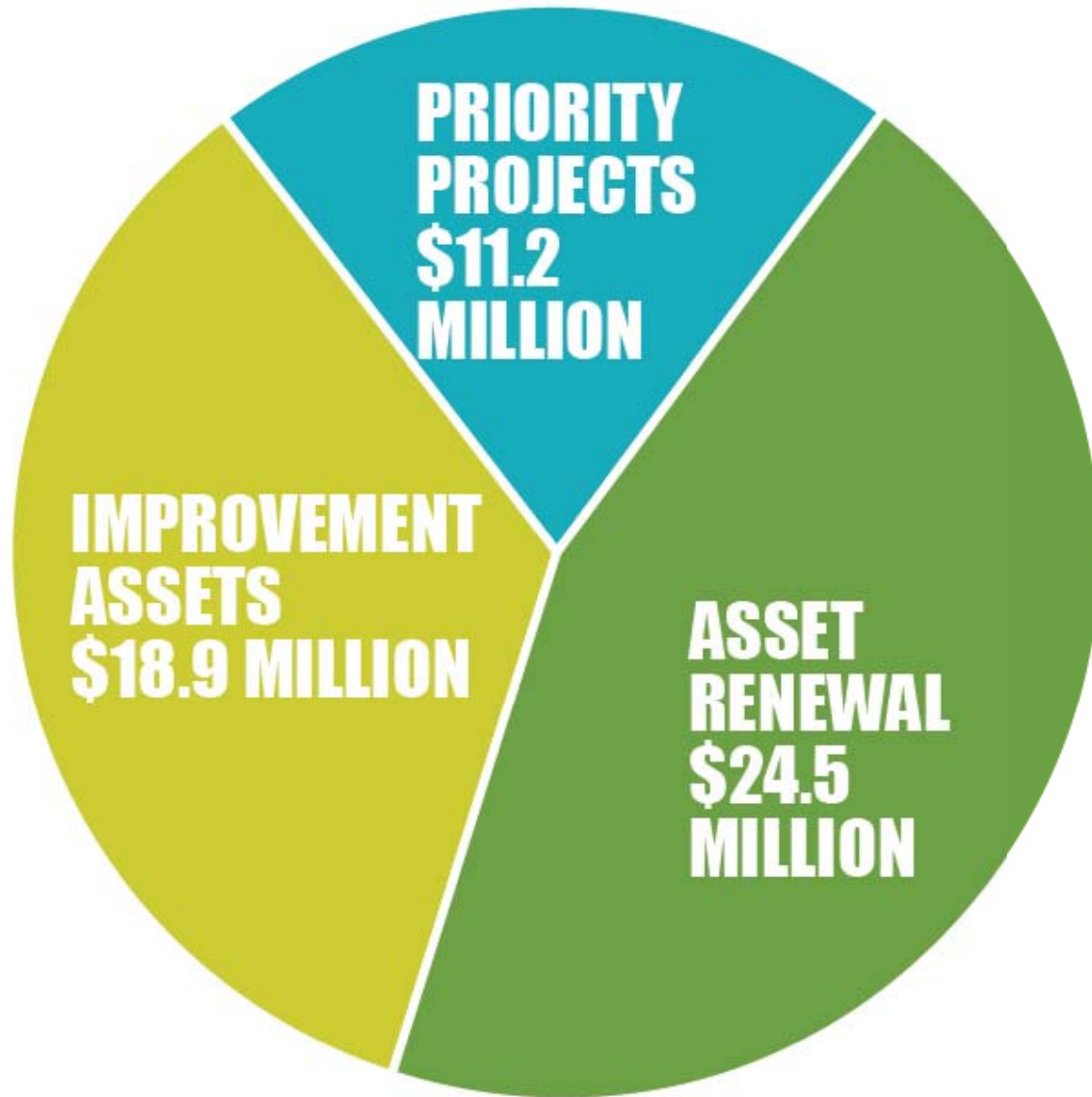
\$11.9 MILLION
END 14/15

Our road to recovery

Operating statement	Adopted 13/14 budget		Projected year end 14/15
Operating revenue	\$205.6million	↑	\$216.0million
Operating expenses	\$235.5million	↓	\$227.8million
Operating deficit	\$29.9million	↓	\$11.9million
Capital investment	\$45.4million		\$54.6million

