

The City of Newcastle Delivery Program

2013-2017



Blackbutt Reserve, Junior Ranges Fun Day, September 2015

www.newcastle.nsw.gov.au

The City of Newcastle
acknowledges that we are meeting
on the traditional country of the
Awabakal and Worimi peoples.

We recognise and respect their
cultural heritage, beliefs and
continuing relationship with the land,
and that they are the proud survivors
of more than two hundred years of
dispossession.

Council reiterates its commitment
to address disadvantages and
attain justice for Aboriginal and
Torres Strait Islander peoples of this
community.

Enquiries

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Lord Mayor

Cr Nuatali Nelmes

Lord Mayor

LORD MAYOR'S FOREWORD

The City of Newcastle's Delivery Program outlines Council's objectives and how we aim to achieve them.

Council is now committed to a consultative leadership approach, and refocusing our efforts on delivering on our long-term goals of a financially sound Council and a smart, liveable and sustainable city.

Our focus is on reducing the infrastructure backlog; protecting services while significantly improving our financial prospects; and implementing important revitalisation work across Newcastle.

We are continuing rejuvenation works on key projects that I am proud to have championed for many years - maintaining and improving Blackbutt Reserve; revitalising our iconic coastline; and renewing Hunter Street and cycleways across the city and suburbs.

I am pleased to see a diverse range of projects across the city included in this Delivery Program, addressing the varied needs of our community. These projects include upgrades at Summerhill Waste Management Centre; improvements to sportsgrounds; playground replacements; footpath and pedestrian facility upgrades from Beresfield to Lambton, and Newcastle to Kotara; and a master plan for Wallsend town centre.

The Delivery Program is consistent with the 'Funding Revitalisation' option adopted by Council following community consultation on our 'Road to Recovery'. The Program aims to maintain and enhance existing services while progressively addressing the infrastructure backlog and returning Council to a financially sustainable position.

I look forward to working with the community, our local businesses and all levels of government to achieve our objectives. Newcastle is blessed with scenic beauty, natural resources, an ideally situated river and port, and people who love their city. Through the preservation of our major assets Newcastle will continue to build upon its strengths, improving the quality of life for our community.

Councillor Nuatali Nelmes

LORD MAYOR OF NEWCASTLE



General Manager

Ken Gouldthorp

General Manager

GENERAL MANAGER'S FOREWORD

This is the third revision of the Delivery Program for the 2013-2017 term of Council. Substantial progress has been made since the significant financial challenges faced by this term of Council were identified and communicated to the community prior to the commencement of the 2013/14 financial year. The gains have been both in terms of improved financial position and in delivering key outcomes and services for Newcastle.

The organisation has consolidated after the significant changes that were implemented to reduce operating costs in the order of \$14 million per annum between 2013 and 2014. Substantial progress has also been made on key projects such as Bathers Way, Blackbutt Reserve and cycleways with the new facilities recently opening at Blackbutt and Bathers Way taking shape from Merewether to Nobbys.

This revision of the Delivery Program together with the 2015/16 Operational Plan and Budget continues to address the remaining balance of our underlying financial deficit while seeking to stem the growing backlog of infrastructure maintenance and provide improved infrastructure to enhance the lifestyle enjoyed by those fortunate enough to live or visit the City of Newcastle.

Unfortunately, and notwithstanding Council first reducing its own costs, Council has had to resort to implementing a special rate variation to progressively increase expenditure on renewing existing assets and thereby addressing ageing infrastructure together with continuing to invest capital in new or enhanced infrastructure and simultaneously return to a financially sustainable position.

In 2015/16 the allocation of funds for asset renewals will increase by 30% to \$33 million and a further \$35 million is allocated to new or enhanced infrastructure including continuation of the three aforementioned major projects along with a diverse range of others.

The organisation will also continue to modernise its work practices through the implementation of information technology and a centralised customer service system. This will facilitate improvements and consistency in customer service and management of the \$1.5 billion of public assets under Council's custodianship.

The budgeted financial position for 2015/16 is a deficit of \$9.6 million which is consistent with the long term financial plan that aims to balance the need to address the infrastructure backlog while progressively returning to a surplus financial position in 2017/18. Continued prudent financial management and delivery of construction activities within time and budget parameters will be essential to meeting these objectives.

Ken Gouldthorp
GENERAL MANAGER

OUR CITY

NEWCASTLE IS AUSTRALIA'S SEVENTH LARGEST CITY. OVER THE PAST DECADE THE POPULATION OF THE NEWCASTLE LOCAL GOVERNMENT AREA HAS SURGED WITH SIGNIFICANT GROWTH IN ITS WESTERN CORRIDOR.

The city offers a remarkable and diverse natural environment—from coastal headlands and beaches to wetlands, mangrove forests, steep ridges and rainforest gullies. This diversity presents significant challenges for Council in terms of maintaining this environment and the broad range of workforce skills required to do so.





OUR PEOPLE

FOR THOUSANDS OF YEARS, THE AREA WE NOW KNOW AS NEWCASTLE WAS NURTURED AND PROTECTED BY LOCAL TRADITIONAL CUSTODIANS, INCLUDING THE WORIMI AND AWABAKAL PEOPLES WHO LIVED AROUND THE MOUTH OF THE HUNTER RIVER. THEY CALLED THIS PLACE MULOOBINBA AND THE RIVER, THE COQUUN.

Novocastrians are known as a proud community shaped by our heritage. From the traditional custodians to European settlement, our culture is shaped collectively by our history as a penal settlement and the birthplace of the Australian coal industry. Ships, convicts and coal—these early and difficult beginnings have made us what we are today: a loyal, welcoming and diverse community. We have coped with earthquakes, floods and the closure of major industries and we continue to grow and change.

