



PORT STEPHENS
COUNCIL

ANNUAL REPORT

2019 to 2020

Volume 1

Connection

We were on track to meet our ambitious target until COVID-19 hit. Suddenly, we had to adapt to meet our community's immediate priorities.

We did this by diverting resources to essential services and delaying some of our major projects. We remain committed to delivering these in the next financial year.

Protecting our community

Our community is used to dealing with emergencies — we've had our fair share of fires, storms and floods in recent years. But COVID-19 is unlike any emergency we've dealt with.

It has been a challenging time for us all. While the NSW Government closed businesses and asked us all to stay home, we too had to make some difficult decisions.

We closed public spaces, boat ramps and beaches to ensure the safety of our community and discourage tourists from coming to Port Stephens. In making these decisions we worked closely with our local emergency services, who praised our decisive response and clear communication.

While these decisions were unpopular with some, the low number of cases in our region tells us it was the right thing to do to protect our community.

Finances hit hard by COVID-19

To ensure our financial sustainability, our Council has developed a diverse range of income sources over the years including rates, charges, holiday parks, property, investments, grants and Newcastle Airport.

Despite being in a financially sustainable position at March 2020, COVID-19 impacted almost every one of these income sources.

In response, we had to quickly reshape our finances to prioritise essential community services. This meant revising our work programs and delaying some of our projects to next financial year.

On a positive note, our Council received \$18.8 million in grant funding this year and it couldn't have come at a better time. Many of these grants will help us reduce the impacts of COVID-19 on our community and restart the Port Stephens economy.

Showing our resilience

The resilience our employees have shown during this time has been inspiring. Many have continued to operate from COVID-Safe workplaces to provide essential services to our community, while others adapted to working from home.

With the help of our Information Technology and Human Resources teams, we managed to keep our employees connected and doing meaningful work. Considering these challenges, it's wonderful to have achieved 74% employee engagement.

Our commitment to excellence was recognised with several awards, including Employer of Choice from the Local Government Engineers' Association.

I want to take this opportunity to thank all of our employees, senior management, our Mayor and Councillors for their support and contributions over the past year.

I'm proud of the way we have pulled together as a team (from a safe distance) and shown that no matter what happens, Port Stephens Council will continue to deliver valued services to our community.

Wayne Wallis

General Manager of Port Stephens Council



Financial summary

Port Stephens Council, like many organisations around the world, has felt the financial impacts of COVID-19. Through carefully managing cash flow and reprioritising spending, we managed to achieve an underlying deficit of \$185,000. You can read more on page 84.

The balance sheet provided is a snapshot of our financial position including assets, liabilities and net wealth (equity) at 30 June 2020. For detailed information on our financial performance, refer to volume 2 of this report.

Financial overview 2019 to 2020

Including capital income, our operating result was a surplus of \$20 million — lower than last year's surplus of \$25.2 million but equal to our 2017 to 2018 result.

When capital grants and contributions are excluded, our operating result is a deficit of \$4.3 million. This is lower than the 2018 to 2019 surplus of \$3.9 million.

The operating result excluding capital income was lower in 2019 to 2020 compared to last year due to:

- total income from continuing operations decreasing — we experienced a decrease in user charges and fees, mostly because of the impacts of COVID-19 restrictions on Newcastle Airport
- total expenses from continuing operations increasing — including an increase in employee benefits and on costs, an increase in our Council's depreciation and amortisation expense, and net losses incurred from the disposal of assets.