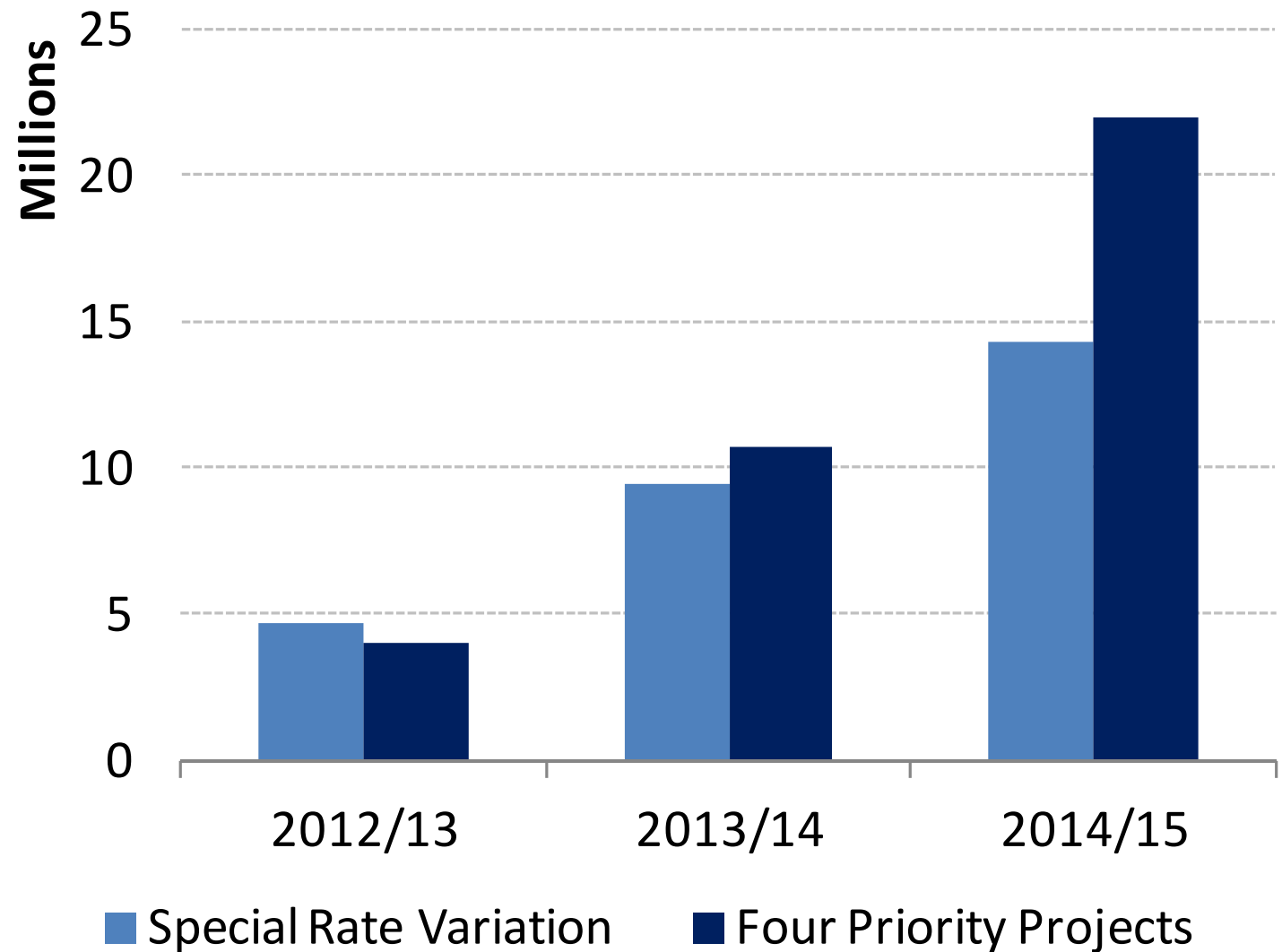
CAPITAL WORKS PROGRAM

\$54.6 MILLION



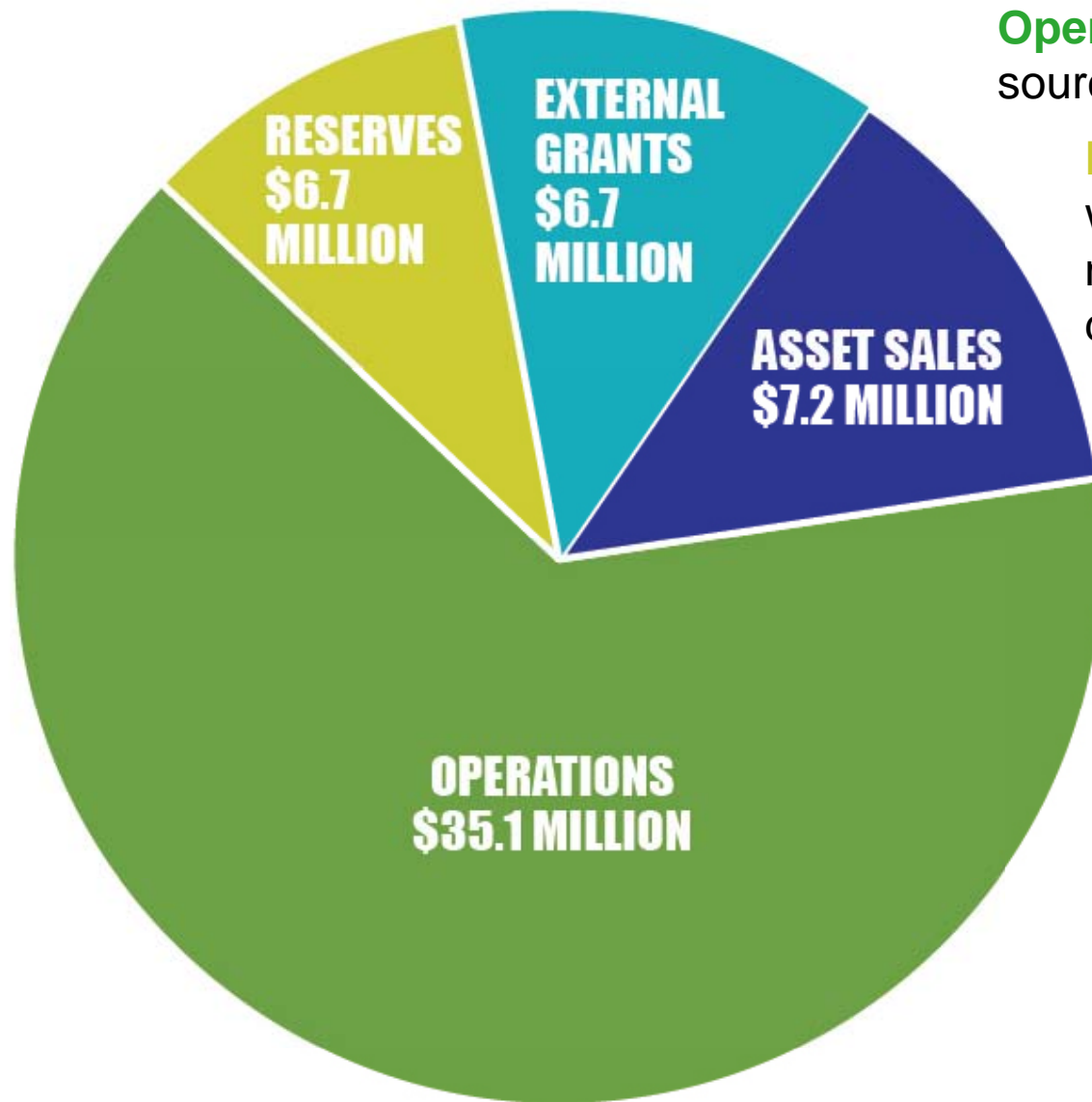
2014/2015 program total: \$54.6m

Priority capital projects



CAPITAL WORKS PROGRAM

FUNDED BY



Operations largest, most controllable source

Reserves are funds set aside for capital works and