Population

Newcastle 154,896
NSW 7,211,500



Median Age



Newcastle 37,
NSW 38

Born overseas

Newcastle 12%
NSW 26%



Renting



Newcastle 33%
NSW 29%

Households with internet connection

Newcastle 71%
NSW 73%



Household size



Newcastle 2.3
NSW 2.6



Aboriginal population

Newcastle 3%
NSW 3%

ELECTED COUNCIL

2012-2016



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20 November 2014 - Current



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Ward 1

Bar Beach, Carrington,
Cooks Hill, Islington,
Maryville, Mayfield, Mayfield
East, Mayfield West,
Newcastle, Newcastle East,
Newcastle West, Stockton,
The Hill, The Junction (part),
Tighes Hill, Warabrook,
Wickham

Ward 2

Adamstown, Adamstown
Heights, Broadmeadow,
Hamilton, Hamilton
East, Hamilton South,
Hamilton North,
Merewether, Merewether
Heights, The Junction
(part)

Ward 3

Georgetown, Jesmond,
Kotara, Lambton, New
Lambton, New Lambton
Heights, North Lambton,
Wallsend (part) Waratah,
Waratah West

Ward 4

Beresfield, Birmingham
Gardens, Black Hill,
Callaghan, Elmore
Vale, Fletcher, Hexham,
Lenaghan, Maryland,
Minmi, Rankin Park,
Sandgate, Shortland,
Tarlo, Wallsend



YOUR COMMUNITY STRATEGIC PLAN



OPERATIONAL PLAN

- A one year outlook
- Contains actions Council will undertake in the financial year to address the Delivery Program projects
- Includes one year capital works program
- Allocates resources necessary to achieve the actions in the financial year
- Quarterly reporting

DELIVERY PROGRAM

- A four outlook (length of Council's term)
- Establishes rolling out major projects and performances measures outlining how Council will address and measure progress towards the strategies contained in Newcastle 2030
- Includes a four year capital works program
- Allocates high level resources to achieve the projects over a four year period
- Six-monthly reporting including an annual report

RESOURCING STRATEGY

- Includes
 - 10 year Long Term Financial Plan**
 - Four year Workforce Management Plan**
 - 10 year Asset Management Framework**
- Contains information on the time, money, assets and people required by Council to progress the projects within the Delivery Program and move towards achieving our community outcomes
- Review at start of new Council term

DELIVERY PROGRAM

The Delivery Program is our commitment to the community over four years – the length of Council's term. It outlines what we propose to do to achieve our community's priorities by translating outcomes and strategies into programs, projects and actions. The plan addresses how we plan to meet the seven strategic priorities in the Newcastle 2030 Community Strategic Plan. The following table represents our role in the delivery of the Newcastle 2030 Community Strategic Plan:

Responsibility	Connected City	Protected and Enhanced Environment	Vibrant and Activated Public Places	Caring and Inclusive Community	Liveable and Distinctive Built Environment	Smart and Innovative City	Open and Collaborative Leadership
Advocate	•	•		•	•		•
Collaborator	•	•	•	•	•	•	•
Lead Agency			•		•		•

Have your say

In developing the Delivery Program 2013-17, Council has considered the priorities and expected levels of service that have been expressed by the community during our engagement processes in the development of our Community Strategic Plan, Newcastle 2030. The draft Delivery Program and Operational Plan was placed on exhibition at our City Administration Centre, local branch libraries and on our website between 30 April to 28 May 2015.

Tracking issues ↴

Keep up to date with Council's news, announcements and issues via Council's website, Facebook page, Twitter, YouTube and Council's newsletters

Newcastle Voice ↴

Join over 2,400 Newcastle Voice members today and be part of the growing number of people participating in Council's public consultations on a host of topics. Your input will assist us to make more informed decisions.

Join a Committee ↴

Council committees draw on the knowledge and expertise of residents. These committees provide a broader base of information to Council on matters of concern which may impact on the LGA.

Come to a meeting ↴

You are always welcome to come to one of Council's meetings. By attending meetings you can gain a better understanding about the way Council works and the decision-making process.

Talk to a Councillor ↴

Councillors are your representatives and are keen to hear your thoughts and address your concerns, so let them know what you think.

STRATEGIES AND OBJECTIVES

THE NEWCASTLE 2030 COMMUNITY STRATEGIC PLAN WAS DEVELOPED FOLLOWING A SIGNIFICANT SHARED PLANNING PROCESS WITH DIRECT INPUT FROM A WIDE CROSS-SECTION OF THE COMMUNITY. IT SEEKS TO BUILD ON OUR STRENGTHS AND UNIQUE ASSETS, AND DESCRIBES OUR SHARED LONG-TERM VISION FOR A RESILIENT CITY THAT IS SMART, LIVEABLE AND SUSTAINABLE.