Income statement \$'000	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020
Total income from continuing operations	134,694	132,227	136,833	147,497	146,900
Total expenses from continuing operations	114,678	109,511	116,759	122,293	126,833
Operating result from continuing operations	20,016	22,716	20,074	25,204	20,067
Net operating result for the year before grants and contributions provided for capital purposes	8032	8407	4949	3892	-4251

Balance sheet \$'000	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020
Total current assets	59,197	72,902	65,380	63,701	53,939
Total current liabilities	24,989	27,999	31,856	35,876	37,093
Total non-current assets	886,034	927,128	981,134	1,015,884	1,064,256
Total non-current liabilities	22,412	19,261	20,910	15,806	37,635
Total equity	897,830	952,770	993,748	1,027,903	1,043,467

Annual Report

2020 to 2021

Volume 1



PORT STEPHENS
COUNCIL

Riding the wave

Challenges

- An unprecedented amount of rain in March 2021 had widespread impacts on our community, our infrastructure and our bottom line. The natural disaster caused delays in our major projects, as we redirected crews and funds to repair infrastructure. We estimate the total repair bill will be \$7 million and we're firmly focused on fixing our roads as quickly as possible.
- The COVID-19 pandemic continues to impact our community, our economy, our employees, our services and our Council's finances. We've felt its effects across almost every aspect of our operations including libraries, pools, childcare, tourism, waste and more. Our focus has been on continuing to support our community and businesses through this difficult time with funding, practical support and advice, social inclusion programs and creating vibrant spaces for people to reconnect. Our Council continued to cut back on non-essential projects and services to manage short-term cash flow.
- Our community satisfaction rating dropped to 68% this year, down from 80% last year. The annual survey was conducted in May 2021, just weeks after the natural disaster and amid the continuing impacts of COVID-19.

We're using the feedback to improve our services to our community, with a particular focus on fixing our roads.

- We did not progress action on our Climate Change Adaptation Action Plan. We're changing the way we manage environmental strategies to ensure our community are part of the conversation from the start. From this, we will create a new strategy for Port Stephens with a focus on sustainability, the natural environment and climate change.
- PFAS contamination continues to impact the Williamstown community. We've extended the special rates sub-category to provide some relief to residents.

What's next?

- The fast-moving COVID-19 pandemic will continue to affect our region in the coming year and we'll likely feel its effects for many years to come. Our focus is on supporting our community, businesses and key stakeholders as we ride this wave together.
- Fixing our roads is a clear priority for our community and our Council. We're investing an additional \$4 million to reseal and rehabilitate our roads in the coming year.
- We're committed to listening to our community more than ever. In the coming year, we're taking a place-based approach to planning. We're making sure it's easy for our community to understand and get involved in planning for the future of their place.

Financial summary

Port Stephens Council, like many organisations around the world, has continued to feel the financial impacts of COVID-19. Through carefully managing cash flow and reprioritising spending, we managed to achieve a modest underlying surplus of \$582,807. You can read more on page 100.

Financial overview 2020 to 2021

Including capital income, our operating result was a surplus of \$32.8 million – higher than last year’s surplus of \$20 million.

When capital grants and contributions are excluded, our operating result is a surplus of \$2.8 million. This is higher than the 2019 to 2020 deficit of \$4.3 million.

The operating result excluding capital income was higher in 2020 to 2021 compared to last year due to an increase in total income from continuing operations. This was because of:

- an increase in rates and annual charges
- an increase in grants and contributions provided for operating purposes
- net gains from the disposal of assets.

Income statement \$'000	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
Total income from continuing operations	132,227	136,833	147,497	146,900	160,410
Total expenses from continuing operations	109,511	116,759	122,293	126,833	127,601
Operating result from continuing operations	22,716	20,074	25,204	20,067	32,809
Net operating result for the year before grants and contributions provided for capital purposes	8,407	4,949	3,892	-4,251	2,817

This balance sheet provides a snapshot of our financial position including assets, liabilities and net wealth (equity) at 30 June 2021. For detailed information on our financial performance, refer to volume 2 of this report.