liabilities that arise which will need to be paid in the future. Cannot be drawn down indefinitely.

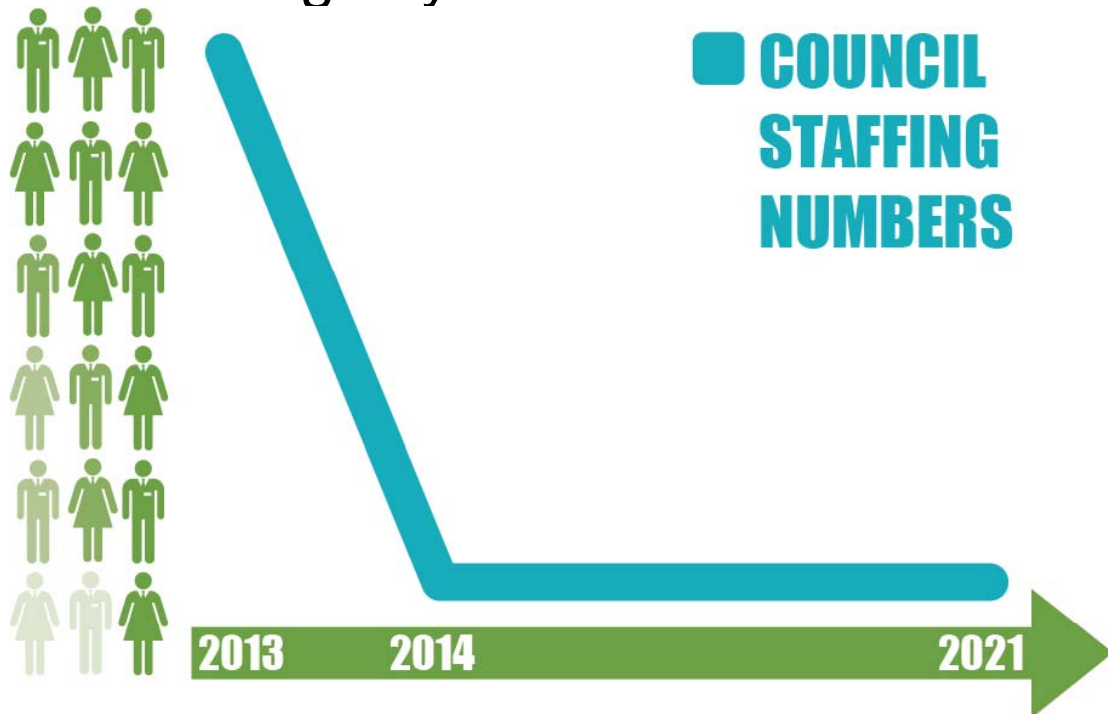
External grants generally provided by federal and state governments for specific projects.

Asset sales largest, most controllable source , any shortfall is supported from reserves.

