

DRAFT INTEGRATED PLANS 2020-21

TRRA makes the following submission on the draft Integrated Plans 2020-21 currently on exhibition. We have no objection to the unredacted publication of this submission.

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Summary

We note that these plans have been prepared in some cases prior or during the early stages of the Covid-19 outbreak. As a consequence, some changes are likely over the course of the next month and ongoing for the remainder of the 2020-21 financial year as more information comes to hand. TRRA request that, in general, any significant changes be presented before Council prior to implementation to ensure transparency.

The recommendation to proceed with the 'Standard' approach with a rate increase of 2.6% appeared reasonable on the information presented; however, in light of the significant changes because of the pandemic, TRRA is not in a position to comment that this is still the case.

Clearly, businesses and some residents will have been significantly impacted and would welcome no increase in rates at all for the coming financial year.

TRRA urges Council to prepare new projected results with the latest information, with an option of no increases for the first 12 months. We note that only approximately 30-40% of Council's annual operating income (not including capital) is derived from the levying of rates and charges. The loss of income of up to \$1.5m would, however, need to be considered.

TRRA questions how the Marketing pricing is calculated.

- Is this benchmarked with other Councils/private suppliers?
- Does the market price include the true cost, including the cost of depreciation of assets and represent a reasonable return on investment?
- In the case of charges for the Holiday parks, is this market price represent a fair charge and does not disadvantage private suppliers of accommodation?

TRRA welcomes some improvements in the presentation of these reports and looks forward to the commitment to continue these reforms. TRRA has previously suggested that the Capital Works Program funded and unfunded projects should be presented on a locality basis to allow residents to easily review the projects that will directly affect them. With the development of local strategic plans recently, we would like to see a list covering all sections of the Nelson Bay and Foreshore Implementation Plan.

Through consultation with ward councillors, Implementation panels and the community these action items should be given a priority and listed as a Capital Works or Plus program. This listing would benefit the community and make it easier for Council sections to determine which projects have the highest priority when seeking Government grants

We have made comments on many of the individual projects; for example, questioning the expenditure on major drainage works for the Seabreeze /Lagoons estate. Also a few projects appear to have been completed and can be removed from the list. We note one project, to finish the culvert works on Foreshore Drive, appears to be missing from any of the lists. We particularly encourage the early expenditure on Gateway and Wayfinding projects on which TRRA is very keen to work with Council and the community as our major project for the coming year.

Draft Fees and Charges 2020 to 2021

In our submission last year we stated that it was very difficult for any interested party to make a considered submission on this document, as it gives no clear indication as to what changes are proposed from previous years. We are pleased the draft this year has an additional column listing the current charge. This is greatly appreciated.

We also called for some discussion of 'principles/criteria' for setting fees and charges. We note that there is a summary of pricing methods provided on page 14, however we have not seen anything within this document on how the charges that have been increased have been calculated. We assume in keeping with the cost of living, most seem to be rounded to about 2%. In the Draft Delivery program and Operations Plan (Page 61) the scenarios are presented for increases to User fees and charges as 2.2% Conservative and 2.5% for the Standard and Strategic. It is unclear which rate has been applied. We note the common-

sense approach of rounding off the increase. It seems unusual that the figure of 2.5% has been suggested rather than the 2.6% value for rate increases.

Under the Pricing Policy column, the definition for Full cost and Statutory pricing is self-explanatory; however, Marketing pricing is not explained. Is this benchmarked with other Councils/private suppliers?

Does the market price include the true cost, including the cost of depreciation of assets and represent a reasonable return on investment? In the case of charges for the holiday parks, is this market price represent a fair charge and does not disadvantage private suppliers of accommodation?

The Council have addressed in the past individual ad hoc requests for charge reviews and we propose this remain the case for any future requests for reductions in charges following Covid-19. By presenting to Council this will enable open debate on a needs basis and possible precedents for other charges.

Draft Workforce Plan 2018-2021

Employment Costs

TRRA notes that employment costs continue to be a significant expense for Council and that their costs continue to increase (budgeted at 2.75% for 2020-21). This has been of concern to Council and the community in the past. This is a clear indication that Council is forced to rely on other funding sources other than general rate income

Implementing the Workforce Plan - page 18

We support the Delivery program object C1.5 Support volunteers to deliver appropriate community services through C1.5.1 Coordinate Council's volunteer program. With Council now under increasing financial stress, we believe the value volunteers can provide to the community should be increased and this is one area that council should not be considering in potential staff cuts.