Balance sheet \$'000	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
Total current assets	72,902	65,380	63,701	53,939	70,007
Total current liabilities	27,999	31,856	35,876	37,093	41,692
Total non-current assets	927,128	981,134	1,015,884	1,064,256	1,095,591
Total non-current liabilities	19,261	20,910	15,806	37,635	36,501
Total equity	952,770	993,748	1,027,903	1,043,467	1,087,405

Annual Report

2021 to 2022



Striking a **balance.**

Port Stephens is diverse – with coastal villages, riverside suburbs, rural lands and historic town centres. Those that call it home have a strong sense of community and unique identity.

The priorities and values of the people who live, work and visit our towns and villages are also unique – there’s no one size fits all approach across our community.

Striking a balance is about achieving what we can with the resources we have while making sure our community’s values and priorities are considered, to best improve their liveability and wellbeing.

This year, we’ve enjoyed re-starting various programs and activities after what seemed like endless periods of lock downs and restrictions, providing opportunity for our community to get out and enjoy where they live. Much of this has been with the assistance of grant funding from State and Federal Government.

It’s been important for us to focus on providing a balance between continued COVID-19 restrictions and the opportunity for our community to reconnect.

Balancing our budget has also been a major focus for our organisation. The known impacts of increasing insurance, construction and transport costs combined with the ongoing impacts of the pandemic and natural disasters forced us to stop, reset and renew our focus.

We worked hard to reduce costs and improve productivity while ensuring we retained services and continued to deliver on key projects. We’re now ready to have conversations with our community to find a way forward together, ensuring we strike a balance between our budget and the services we deliver – achieving a financially sustainable future.

The lasting rains and regular flooding added a new set of challenges for Council and our community. Throughout the year, we had residents isolated, houses damaged, businesses closed and at times, roads beyond repair.

With our limited resources we worked to prioritise projects to best reduce the impacts as quickly as we could, striking a balance between emergency management, community support and infrastructure repairs.

Every day has brought new and unpredictable challenges. Instead of

staying rigid, we’ve found balance – sometimes things have moved quickly and sometimes they’ve flowed much slower than planned. The purpose has always been to make sure we manage our organisation as best as we can while balancing the best possible outcomes to our community.

We know the journey isn’t over – we have a long way to go and we’re ready for another challenging year. With a new Council in place, we’re working in partnership with our community to look at how we do business. We want to understand what’s really important to our community, making sure we can successfully deliver these services, while still making Port Stephens a great place to live, work and visit.

It’s not an easy task but it’s one we’re all committed to – together we can strike a balance to ensure the long term sustainability of our place, our people, our environment and our Council.

Challenges

- Rain continued to be a huge challenge through this year, with May 2022 recorded as the wettest May since 1996. The constant rain and regular flooding caused widespread impacts across our community, our infrastructure and budget. It resulted in delays to many of our major projects, as we redirected crews and funds to repair infrastructure. While we estimate the total repair bill to be in the millions, we're firmly focused on fixing our roads as quickly as possible. After the natural disaster we implemented the new Emergency Management Plan, learning what works and what doesn't for future emergencies.
- Learning to live with COVID-19 has brought its own challenges to our community, our economy, our employees, our services and our finances. We've implemented ongoing business continuity plans to manage staff shortages and with financial austerity measures in place, we've adjusted our work plans and programs to continue to deliver the services needed most by our community.
- Community engagement for a number of projects was impacted due to further lockdowns and flooding that left parts of our LGA isolated. We learnt how to strike a balance to ensure everyone

had an opportunity to contribute to the conversation by moving workshop sessions to online platforms. Now that we're able to meet face-to-face again, we've continued to offer online engagement options to ensure everyone has an opportunity to contribute to our projects.