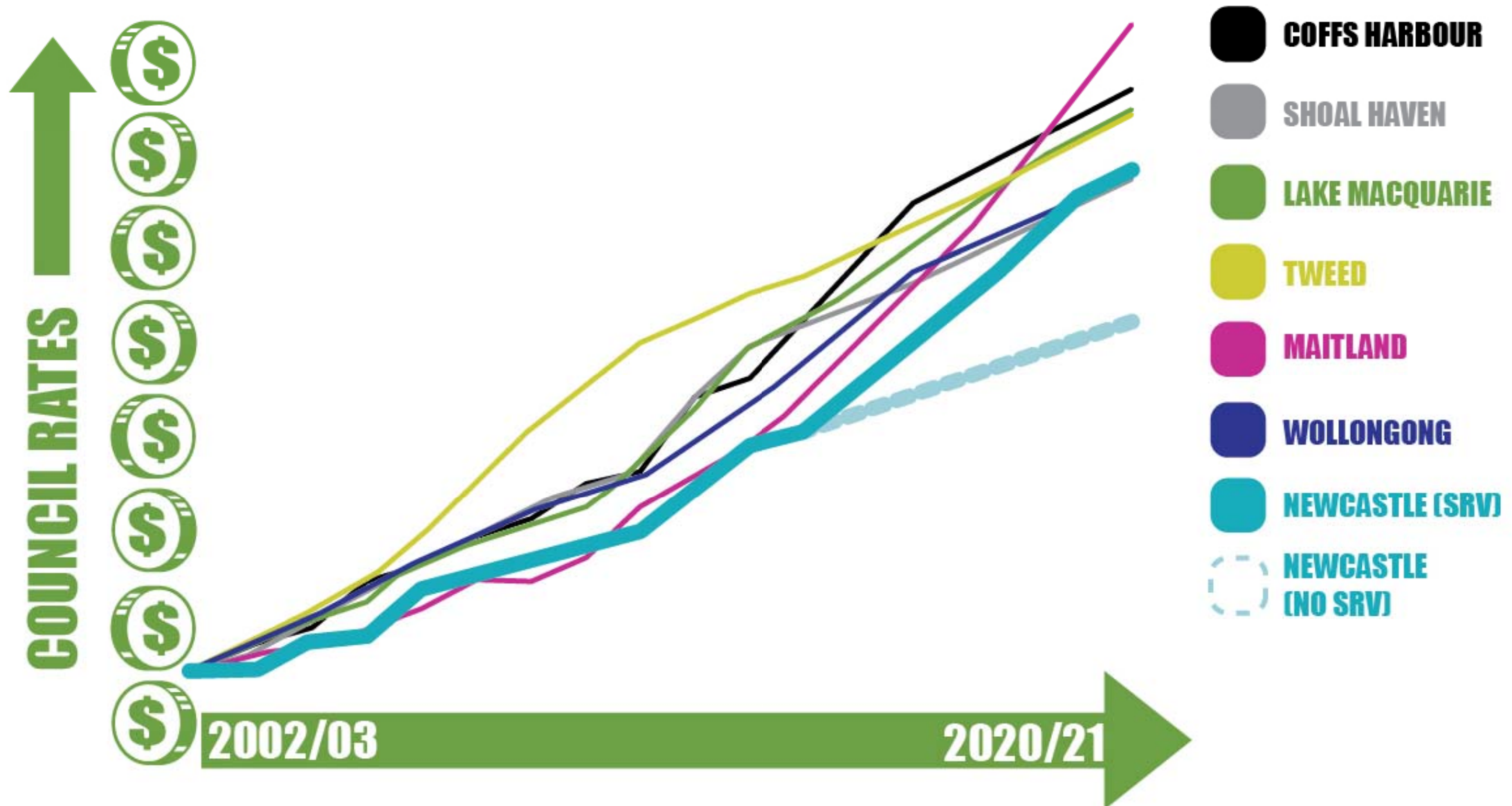
2014/2015 program total: \$54.6m

Work better and smarter

- **Reduced EFT** by 90
- **Employee costs** are 40% of expenses
- **Continued staff numbers** containment
- **Productivity gains of 0.2%** built into the budget = \$8.8million savings by 2023