1.2 Core Business Functions - page 22

TRRA would like to see the definition for Development Services Group Council which is currently 'Development Services Group responsible for **enabling balanced growth**', changed to: **enabling ecologically sustainable growth**, in line with Council's Focus Areas.

Values and Capability Framework - pages 34 to 36

The list of staff attributes covers most elements but TRRA have in the past made note of the need for increased staff communication between different sections. Some improvements have been observed but it would be beneficial if under Core Capabilities that points under Relationships explicitly listed **other sections** rather than just collaborate with others.

Strategic Asset Management Plan 2020 – 2030 (SAMP10)

Introduction - page 8

We note the following section

'The Strategic Asset Management Plan 2020 – 2030 (SAMP10), the tenth iteration, considers information about Council's assets, asset management processes and practices, and presents a plan to improve Council's asset provision and management capability. While the 10th edition still complies with what is considered best practice, this format will be reviewed in 2020 with the aim to simplify the SAMP for ease of use to both staff and the community.'

Some improvements in the presentation have been made in this latest version. We endorse the commitment of Council to review with the aim to simplify the SAMP for ease of use to both staff and the community.

In our 2018 submission we made the following points:

'The draft SAMP8 contains much of the detail which will interest ratepayers and residents, but is a dauntingly large document for individuals to review. We submit that it would more helpful to present at least 2 of the 4 categories of Assets – Civil, and Community and Recreational – plus the Capital Works and Capital Works Plus projects (Attachments 2 & 3 respectively) differently – broken down by locality, or at least by Council ward, as many interested parties will be interested primarily in asset replacement and new projects in their own locality.'

We understand the logistical difficulties in preparing different presentations, but if most of the material in the SAMP was presented online as spreadsheets, with a locality code for each item or project, then users could 'sort' the items in different ways to suit their own interest.

In future years, Council could also consider convening separate 'locality' consultations which would likely attract more participants than the very high level LGA wide focus of the current round of engagement meetings.'

Since 2018 there have been a number of local strategic plans finalised. TRRA would like to see the earlier proposed 'locality' lists include the action items for the strategies. Recently a summary sheet was presented to Council on Smart Parking Infrastructure Program. Similar lists are required for other sections of the Nelson Bay and Foreshore Implementation Plan. Through consultation with ward councillors, implementation panels and the community these action items should be given a priority and listed as a Capital Works or Plus program.

Clearly having all this information on one sheet with costings, priority and estimated time frames would benefit the community and make it easier of Council sections to determine which projects have the highest priority when seeking Government grants.

Fit for the Future Program - page 13

The criteria from the Independent Local Government Review Panel Report that relate to 'effective infrastructure and service management' include: Infrastructure Backlog Ratio of less than 2% average over three years or improving trends for this ratio and Asset maintenance ratio greater than 100%. From this it would appear that Council is performing very well in this regard, from the figures provided.

Condition of Assets - page 14-15

We note that as part of a 5-year review period that during 2020 calendar year a re-evaluation of our large asset class will be undertaken and that there has been changes in the way assets have been valued between 2010 and 2015.

The SAMP states:

'Only costs that will be used to return the asset back to new condition have been used in the infrastructure backlog. SAMP calculations in the past have assumed a full replacement when the backlog should be the cost of works that can be used to bring an asset back to new condition. Previous figures materially increased the infrastructure backlog figure.'

We are not in a position to make a judgement on this change of policy for accounting purposes, but suggest that in practice, when an asset is due for replacement it should be the full replacement cost that will have to be spent, which is also likely to involve an upgrade in the asset over a direct replacement.

Infrastructure backlog - page 16

The SAMP notes that:

'Council currently has an infrastructure backlog of just over \$14.1 million (2018-2019). Over the last several years, Council has changed ways of funding the maintenance and renewal of existing assets to reduce this backlog.'

This change in focus has been achieved through a number of measures...

One of these measures is:

'... discussions with user groups and the community generally about asset services to closer align spending with expectations'.