- An annual review in 2018 to 2019 of our Long Term Financial Plan (LTFP) identified that the 2022 financial year would see Council facing financial pressures that would negatively impact the budget. The impacts of COVID-19 added to this problem with reduced income from our holiday parks and Newcastle Airport dividend; and construction, transport and insurance costs increasing significantly. These impacts have been further exacerbated by natural disasters over the last couple of years. The increased cost of materials has also affected Council's ageing assets, which require capital investment for maintenance to ensure they are kept up to standard.
- The results from our latest Community Satisfaction Survey (CSS) showed a drop in satisfaction within the community with 64% of respondents at least somewhat satisfied. We're hearing the biggest opportunity for improvement is in the maintenance of our roads, with 17%

of respondents somewhat satisfied with roads. This is understandable with the constant rain and regular flooding causing major impacts to our road maintenance schedule. We've listened to the community and are reviewing what action needs to be taken.

What's next?

- We'll continue to fix our roads in a prioritised manner for our community and our Council. We'll also be focusing on educating the community about how and why we prioritise roadworks across our community.
- We're committed to listening to our community more than ever. In the coming year we'll be adopting a new Communications and Engagement Strategy making it easier for everyone in our community to understand and get involved in decisions for the future of their place.
- We'll be continuing the conversation with our community about ways to ensure the long term financial sustainability of our organisation.
- Using feedback and data from the CSS, we'll be working across each section of the organisation to review the results and determine the opportunities for improvement and actions that need to be taken.

Financial summary

Port Stephens Council, like many organisations around the world, has continued to feel the financial impacts of COVID-19. Through carefully managing cash flow and reprioritising spending, we managed to achieve a modest underlying surplus of \$586,494.

This has been achieved through ongoing austerity measures and Council endorsing a \$1 million reduction from our operating budget from March 2022. This is a testament to the financial discipline of Port Stephens Council.

Financial overview 2021 to 2022

The income statement summarises Port Stephens Council's financial result for 2021-2022. Including capital income, the 2021-2022 operating result was a surplus of \$41.8 million. This surplus is higher than the 2020-21 surplus of \$32.8 million and also higher than the 2019-20 surplus of \$20 million.

When capital grants and contributions are excluded, the operating result is a surplus of \$8.9 million for the 2021-2022 financial year, this is higher than the surplus of \$2.8 million for the 2020-2021 financial year.

The operating result excluding capital income was higher in 2021-2022 compared to 2020-2021 due to total income from

continuing operations increasing which resulted from:

- An increase in rates and annual charges
- An increase in grants and contributions provided for operating purposes
- An increase in user charges and fees.

Income statement \$'000	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
Total income from continuing operations	136,833	147,497	146,900	160,410	172,936
Total expenses from continuing operations	116,759	122,293	126,833	127,601	131,154
Operating result from continuing operations	20,074	25,204	20,067	32,809	41,782
Net operating result for the year before grants and contributions provided for capital purposes	4,949	3,892	-4,251	2,817	8,853

The balance sheet provides a snapshot of Port Stephens Council's financial position, including assets, liabilities and net wealth (equity) at 30 June 2022.

For detailed information on our financial performance, refer to volume 2 of this report.

Balance sheet \$'000	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
Total current assets	65,380	63,701	53,939	70,007	62,737
Total current liabilities	31,856	35,876	37,093	41,692	48,999
Total non-current assets	981,134	1,015,884	1,064,256	1,095,591	1,249,305
Total non-current liabilities	20,910	15,806	37,635	36,501	40,117
Total equity	993,748	1,027,903	1,043,467	1,087,405	1,222,926

This balance sheet provides a snapshot of our financial position including assets, liabilities and net wealth (equity) at 30 June 2022. For detailed information on our financial performance, refer to volume 2 of this report.