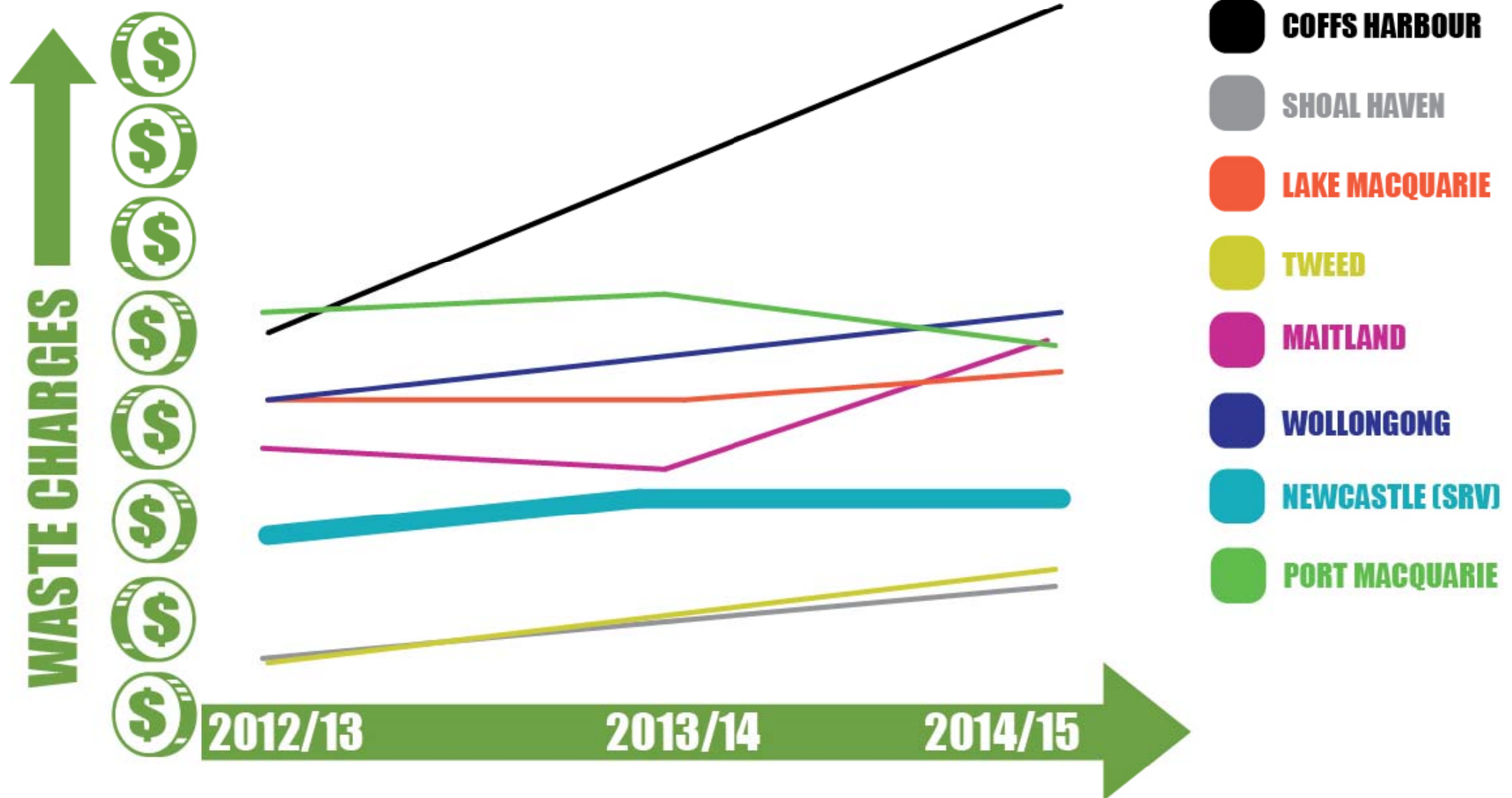


COMPARISON OF LOCAL COUNCIL RATES



Source: Office of local government comparative data, IPART applications and determinations and NCC projections