We welcome this recognition of the importance of community input.

Each section of Council appears to have different methods in obtaining feedback from the community through community satisfaction surveys, community workshops, Council's CRM system, written communication from the community and other surveys to various degrees.

TRRA would like to see this type of feedback increased and formalised. We are concerned about the use of general statements from the satisfaction surveys of particular percentages of satisfied users. Absolute satisfaction levels are relatively unhelpful in themselves - relative values and trends from year to year are more important.

Critical Assets - page 23

We note that the list of critical assets is not publicly listed, we assume that it is readily available for relevant staff. The recent experience of the summer bushfires and the pandemic highlight the importance of being prepared and the maintenance of critical infrastructure.

Environmental sustainability - page 24

TRRA fully endorse the statement

'Council is committed to 'properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development' as per the Local Government Act 1993 (The Act).'

Any proposed changes to budget or any expenditure should always satisfy the principles of ecologically sustainable development (ESD).

We welcome the statement that:

'Council's approach to environmental sustainability with an asset management context to date has focussed on achieving environmental and financial benefits through targeted energy and water efficiency projects at Council's largest energy and water consuming Council assets. This approach has been highly successful at delivering positive environmental and financial outcomes with minimal capital investment'

TRRA urges Council to now consider additional ESD projects that require more than 'minimal' capital investment.

Comments on specific items in the SAMP

Halloran Way, Raymond Terrace: Drainage/flood works - pages 47-56, 252 & 254.

These works are costed in the Capital Works Plus Program at over \$4m, we hope that these are not required as direct consequence of the approval of a housing development by Councillors following a recommendation for refusal by the Planning section and the Department of Defence. If they are, then questions need to be asked about what might in effect be seen as a substantial subsidy to a private development.

Park & Ride - pages 79-85

It is disappointing that there are no formal existing park & ride facilities in the LGA and that there are no firm plans or timings apart from waiting to be included as part of the Regional Transport Plan.

TRRA has on numerous occasions requested Council, before it re-classified and sold off community land at Jessie Rd Anna Bay, to retain a small section of the site to formalise the existing de-facto park and ride facility. This was such as obvious site, well used by the

community, that it showed poor financial and planning management to forego the opportunity. Despite Council's assurances that they would seek to negotiate access, we note that the new owners have (understandably) felt it necessary to serve notice that informal use of the parking area is no longer allowed, even though it seems unlikely to be needed for the purposes of the new tourist facility in the near future.

We submit that Council has an obligation to find an alternative, at least temporary, location as soon as possible rather than the community having to wait until possible funding from a Regional Transport Plan, or until 2030 (as suggested by the Summary sheet of projects listed tabled in the Council papers for the 12 May meeting - agenda item 7, p163).

Fingal Bay Link Road - pages 81 & 85

We note that there is a statement that this project is now under the management of Transport NSW formally known as Roads and Maritime Services (RMS).

There should be a note that the RMS is also now looking at other possible routes rather than just the route mentioned which connects Nelson Bay Road near Gan Gan Road.

Trees - pages 91-92

TRRA believe that the management of trees within the LGA needs to be reviewed. The SAMP states:

'Desired level of service is 'From an asset management / risk mitigation perspective, the desired level of service is that persons and property are safe from injury/damage resulting from the lifecycle of tree.'

We submit that this indicates a very negative attitude to trees and doesn't consider the positive benefits such as amenity, shade, habitat, localised environmental cooling, carbon sinks etc.

It appears that until recently, management has only been through reactive inspections and Council's CRM system. We welcome the trial of proactive inspections for the Raymond Terrace and Nelson Bay town centres.

The species of tree and location appears to be managed; however, we are not aware of any procedure to list these new trees within a tree inventory. Many councils, particularly along the north coast, have asset numbers on their trees. We appreciate that establishing an inventory of all trees on public lands would be a difficult task but we urge Council to at least start labelling all new trees planted and any that council officers are required to inspect. This would progressively establish a valuable new asset register.

Operational Land - page 211

TRRA believe that following the strong community opposition to the sale of 109 Foreshore Drive Salamander Bay, this Lot should be removed from the 'Active' list.