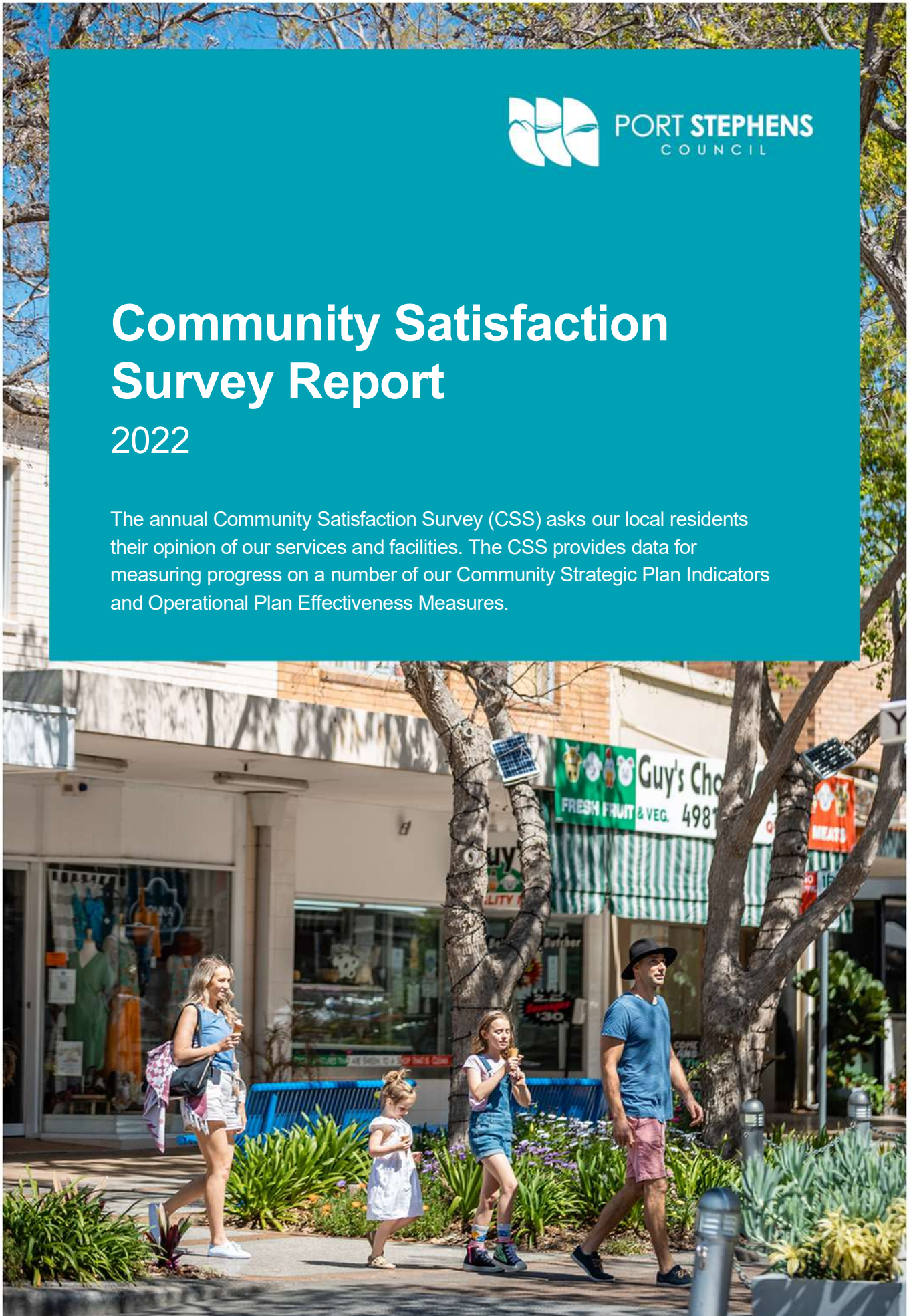


PORT STEPHENS
COUNCIL

Community Satisfaction Survey Report

2022

The annual Community Satisfaction Survey (CSS) asks our local residents their opinion of our services and facilities. The CSS provides data for measuring progress on a number of our Community Strategic Plan Indicators and Operational Plan Effectiveness Measures.