COMPARISON OF LOCAL WASTE CHARGES

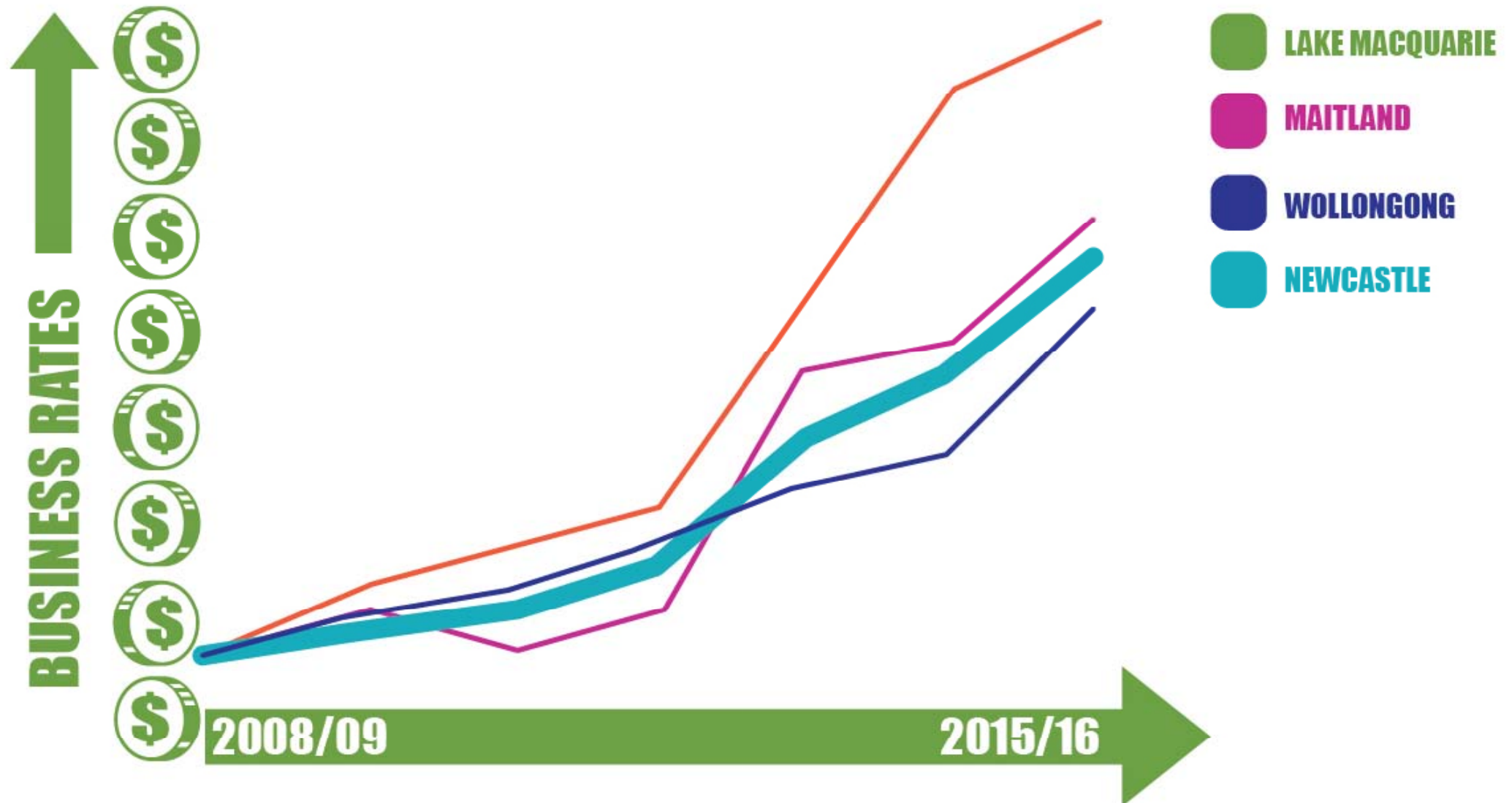




WHAT YOU WILL PAY

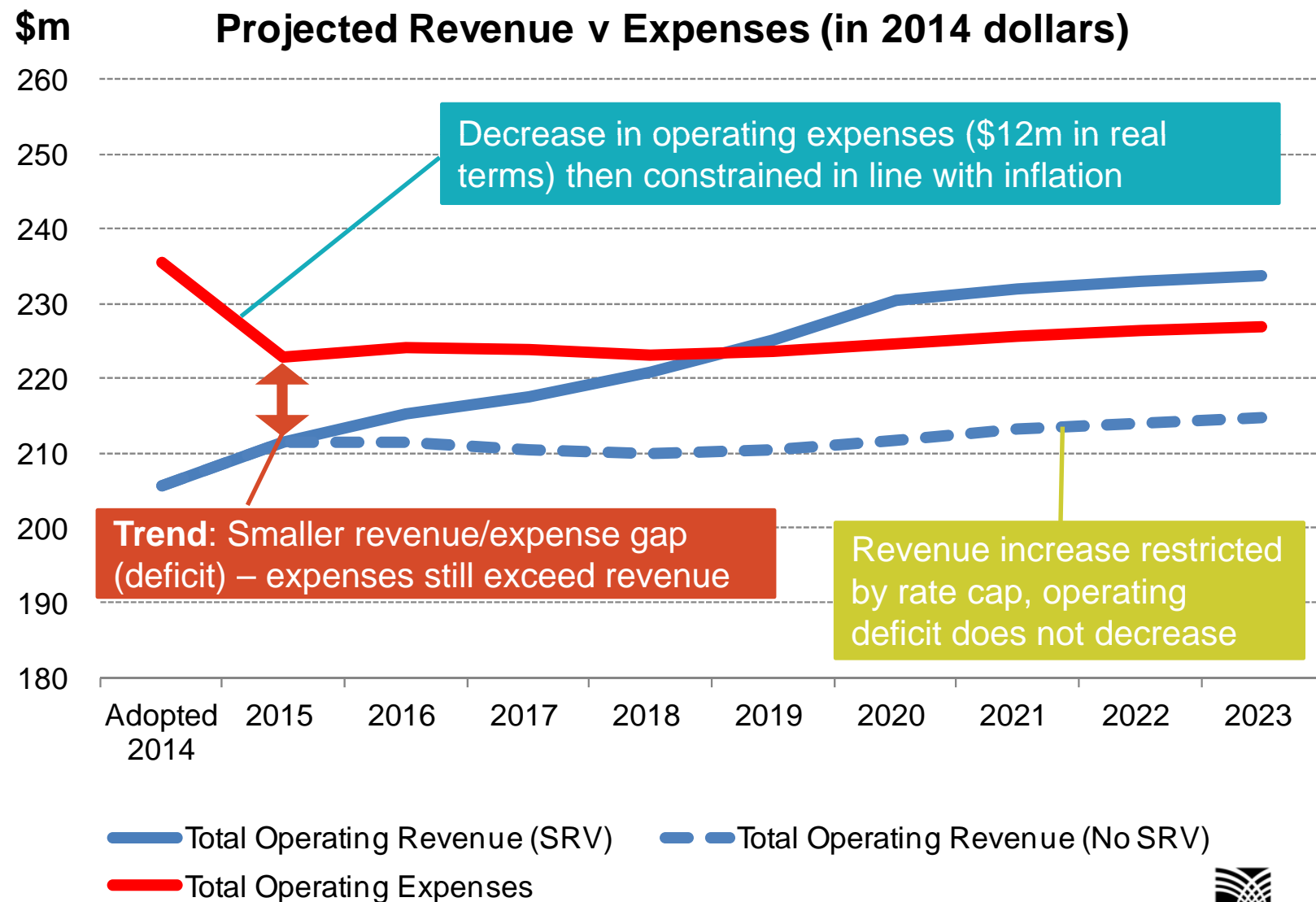
	FINANCIAL YEAR						
	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Including pensioner rebate							
AVERAGE RATE WITH NO SRV	\$1,025	\$1,058	\$1,092	\$1,127	\$1,163	\$1,200	\$1,239
AVERAGE RATE WITH SRV	\$1,025	\$1,095	\$1,170	\$1,247	\$1,328	\$1,414	\$1,459
Excluding pensioner rebate							
AVERAGE RATE WITH NO SRV	\$1,075	\$1,109	\$1,145	\$1,182	\$1,219	\$1,258	\$1,299
AVERAGE RATE WITH SRV	\$1,075	\$1,148	\$1,226	\$1,307	\$1,392	\$1,483	\$1,530