Comments in specific items in the SAMP Attachment 2: Capital Works Program 2020-2030

Lagoons Estate, Nelson Bay

The proposed expenditure over the next two years of \$1.5m for the drainage improvements work in the Seabreeze Estate we assume is a result of the recent legal action. Has a solution been found and is it within this budgeted figure? Is there a risk of additional funds being required to complete the works or additional legal costs if the works are delayed or ineffective?

An article in the Newcastle Herald on 13 Jan 2020 stated that Council has been given a deadline of December 2020 to complete drainage works. If this is still the case, why is the works budgeted into 2021-22?

(2020-21 Seabreeze Estate Drainage: Drainage improvement works in the Seabreeze Estate catchment and Dowling Street Area \$1,000,000

2021-22 Seabreeze Estate Drainage: Drainage improvement works in the Seabreeze Estate catchment and Dowling Street Area \$500,000)

Church St, Nelson Bay

(2020-21 Pavement Rehabilitation. Church Street - Nelson Bay. 10 Church St to Government Road \$450,000)

We note that at the 14 April 2020 meeting Clr Nell mentioned the need to re-instate the path along 11-13 Church St Site (Ascent Apartments) on the east side. This item appears to be for the western side.

Comments in specific items in the SAMP Attachment 3: Capital Works Plan Plus

Car park, Nelson Bay Town Centre

Donald Street East - Demolish existing structure. \$600,000

Donald Street East - New at-grade carpark. Design & construct at grade car parking \$810,000

These works are now almost complete and should therefore be removed from the Capital Works Plan Plus

Car park, Nelson Bay foreshore

69 Victoria Parade (AKA Victoria Parade Reserve) - Design and Construct at grade parking \$850,000

We are surprised that this project has been included, it would appear unlikely that due to the slope of the site that it would be built at grade.

Smart Parking, Nelson Bay

Parking Meter expansion covering town centre \$350,000

Sensors, apps and signage for parking management \$140,000

Upgrade existing parking meters to 'pay by plate' \$80,000

These items now appear to be funded separately (from anticipated meter revenue) as per resolution of Council meeting 12 May 2020 (item 7)

Magnus Street, Nelson Bay: Investigation on an overflow pipe drainage system from Magnus Street to Victoria Pde via the reserve. Construct the overflow pipe drainage system \$800,000

This is the first we have heard of this proposal. Is it related to a possible long-term solution to the Seabreeze/Lagoons Estate drainage problem?

Parks and Reserves Assets - Apex Park - Implementation of the master plan \$1,200,000

We understood that most of the works identified in the Apex Park Masterplan have now been completed – in two stage? If so, this item should be removed?

Parks and Reserves Assets - Nelson Bay Foreshore - Implementation of the master plan \$2,500,000

TRRA understands that the current Foreshore Master Plan is scheduled for review in the medium terms as item 16 of the revised Nelson Bay Strategy Implementation Plan (adopted September 2018). We also note that 3 items relating to the Eastern Foreshore (which lies outside the Strategy area) are listed in the Summary Table of works items tabled for item 7 of the Agenda for the Council meeting on 12 May 2020.

We submit that Council's intentions and cost estimates relating to the Nelson Bay Foreshore need to be clarified.

Town Entrance Signage replacement program \$750,000

TRRA has had initial discussions with the Mayor and Council on a joint project to improve the gateway entrance to Nelson Bay. In this context we specifically support this project as one which we would like to see funded as soon as possible.

Draft Delivery Program and Operational Plan 2018 to 2021

Funding investigations - page 12

In 2018 to 2019, as part of the Operational Plan, Council endorsed investigation of other funding options for a range of major projects. TRRA endorses the commitment for *Gateway, location and town signage*, (see our earlier comment on this item in the Capital Works Plan Plus)

Key Road Projects – page 12

There is an absence of Stage 2 works for the upgrade of Foreshore Drive to replace the culvert, the current situation is very dangerous and needs to be addressed in the short term, although there is no mention of this item in either of the Capital works programs.

Placemaking - page 14

TRRA endorses the statement that:

‘Placemaking has been identified as a priority for Council, with a view to creating better places and better spaces that increase the liveability of the Port Stephens and the wellbeing of our residents.’

Port Stephens Projects - page 16

TRRA note that the PSC2020 works were adopted by Council on 27 August 2019 and refined on 24 September 2019. This is a separate list of funded projects from those in the Capital Works Plan and Capital Works Plan Plus.