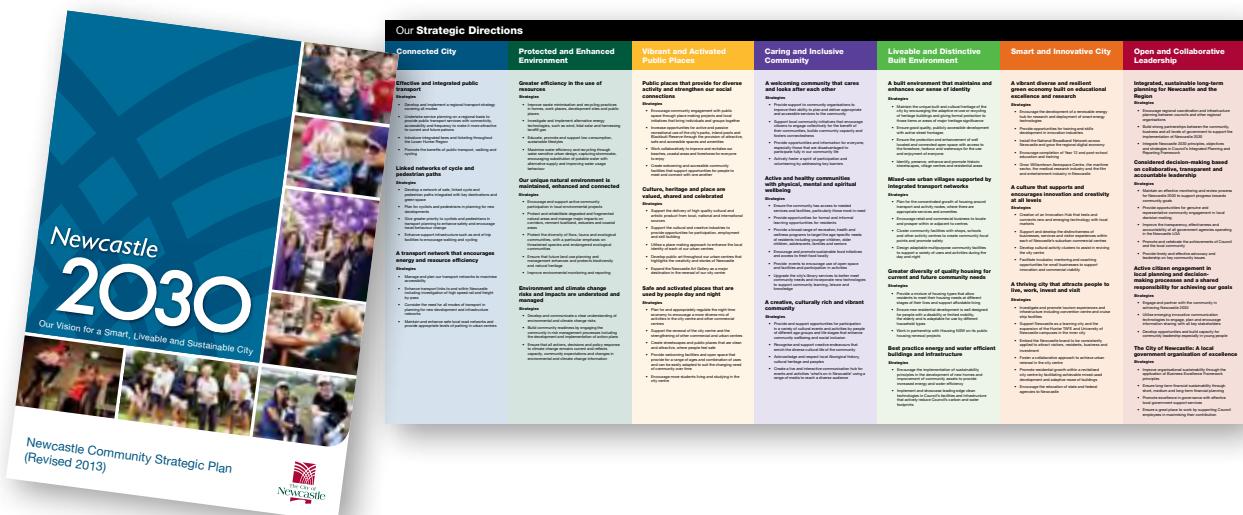


Reflecting the shared priorities of the Newcastle community, the Newcastle 2030 Community Strategic Plan is a guide to inform policies and actions throughout the local government area. It identifies 23 objectives to be achieved in the next 10 years across seven key strategic directions:



Achieving these objectives requires the involvement and partnerships of government at all three levels, the business sector, community groups and residents. Key strategies are also supported by the NSW 2021 State Plan and associated local regional action plans.

Successful implementation will ensure that the community's economic, social and environmental considerations are integrated into decision-making processes, and that sustainable outcomes are achieved through balancing the short and long-term needs of government, the business sector, community groups, residents and visitors.



Our Strategic Directions						
Connected City	Protected and Enhanced Environment	Vibrant and Activated Public Places	Caring and Inclusive Community	Liveable and Distinctive Built Environment	Smart and Innovative City	Open and Collaborative Leadership
Effective and integrated public transport	Greater efficiency in the use of resources	Public places that provide for diverse activity and strengthen our social connections	A welcoming community that cares about people and looks after each other	A built environment that minimises and enhances our sense of identity	A vibrant diverse and resilient green economy built on educational achievement and innovation	Integrated, sustainable long-term planning for Newcastle and the Hunter Region
Efficient and improved regional connectivity	Strategies	Strategies	Strategies	Strategies	Strategies	Strategies
<ul style="list-style-type: none"> • Develop and improve our regional transport network • Ensure our transport system is well planned, safe and reliable • Improve connectivity between our towns and cities • Encourage the use of public transport, walking and cycling • Promote the benefits of public transport, walking and cycling 	<ul style="list-style-type: none"> • Ensure waste minimisation and recycling practices • Encourage the use of renewable energy sources • Develop and implement alternative energy sources • Encourage the use of energy efficient buildings and infrastructure • Develop general and expert support for environmental issues • Encourage water efficiency and recycling through wastewater treatment and reuse • Encourage the movement and exchange of information and ideas • Encourage the development of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage waste minimisation and recycling practices • Encourage the use of renewable energy sources • Develop and implement alternative energy sources • Encourage the use of energy efficient buildings and infrastructure • Develop general and expert support for environmental issues • Encourage water efficiency and recycling through wastewater treatment and reuse • Encourage the movement and exchange of information and ideas • Encourage the development of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Provide support to community organisations to help them to better serve their members and the wider community • Support local community initiatives that strengthen our sense of place and belonging • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Minimise the impact built environments have on the natural environment and the natural environment has a positive impact on built environments • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government
Linked networks of cycle and pedestrian paths	Our unique natural environment is maintained, enhanced and connected	Cultures, heritage and place are valued, preserved and celebrated	Active, healthy communities, mental and spiritual wellbeing	Mixed-use urban villages supported by integrated transport networks	A culture that supports and encourages innovation and creativity	Active citizens engaged in local planning and decision-making for achieving our goals
Efficient and improved regional connectivity	Strategies	Strategies	Strategies	Strategies	Strategies	Strategies
<ul style="list-style-type: none"> • Develop a network of safe, linked cycle and pedestrian paths • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage waste minimisation and recycling practices • Encourage the use of renewable energy sources • Develop and implement alternative energy sources • Encourage the use of energy efficient buildings and infrastructure • Develop general and expert support for environmental issues • Encourage water efficiency and recycling through wastewater treatment and reuse • Encourage the movement and exchange of information and ideas • Encourage the development of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government
A transport network that encourages energy and resource efficiency	Safe and activated places that are well designed day and night	Safe, accessible and well-maintained places and spaces	A creative, culturally rich and vibrant community	Greater diversity of quality housing for all income groups	A strong, innovative and dynamic business community	Active citizens engaged in local planning and decision-making for achieving our goals
Efficient and improved regional connectivity	Strategies	Strategies	Strategies	Strategies	Strategies	Strategies
<ul style="list-style-type: none"> • Enhance transport links to rural and regional areas • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage waste minimisation and recycling practices • Encourage the use of renewable energy sources • Develop and implement alternative energy sources • Encourage the use of energy efficient buildings and infrastructure • Develop general and expert support for environmental issues • Encourage water efficiency and recycling through wastewater treatment and reuse • Encourage the movement and exchange of information and ideas • Encourage the development of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government 	<ul style="list-style-type: none"> • Encourage the use of local and regional markets • Encourage the use of local and regional products • Encourage the use of local and regional services • Encourage the use of local and regional labour • Encourage the use of local and regional infrastructure • Encourage the use of local and regional government • Encourage the use of local and regional government





CONNECTED CITY

IN 2030 OUR TRANSPORT NETWORKS AND SERVICES WILL BE WELL CONNECTED AND CONVENIENT. WALKING, CYCLING AND PUBLIC TRANSPORT WILL BE VIABLE OPTIONS FOR GETTING AROUND THE CITY.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 1.1 Effective and integrated public transport
- 1.2 Linked networks of cycle and pedestrian path links
- 1.3 A transport network that encourages energy and resource efficiency

Four year actions

- Liaison and partnering with other government representatives and community members to facilitate optimum transport outcomes for Newcastle
- Provide a cycling education program
- Completion of concept plans, detailed designs and commencement of construction of a safe east-west cycle route from Broadmeadow to the city centre and a north-south route from Merewether to the city centre
- Improvements to bus stops, shelters and seating throughout the city
- Development and implementation of a workplace travel plan for Council
- Expansion of the footpath and shared path networks throughout the city
- Improvements in way-finding signage throughout the city
- Completion of the city centre parking study and implementation of its recommendations
- Completion of a comprehensive audit of cycling facilities in the city
- Improved safety for all road users, through implementation of pedestrian access and mobility plan projects and local area traffic management projects.