COMPARISON OF LOCAL BUSINESS RATES



Source: Annual rating return – Statement of Compliance (sent by all councils to Office of Local Government each year– audited)

Revenue and expenses projection (and SRV)





Ken Gouldthorp
General Manager
The City of Newcastle

SCORE CARD

OUR PROGRESS SO FAR



DONE

- ☒ **RESTRUCTURE
= LESS MANAGERS**
- ☒ **REDUCE FULL TIME
STAFF**
- ☒ **RENEWAL SPEND
\$30MILLION**

IN PROGRESS

- ☐ **SELL ASSETS WE
DON'T NEED**
- ☐ **↑ SPEND ON
INFRASTRUCTURE**
- ☐ **CONTAIN STAFF
LEVELS**

GOAL

- ☐ **OPERATING
SURPLUS**
- ☐ **SERVICE DELIVERY**
- ☐ **NEWCASTLE
RENEWAL**



Our goal for the future

- **Decisive** and consistent
- **Provide high quality** services and facilities
- **Deliver** priority outcomes
- **Return** the budget to surplus
- **Be a serious and significant** partner in the renewal of Newcastle



Where to now

- **12 months ago** we were advised we were facing insolvency
- **We have had an \$18 million** turnaround in the last year
- **We will return to surplus** but we need your help
- **Improve customer service** and service delivery of four key projects.



Questions and answers

Remember the ground rules

Written comments should be sent to

**The General Manager
Draft Delivery Program
The City of Newcastle
PO Box 489
NEWCASTLE NSW 2300**

**or email: mail@ncc.nsw.gov.au by close of business on
Wednesday 4 June 2014**

Public Exhibition Feedback Summary

Draft Delivery Program and Operational Plan



Introduction

The key objective is to achieve financial sustainability in the medium term, whilst still achieving the Council's strategic objectives and budget principles as specified in The City of Newcastle's Delivery Program 2013-17.

Significant progress has been made in 2013/14 on addressing the financial challenges and the forecast included in the 2014/15 operational plan is significantly ahead of previous forecasts at \$11.9 million deficit. Achieving an operating surplus is the next goal and is projected to be achieved in 2018/19. This forms the basis of the **Draft Delivery Program 2013-17 and Operational Plan 2014/15 and Draft Fees and Charges 2014/15** that was on public exhibition from 7 May to 5 June 2014.

Council has committed to work with the elected Council and community to ensure that The City of Newcastle remains sustainable in the long term and continues to deliver a broad range of services.

The following report provides a summary of the public exhibition feedback received on the draft Delivery Program 2013-17, draft Operational Plan 2014/15 and draft Fees and Charges 2014/15.

All submissions received during the public exhibition period have been collated and provided to Councillors for their information. This report represents a summary of the submissions received.

Legislative Requirements

Under the *Integrated Planning and Reporting Guidelines for local government in NSW (Local Government Act 1993 and the Local Government (General) Regulation 2005)*, each Council must prepare and adopt a Delivery Plan by 30 June in the year following a local government ordinary election. This plan must be exhibited for public comment for a minimum of 28 days and public submissions must be accepted and considered before the final plan is adopted.

Adoption Timetable

The timetable for the exhibition and adoption of the Delivery Program 2013-17 and Operational Plan 2014/15 is as follows:

Date	Action	Completed?
29 April 2014	Endorsement of draft Delivery Program 2013-17, draft Operational Plan 2014/15 and draft Fees and Charge for public exhibition	✓
7 May to 4 June 2014	Public Exhibition of draft Delivery Program 2013-17, draft Operational Plan 2014/15 and draft Fees and Charges 2014/15	✓
10 June 2014	Council Briefing on Public Exhibition Feedback	
24 June 2014	Scheduled Adoption Delivery Program 2013-17, Operational Plan 2014/15 and Fees and Charges 2014/15	

Engagement Strategy

Council used primary community inputs to formulate the draft Delivery Program, Operational Plan and Fees and Charges, being the strategic directions described in the **Newcastle 2030 Community Strategic Plan** which included direct input from over 1,100 community members, and the **2012**

Public Exhibition Feedback Summary

Draft Delivery Program and Operational Plan



Community Satisfaction Survey which provided feedback on Council's overall service delivery from 988 responses.