The PSC2020 list has already been modified by MAYORAL MINUTES adopted at the 14th April 2020 Council meeting:

(Budgeted original cost in brackets).

1. COVID-19 PORT STEPHENS RECOVERY RESPONSE

Cutting some works program from this current year.

Nelson Bay Event Signage \$20,000 project deferred (\$20,000)

Shoal Bay Drainage, Amenities and Pathway \$150,000 from budget (\$550,000)

Tomaree Sports Complex \$250,000 from budget (\$2m)

Anna Bay Town Centre \$170,000 from budget (\$350,000)

Medowie Town Centre \$150,000 from budget (\$450,000)

Avenue of the Allies \$100,000 from budget (\$700,000)

Raymond Terrace Town Centre Improvements \$250,000 from budget (\$1m)

Fern Bay Shared Pathway \$170,000 from budget (\$1m)

Total \$1,260,000

TRRA supported these cuts or deferrals at the time and imagine that similar temporary measures will be required for some items within the Capital Works program.

Page 53: TRRA notes the target of 100% to maintain emergency services and a Local Emergency Management Plan (P3.4.1 and 3.4.3.). As mentioned previously these operations are essential.

Page 54: TRRA supports the target for 2020-21 to increase Environment actions from the baseline for (E1.1.2,1.1.3, 1.1.4 and 1.2.1)

Page 62: Projected Results and Comments on the proposed rate increases

We note that for the 2020-21 period all three rate pegging scenarios result in a positive outcome and only the Standard approach results in a positive final figure by 2029-30

The recommendation to implement the Standard rate increase by 2.6% above 2019-2020 levels in accordance with rate-pegging at the time of preparing this document would appear to have been well founded.

In light of potential significant changes because of the pandemic, TRRA is not in a position to comment that this is still the case, without updated revenue and expense figures.

TRRA has not polled our members or the wider community on their attitude to rate increases. Clearly businesses and some residents will have been significantly impacted and would welcome no increase at all for the coming financial year.

TRRA urges Council to prepare new projected results with the latest information, with an option of no increases for the first 12 months.

Draft Long Term Financial Plan 2020-2030

Page 11

'A major risk contained within the LTFP for the Standard and Strategic scenarios relates to the assumed 2.5% rate peg limit for years 2 to 10. A 0.5% reduction, will have an impact of approximately \$300K in revenue. This in turn will have a significant impact on the services and asset management functions that can be delivered.'

This statement implies that if the rate increase for the first year was limited to 2% rather than the 2.6%, then the loss of \$300k would be acceptable in the current circumstances. If no increase was factored in, then we assume the loss of income would be in the order of \$1.5m.

Income from rates during the 2018-19 year was \$57,652,000 (page 24);, 2.6% of this would be \$1.5m.

Page 13

TRRA supports the policy that:

'Councils should have regard to achieving intergenerational equity, including ensuring the following:

- policy decisions are made after considering their financial effects on future generations;*
- the current generation funds the cost of its services.'*

Page 21: We note the following statement:

'5.3.2 Current Debt Portfolio

Historically, Council's policy regarding the use of loan funding was that loan funding is only available where the proposed expenditure will result in a future revenue

stream that will fund the loan repayments. That is, its commercially focused activities such as the holiday parks, Newcastle Airport and the commercial property portfolio.

During the 2020 financial year Council utilised loan borrowings for a number of commercially focused activities including \$4 million for a Koala Sanctuary and \$2m for an amenity block at Halifax Holiday Park. At present, Council also uses loan funding to fund infrastructure projects that are not commercially focused and during the 2020 financial year utilised loan borrowings of \$5 million for various community infrastructure projects and \$1.5 million for the Medowie Community Facility.'

TRRA is not opposed to some borrowings over the short period for projects providing they have sound business cases.

Page 23

'5.4.3 Local Government Superannuation fund deficiency

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits.

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Due to a fund deficiency, Council has been required to contribute additional funds to cover the deficiency between assets and accrued liabilities until it is rectified.

It is unclear if this fund is still open to new employees or is closed and has not enough funds to meet obligations. Has this shortfall increased over recent months?'



Ben van der Wijngaart

President