PROTECTED AND ENHANCED ENVIRONMENT

IN 2030 OUR UNIQUE ENVIRONMENT WILL BE UNDERSTOOD, MAINTAINED AND PROTECTED.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 2.1 Greater efficiency in the use of resources
- 2.2 Our unique natural environment is maintained, enhanced and connected
- 2.3 Environment and climate change risks and impacts are understood and managed.

Four year actions

- Improved measurement and education about carbon footprint
- Expand green corridors
- Grow our canopy cover including appropriate street trees
- Regenerate the coastal environment with endemic species
- Education and monitoring of the environment to encourage appropriate behaviour
- Socialising our streets through community participation in greening initiatives
- Plant more vegetation including green roofs and walls and planter boxes
- A strong wetland rehabilitation program
- Support and promote volunteer environmental programs
- Seek solutions to improve air quality
- Start discussions on becoming a water sensitive city





VIBRANT AND ACTIVATED PUBLIC PLACES

IN 2030 WE WILL BE A CITY OF GREAT PUBLIC PLACES AND NEIGHBOURHOODS PROMOTING PEOPLE'S HEALTH, HAPPINESS AND WELLBEING.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 3.1 Public places that provide for diverse activity and strengthen our social connections
 - 3.2 Culture, heritage and place are valued, shared and celebrated
 - 3.3 Safe and activated places that are used by people day and night.
- Four year actions**
- Implement the Newcastle Heritage Strategy 2014
 - Revitalise local commercial precincts within Newcastle
 - Partner with the NSW state government to deliver the Newcastle Urban Renewal Strategy and various catalyst projects and infrastructure initiatives, which will stimulate activities, jobs, development and investment in the City
 - Implement the Parklands and Open Space Strategy 2014
 - Continue to provide small grants for façade improvement and place making projects
 - Facilitate and support broad participation in community arts based programs/initiatives
 - Facilitate night time economy and safety initiatives
 - Identify a site for the development of a district and regional playground
 - Deliver events for the local community and visitors
 - Continue with the coastal revitalisation program, in particular delivery of Bathers Way and the update of the Ocean Baths Pavilions





CARING AND INCLUSIVE COMMUNITY

IN 2030 WE WILL BE A THRIVING COMMUNITY WHERE DIVERSITY IS EMBRACED, EVERYONE IS VALUED AND HAS THE OPPORTUNITY TO CONTRIBUTE AND BELONG.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 4.1 A welcoming community that cares and looks after each other
- 4.2 Active and healthy communities with physical, mental and spiritual wellbeing
- 4.3 A creative, culturally rich and vibrant community.

Four year actions

- Continue to provide programs for the Civic Theatre, Playhouse, City Hall and Fort Scratchley
- Trial online social media sites eg. Facebook, Twitter and Pinterest
- Council to maintain active and passive sports facilities throughout our parks
- Source more government funding, fund-raising and advertising to promote cultural awareness
- Prepare and deliver Youth Week and Seniors Week events
- Update internet site for new residents
- Provide support for grass-roots movements including community gardens, markets and Men's Sheds
- Creative ways to engage local people through Make Your Place grants
- Well maintained community facilities across the city
- An active health and wellness program supported by three levels of government
- Complete and implement a social planning strategy
- Deliver a community assistance grant program
- Review Councils policies including the Social Impact Assessment and Multicultural Plan.





LIVEABLE AND DISTINCTIVE BUILT ENVIRONMENT

IN 2030 WE WILL LIVE IN AN ATTRACTIVE CITY THAT IS BUILT AROUND PEOPLE AND REFLECTS OUR SENSE OF IDENTITY.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 5.1 A built environment that maintains and enhances our sense of identity
- 5.2 Mixed-use urban villages supported by integrated transport networks
- 5.3 Greater diversity of quality housing for current and future community needs
- 5.4 Best practice energy and water efficient buildings and infrastructure.

Four year actions

- Encourage community participation and responsibility in heritage conservation and reuse
- Advocate for a mix of affordable housing which offers choice and supports a reasonable quality of life
- People-focused residential housing and commercial development along our urban corridors
- Urban form that builds in the natural environment
- Implement the renewal corridor plans for Islington, Mayfield, Hamilton, Broadmeadow and Adamstown
- Develop an Aboriginal Heritage Management Study
- Partner with the NSW state government to deliver the Newcastle Urban Renewal Strategy
- Implement a city wide flood management study
- Complete and implement the local planning strategy to guide people focused residential developments
- Implement the Newcastle Heritage Strategy 2014.





SMART AND INNOVATIVE CITY

IN 2030 WE WILL BE A LEADER IN SMART INNOVATIONS WITH A HEALTHY, DIVERSE AND RESILIENT ECONOMY.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 6.1 A vibrant diverse and resilient green economy built on educational excellence and research
- 6.2 A culture that supports and encourages innovation and creativity at all levels
- 6.3 A thriving city that attracts people to live, work, invest and visit.