Council then conducted the following engagement activities in relation to the development and exhibition of the draft Delivery Program 2013-17, draft Operational Plan 2014/15 and draft Fees and Charges 2014/15:

- Public Exhibition Period 8 May to 5 June 2013
- 2 Community Meetings 28 and 29 May 2014 (Wallsend Library /City Hall)

The following methods were employed to inform, consult and engage the community with the process:

Method		Frequency
Advertising	Newspapers	3 and 17 May
	The Star + Lower Hunter Weekend Star	14/15 May
	Hunter Business Review	14 May 2014
Editorial	Print – Herald	21 May 2014
	Interview ABC	29 May 2014
	Lord Mayor articles	Every Wednesday in May
	Media releases	6 May and 28 May
Enews	Story	Every Monday in May
	Side panel	All month
Community Information Sessions	Talking Numbers sessions	28 May – Wallsend Library 29 May – City Hall
E-vite – Direct Mail	Media list	
Council Web	Carousel on home page	All month
	Link from public exhibitions	All month
Social media	Newcastle Voice facebook	Posts 7 May, 13 May, 28 May
Bookmarks	Distributed to all council facilities	Early May
Feedback forms Internal comms	NovoPulse	Weekly
	Corporate Diary	
	CAC/Depot Screens	All month
	NovoNews	27 May
	Lift posters in FAB/CAC	All month

During the public exhibition period, copies of the documents were available in hard copy or USB from at all Council libraries and from the Customer Service counter at Council's administration building. Electronic copies could also be downloaded from Council's website. Hard copies and USB's were

Public Exhibition Feedback Summary

Draft Delivery Program and Operational Plan



made available at the community information sessions. An email address mail@ncc.nsw.gov.au allowed the community to email submissions or requests for information.

Feedback Summary

Council values the communities input and provided 2 community information sessions "Talking Numbers at Wallsend Library and City Hall during the public exhibition period.

Council provided the community with an overview on;

- What have we achieved so far
- External advice and review on our position
- Our current financial position
- Our commitment to Newcastle

Attendance at the Community Information sessions were as follows

Date	Attendance
28 May – Wallsend Library	22
29 May – City Hall	26

Feedback *during* the public exhibition feedback totaled 38.

In order to provide some context around the number of submissions, it is noted 123 (83 before & 40 during) submissions were received from the public during last year's Delivery Program Process, whilst the Sustainability Review in 2009/10 received 921 written submissions.

Public Exhibition Feedback - 7 May to 4 June 2014

In total, Council received 24 submissions in relation to the draft Delivery Program 2013-2017, draft Operational Plan 2014/15 and draft Fees and Charges 2014/15.

Art Gallery and Museum Fees	Other Fees and Charge	Beresfield Pool	Car parking Fees at sportsgrounds	Other	Total
25	2	5	4	2	38
66%	5%	13%	11%	5%	100%

Key Issues

The issues matrix below captures these and other issues together with Council's official position:

Issue	Council Position
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Public Exhibition Feedback Summary

Draft Delivery Program and Operational Plan



Issue	Council Position
Against Fees and Charges for Cultural Facilities	<p>Submissions have been received on the introduction of fees and charges for the Art Gallery and Museum. Alternative pricing proposals have been submitted for a number of these fees.</p> <p>Council recommends that implementation of this fee be deferred pending completion of a feasibility report for submission to Council.</p> <p>Any substantial changes to fees and charges need to be re-exhibited in line with the Local Government Act. Council has to ensure under a rate capping environment, that its user-pay systems are maximised. Charging appropriate rate amounts for services provided needs to be a key strategy.</p>
Beresfield Pool operating season	<p>Submissions have been received on the reduction of 30 weeks to 20 weeks for Beresfield Pool season.</p> <p>The Tender documents have the Beresfield pool length of season the same as Wallsend, Mayfield and Stockton. This was based on feedback from the community.</p> <p>The Tender closed 3 June and is currently being assessed.</p> <p>In other correspondence, there was points about using casual labour to open the pool on forecast warm/hot days. This would be extremely hard to staff from a resources perspective as staff would need to be on call (which would attract a higher cost). It also would not provide the community with consistent hours of opening, which industry trends suggest need to occur for patronage to visit a swimming centre.</p>
Car parking Fees at sportsgrounds	<p>Submissions have been received on the new proposed \$6 fee for car parking at the No.1 Sportsground.</p> <p>The proposed fee is up to \$6 per car.</p> <p>Local sporting events will attract a reduced fee of around \$3-\$4 and major sporting events will be \$4-\$6.</p> <p>This fee will be split 50% with the user groups.</p>