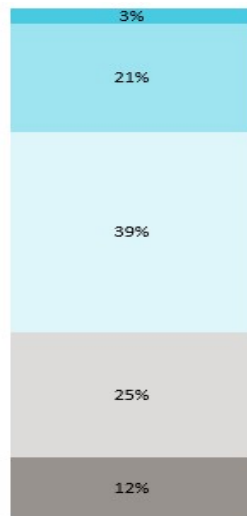


1.2 Executive Summary

64%

Somewhat satisfied* with overall Council services

Collated and rounded from 1 data reference point being Question 23

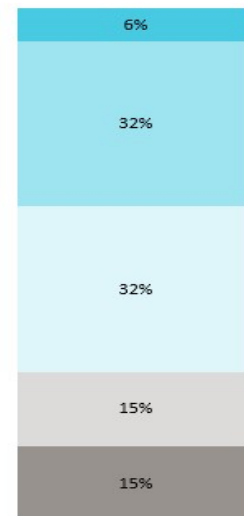


Very unsatisfied
 Unsatisfied
 Somewhat satisfied
 Satisfied
 Very satisfied

71%

Somewhat satisfied* with individual facilities & services

Averaged** and rounded from 24 data reference points across Questions 17 to 20



Very unsatisfied
 Unsatisfied
 Somewhat satisfied
 Satisfied
 Very satisfied

Performing



Children's Services **99%**



Community Halls **91%**



Sports & Recreation Facilities **90%**

Top 3 areas

Improvement



Maintaining Local Roads **17%**



Roadside Maintenance **43%**



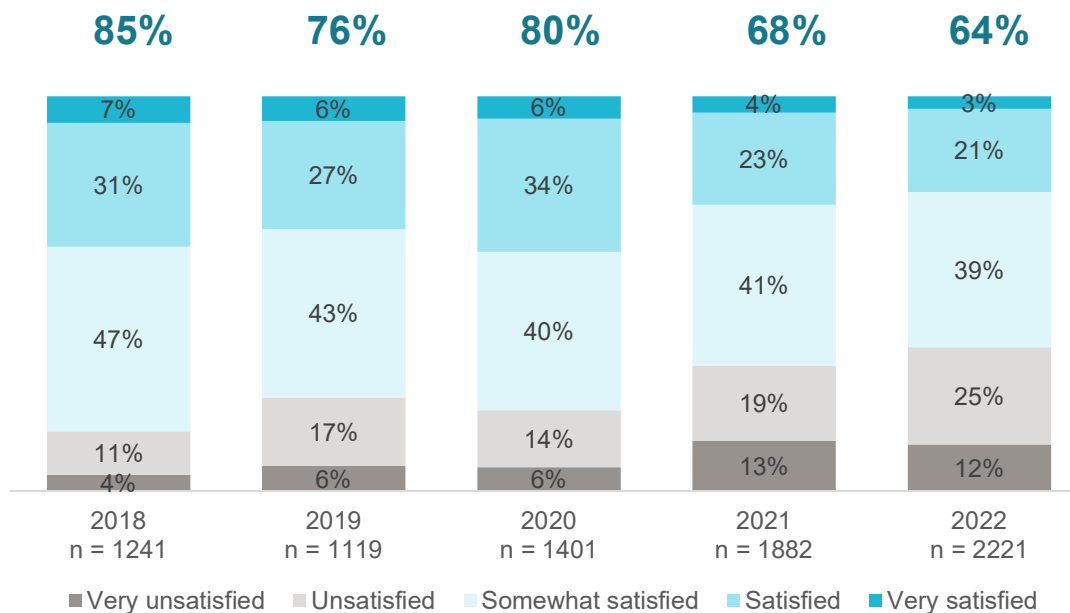
Maintaining Footpaths & Pathways **52%**

*Includes Somewhat satisfied, Satisfied and Very Satisfied and excludes Don't know/Don't use
 **Average does not include results of Council's website, Contact with Council or user surveys separately conducted for Libraries and Children's services.