Four year actions

- Working with UrbanGrowth NSW to deliver significant catalyst projects for the City's Revitalisation
- Implement the Economic Development Strategy for The City of Newcastle (2015)
- Implement the Destination Management Plan (2013)
- Support urban revitalisation
- Working in partnership with key stakeholder such as the University of Newcastle
- Facilitate a formation of BIA (Business Improvement Association) for The Junction and Honeysuckle
- Provide an economic development sponsorship program to stimulate jobs and business growth
- Facilitate the BIA to achieve the goals for their local areas.
- Provide an events sponsorship program to stimulate visitor numbers and promotion of Newcastle as a visitor destination
- Develop the Newcastle smart city program in partnership with business and community stakeholders





OPEN AND COLLABORATIVE LEADERSHIP

IN 2030 WE WILL HAVE A STRONG LOCAL DEMOCRACY WITH AN ACTIVELY ENGAGED COMMUNITY AND EFFECTIVE PARTNERSHIPS.

To achieve these outcomes over the next 10 years our strategic objectives for Newcastle are:

- 7.1 Integrated, sustainable long-term planning for Newcastle and the Region
- 7.2 Considered decision-making based on collaborative, transparent and accountable leadership
- 7.3 Active citizen engagement in local planning and decision-making processes and a shared responsibility for achieving our goals
- 7.4 The City of Newcastle: a local government organisation of excellence.

Four year actions

- Develop partnerships and networking with community, government and business
- Actively build capacity for community participation in leadership including mentoring and support
- Promote two-way information and feedback hubs to encourage people to maintain their involvement in planning and decision-making activities
- Support decisive, collaborative and proactive leadership
- Ensure long term financial sustainability through our long term and short term goals
- Provide a State of the City Report to measure our progress towards the goals in Newcastle 2030 (Every four years)
- Continue to provide Newcastle Voice, webcast our meetings and provide Council meetings open to the community.

CORPORATE GOALS

Corporate Goals

No.	Objective	KPI	Measure
CG1	Deliver on the key civic projects determined as the priorities for the community	Key civic projects are delivered in accordance with the budget and timeframes identified in the 2013-2017 Delivery Program	Six monthly and annual performance on outcomes of project implementation
CG2	Engage with the Newcastle community on projects that have a high level of impact on the community	Consultation undertaken for all projects which have a high level of impact on the community	Evidence that consultation has taken place is reported in the annual report
CG3	Maintain a net operating surplus to ensure financial sustainability	Improve financial sustainability of Council	Net operating surplus ratio of 2.5%
CG4	Maintain a strong cash and liquidity position to ensure financial sustainability	Implement the Budget Principles endorsed by Council 18 April 2014	Achievement of Budget Principles
CG5	Provide better and more efficient services to customers through the implementation of improved systems and processes by 2017	Improve responsiveness and quality of customer experiences	Improve customer satisfaction scores in the Customer Service Survey by 2% 2014, 5% 2015, 7% 2016, 10% 2017
CG6	Renew and maintain assets within a sustainable range	Annual Renewal Ratio	Target Range = -10% / 10%
CG7	Identify opportunities for asset rationalisation to fund the infrastructure backlog	Unfunded infrastructure backlog: infrastructure backlog (\$ million) – internally available infrastructure funding (\$ million) = unfunded infrastructure backlog	To reduce the infrastructure backlog ratio to less than 2% over the next 10 years
CG8	Ensure a strong organisation that has the skills and talent to support the delivery of services that meet community needs	Critical Skills known and succession plans in place to ensure continuity of service delivery to community	Succession plans in place for all critical positions by 2015

Budget Principles

No.	Principle
1	Reduction in net operating expenses of at least 10% over the next 2 years
2	Achieve at least a 2.7% net overall funding surplus, in accordance with FiscalStar recommendations to the Division of Local Government, by 2014/2015. This is a minimum of \$8 million (in 2012/2013 dollars)
3	Maintain a minimum of 2.7% net overall funding surplus for each and every budget year from 2015/2016 until 2021/2022
4	Identify redundant assets for disposal and for the proceeds to be placed in the Land and Property Reserve
5	The Land and Property Reserve to be used as a funding source for: - Renewal of key assets identified and prioritised in the Infrastructure Backlog, and - Reduce/replace debt as an Infrastructure Backlog funding source.
6	To reduce The City of Newcastle's Infrastructure Backlog Ratio to less than 2% over the next 10 years or \$32 million (in 2012/2013 dollars)
7	To restrict debt levels so that the net financial liabilities ratio of 40% is not exceeded in any one year between 2013/2014 and 2021/2022
8	That no project commences until funding for the full cost of the project is secured or has certainty
9	The special projects capital to be prioritised in accordance with community ranking from the Micromex Research 2011 Report and timing for delivery matched to cash flow. These priorities are set according to the support as follows: Priority 1: Revitalising Hunter Street Priority 2: Revitalising Hour coast Priority 3: Upgrading Blackbutt Reserve Priority 4: Providing new cycleways Priority 5: Improving our swimming Pools Priority 6: Modernising our libraries Priority 7: Expanding our Art Gallery
10	The cash flow for special capital projects listed in (9) above be sourced from: a) The 5% capital restricted Special Rate Levy awarded to Council in 2012 b) Section 94 funds and c) Existing reserves
11	A general purpose (s508A) rate variation to be used only as a last resort to achieve financial sustainability and the associated targets above





FINANCIAL OVERVIEW

The 2015/16 budget in context

Achieving financial sustainability remains the key objective of Newcastle City Council. While significant progress has been made towards achieving this objective there remains substantial challenges ahead. This has been an ongoing process and many initiatives have been undertaken to position the organisation to achieve financial sustainability in the long term.

Fit for the Future

The NSW State Government Fit for the Future initiative reinforces the importance of Council's key objective of achieving long term financially sustainability and confirms the validity of the actions taken to date. Council's focus on this objective and the hard decisions that have been made have already resulted in significant progress towards financial sustainability and ensuring we become Fit for the Future.

See Table 1 Operating Summary

Budget

The budget for 2015/16 reflects a stronger funding surplus than prior years and as a consequence a greater capacity to undertake essential capital works to address the infrastructure backlog. The budget is covered in more detail in the analysis of the 2015/16 Operating Plan section below, however the key elements are:

- operating revenue to increase primarily due to the 8% SRV (subject to approval by IPART). Without this increase Council will incur significantly greater operating and funding deficits.
- operating expenses will increase primarily due to the additional work being undertaken on asset maintenance and asset renewal projects to address the infrastructure backlog and restore asset renewal to required levels in order to stabilize the infrastructure backlog
- As a result of the increase in revenue provide by the SRV, Council is budgeting for a significant increase in funds generated from operations and plans to substantially increase the investment in capital works with a particular focus on the asset renewal program.

We have been proactive in undertaking the initiatives identified in the initial 2013 – 2017 Delivery Program which focused on our Road to Recovery. The scale of the initiatives identified, implemented and achieved to

date reflect the focus on becoming sustainable and our capacity and capability to undertake significant and successful change.

See graph 1 Operating surplus (deficit)

Road to Recovery

Our progress on the Road to Recovery can be divided into three distinct phases.

1. Enhance revenue and reduce expenditure

In early 2013, a number of initiatives were identified and implemented to enhance revenue and reduce expenditure. The initiative which generated the greatest benefit was the organisational restructure. This first phase focused primarily on improving our operating position and constraining capital expenditure to immediately address TCorp's assessment of our potential insolvency by 2017 unless decisive corrective action was taken. The impact of the implementation of initiatives was an immediate and significant improvement in our operating position.

However these initiatives, with the exception of the sale of a number of assets which were contributed to the backlog, did not address TCorp's other concerns regarding our Infrastructure Backlog (assets which are classified as being in unsatisfactory condition and require replacement or capital investment to bring them to an acceptable standard) and insufficient asset maintenance and renewal expenditure.

2. Addressing infrastructure maintenance

The second phase of the Road to Recovery has involved increasing asset maintenance and expanding the capital works program for the rehabilitation and renewal of assets that need significant repair or replacement (ie addressing the Infrastructure Backlog). However, the increased expenditure has an adverse impact on the budgeted operating position for 2014/15 and 2015/16. This expenditure is essential to ensure the condition of the city's assets do not continue to degrade. It is more expensive to address assets that have reached a poor condition than to maintain the asset in reasonable condition. This phase will unavoidably result in the depletion of cash reserves in the short term and will not be sustainable unless additional revenue is generated.

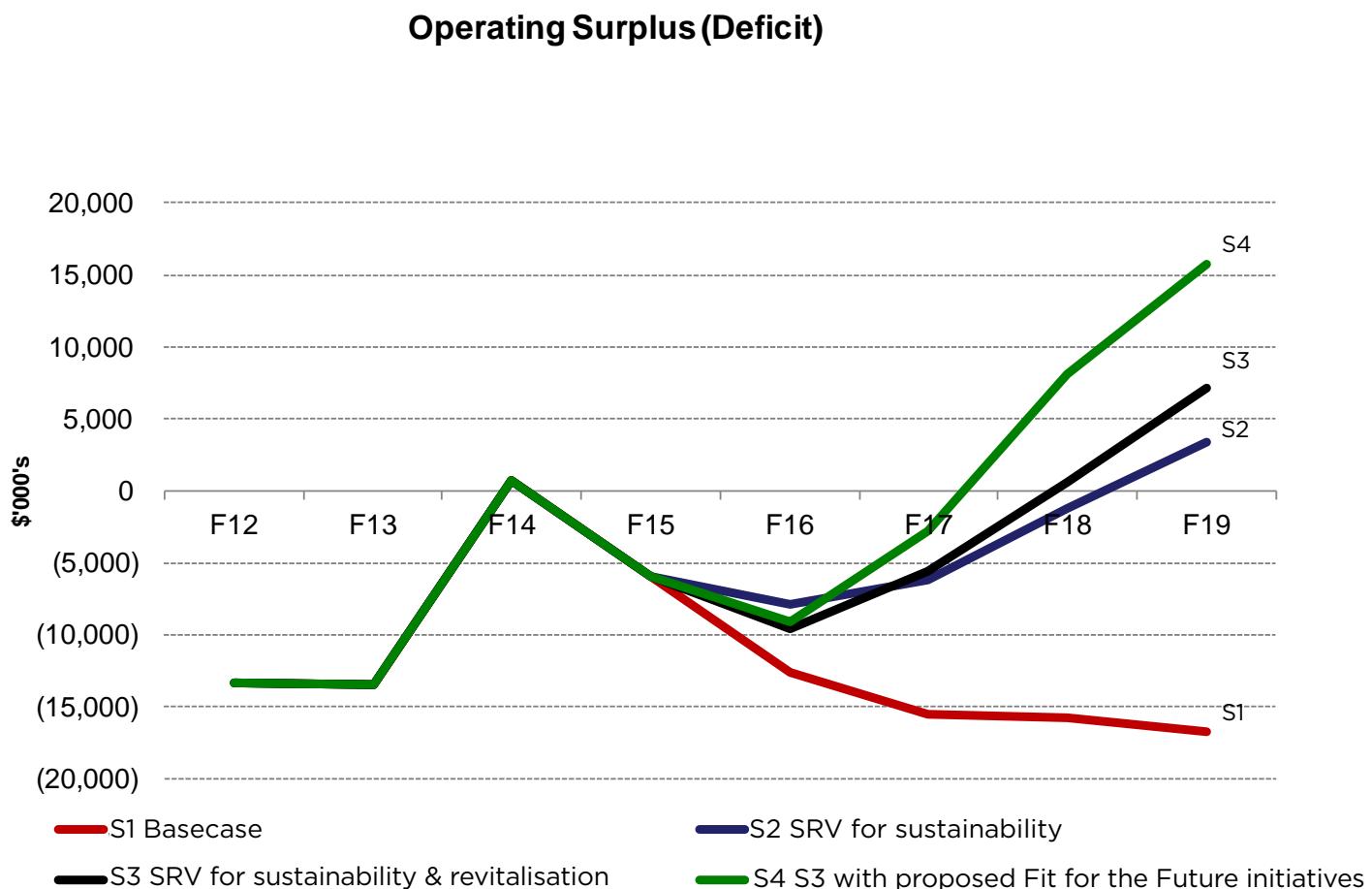
The level of expenditure on asset maintenance/renewal related activities in the current year has been lower than originally budgeted, partly due to operational