1.3 Overall satisfaction result with Council's services

Question 23

This year, 2,221 respondents rated that they were **64%** at least **somewhat satisfied** with Council services*.



* To achieve an overall satisfaction figure, respondents answered that they were: Very satisfied, Satisfied, Somewhat satisfied

Respondents from the below-listed areas have increased or remained the same in terms of their overall level of satisfaction in 2022.

Area	2021		2022	
		No. responses		No. responses
Balickera	100%	1	100%	1
Campvale	33%	3	100%	1
Glen Oak	67%	6	86%	14
Karuah	37%	67	45%	58
Heatherbrae	80%	5	89%	9
Mallabula	47%	32	47%	36
Nelsons Plains	40%	5	57%	7
Shoal Bay	60%	73	75%	65
Salamander Bay	66%	134	68%	163
Salt Ash	26%	26	50%	28
Seaham	59%	17	59%	27
Swan Bay	14%	21	58%	12
Twelve Mile Creek	50%	2	50%	2
Woodville	56%	9	73%	11

2. Deep Dive on Roads

As outlined in sections 1.2 and 4.1 of this report, there has been a further decline in the level of community satisfaction* with maintaining local roads and roadside maintenance from 2021 to 2022. Maintenance of roads and road safety feature as the most frequently occurring theme from the community about feedback to improve Council's services and facilities (refer section 1.5).

This is understandable given last year's natural disasters, compounded by the various natural disasters in 2022 and May 2022 being our wettest month recorded since 1996.

The importance of road maintenance is echoed in the number of customer requests received by Council in the 2021 to 2022 financial year. Almost 12% of calls received were about road maintenance, the second highest customer request category behind Duty Officer enquiries (at 22% of calls).

In the 2021 to 2022 financial year some 54,000 potholes were repaired compared to 47,000 in the previous financial year, with an estimated 10,000 additional potholes repaired during storms.



Our engagement journey - Snapshot

Phase 1: Starts Big

Research and data gathering



Liveability Index Survey

September -December 2020

3,700 SURVEYS COMPLETED

Youth Strategy

Adopted: November 2020

450 PEOPLE INVOLVED IN 18 MONTH CONSULTATION

Coastal Management Program Stage 2

November 2020

3 WEBINARS **208** VIEWS

Community Satisfaction Survey

May -June 2021

2,186 SURVEYS

Our Incredible Place

Adopted: November 2020

327

PEOPLE INVOLVED IN 12 MONTH CONSULTATION

Wellbeing Strategy

April -May 2021

177 SURVEYS COMPLETED

Economic Development Strategy

Adopted: October 2021

286 BUSINESS HEALTH CHECKS/SURVEYS

Phase 2: Goes Local

Place deep dive



Targeted planning for your place workshops

September - December 2021

224 EXPRESSIONS OF INTEREST

12 WORKSHOPS AND **191** ATTENDANCES

Phase 3: CSP Check-in

Have we got Vision and Priorities right?



Community Strategic Plan (CSP) Check-in

February - March 2022

1 WEBINAR AND **1** FACEBOOK LIVE EVENT

4 SOCIAL MEDIA POSTS

59 SURVEY COMPLETED

23 PHOTO COMPETITION ENTRIES

Phase 4: IPR Public Exhibition

Integrated approach



Public Exhibition of IPR documents

28 April - 26 May 2022

12 SUBMISSIONS RECEIVED

Phase 5: Community Satisfaction Survey

Annual Survey



Community Satisfaction Survey

25 August – 12 September 2022

2,500 SUBMISSIONS RECEIVED

Phase 6: Financial Sustainability

Our Funded Future & Rate Rise Options



Multi Phase Financial Sustainability Engagement

June – November 2022

4 PHASES

405 PARTICIPANTS IN COMMUNITY MEETINGS/DROP-INS

1,075 SURVEY COMPLETED

35,478 RATE NOTICE COMMUNICATION