Table 1: Operating Summary

Financial Summary	Adopted Budget 2014/15 \$,000	Budget 2015/16 \$,000	LTFP Scenario 3 2015/16 \$,000
Total Operating Income	221,243	233,044	232,262
Total Operating Expenditure	226,712	242,585	240,739
Operating Surplus (Deficit) for the year	(5,469)	(9,541)	(8,477)
Total capital raising revenue	9,423	36,707	24,528
Net surplus (deficit) after capital revenue	3,954	27,166	16,051
Funding available for capital expenditure	52,430	67,327	64,912
Total capital spend	54,989	68,321	72,411
Net Funds Generated / (Used)	(5,256)	(3,594)	(10,110)

Note: LTFP 15/16 differs from the adopted long term financial plan in that it consolidates Council's 50% share of Newcastle airport and excludes forecast balance sheet movements.

Graph 1: Operating Surplus (Deficit)



capacity constraints with regard to the capital works projects but also due to budget increases arising from new grant projects awarded during the year. Lower than forecast expenditure levels will result in Council having a smaller deficit than budgeted for 2014/15. Whilst this might appear to be a positive outcome, it also means that the Infrastructure Backlog is likely to increase rather than reduce in 2014/15.

3. Special rate variation

The third phase of the road to recovery was to gain IPART approval for our SRV application. This will provide the increased levels of revenue which are essential to fund existing services to the community at the service levels expected, as well as progress towards achieving a sustainable operating position and generating sufficient surplus funds to apply to the reduction of the Infrastructure Backlog.

Our funding position is also very important as this indicates whether we are increasing, maintaining or depleting our cash reserves. Additional expenditure, over several years, is required to increase asset renewal to stabilize then reduce the Infrastructure Backlog.

Graph 2 below shows the funding position and the impact of the various initiatives (including our draft Fit for the Future improvement plan). The operating position (Graph 1) does not reflect the impact of the additional capital expenditure on capital works required for asset renewal. As the graph shows, in 2011/12 Council was spending beyond its means and was not applying sufficient funds to asset maintenance and renewal.

See graph 2 Funding surplus (deficit)

The graph highlights that as the capital works program is expanded the funding position shifts from surplus to deficit. Spending more funds than are generated reduces reserves which is an acceptable short term outcome but it is not sustainable. Our LTFP modelling indicates in the base case scenario (ie without an SRV) cash reserves would eventually be depleted. The modelling also indicates that even with the SRV, funding deficits will be incurred in the initial years as a result of increased expenditure on asset maintenance and renewal. The LTFP also projects that after a period in which Council reserves diminish they will stabilise and then gradually increase to sustainable levels.

Organisational restructure

Staffing was reduced by over 90 equivalent full time staff (EFT) to 920 EFT resulting in a permanent cost reduction of over \$10 million per annum.

See graph 3 Employee expense analysis

Employee costs would be considerably higher if the restructure had not proceeded

If staffing had been maintained at 2012/13 levels employee costs would be over \$103m in the 2015/16 budget (the red line in the graph above). This is based on labour costs rising in line with the Enterprise Agreement (increasing between 2.7% and 3.2% per annum).

Savings in employee expenses

The dotted line on the graph reflects what the costs would be if operating expenditure was not increased from current levels to meet sustainable levels of asset maintenance and renewal.

Even with the additional employee costs required to achieve sustainable asset maintenance and renewal considerable savings have been achieved.

The 2015/16 budget includes the additional costs associated with an expanded asset renewal program. An additional \$15 million in capital expenditure on renewal projects is estimated to add approximately \$5 million in additional operating expenses of which \$2.5 million is attributed to employee costs. The total impact on employee costs from the current financial year shortfall in sustainable expenditure on asset renewal is therefore approximately \$4.5 million. This is reflected in the solid green line in the graph above.

Employee cost savings are being maintained

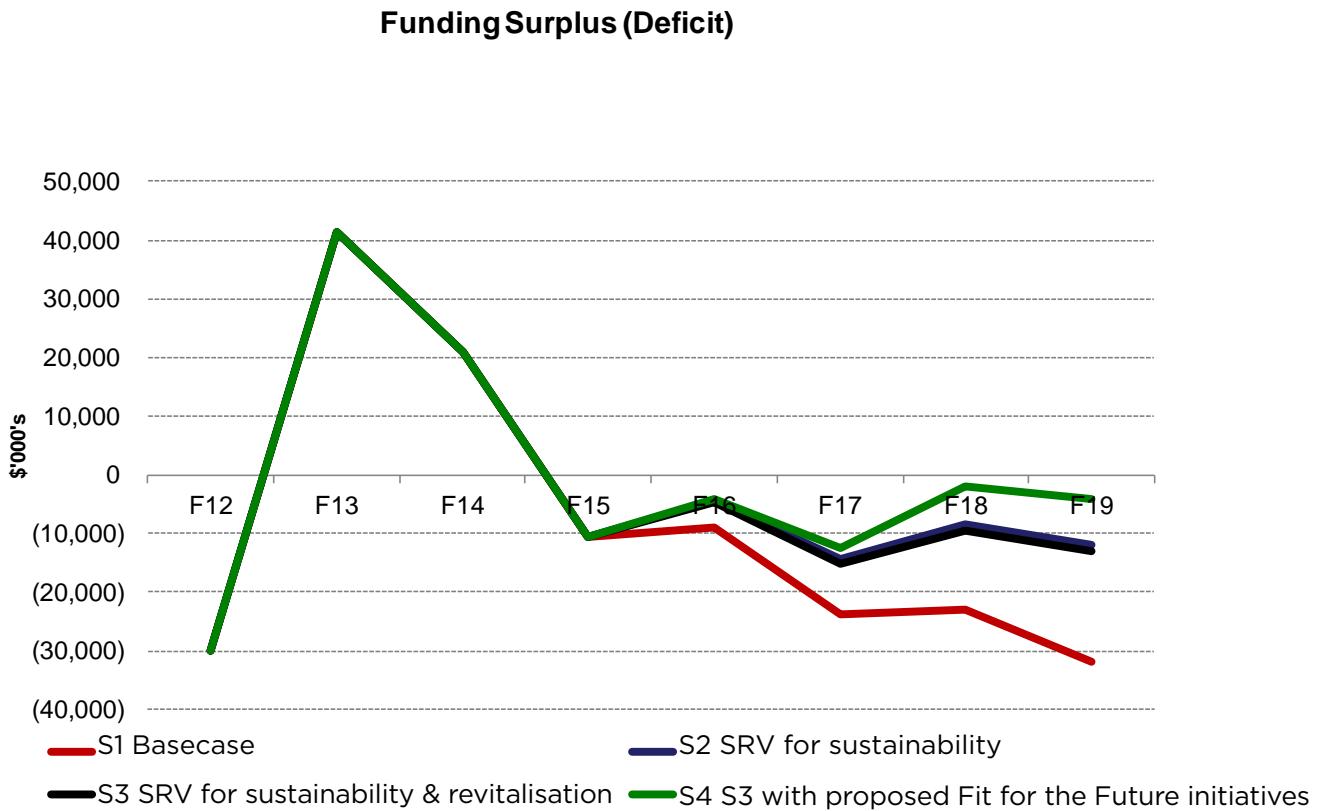
Council has established a strong cost discipline which has resulted in a significant reduction in operating expenditure. It is important that Council continues to control costs rigorously and vigilantly maintains the current financial discipline. A failure to do so would have a detrimental impact on our ability to achieve financial sustainability.

Council revenue supports sustainability and services

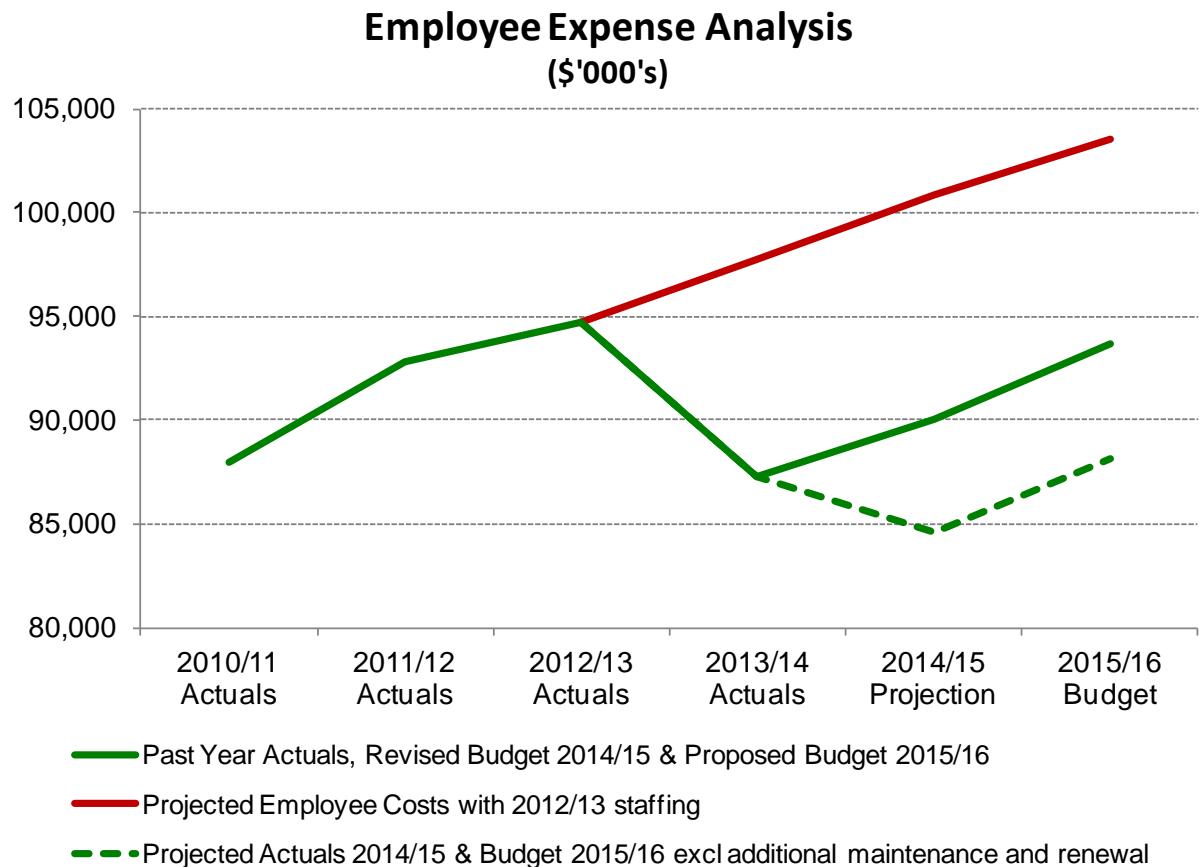
Improvements to non-rate income have been made through strengthening revenue streams from commercial operations such as the Summerhill Waste Management Facility. The additional revenue is needed (along with the additional revenues from the SRV) to achieve sustainability within a reasonable timeframe. This is also a key objective of the Fit for the Future initiative.

Many of the NSW State Government's Fit for the Future sustainability criteria focus on infrastructure. Some key financial numbers assist in highlighting the significance infrastructure plays in providing services and the financial resources this infrastructure requires. Graphs 4 and 5 on page 39 help illustrate.

Graph 2: Funding Surplus (Deficit)



Graph 3: Employee Expense Analysis



Snapshot

- \$2 billion in total depreciable assets
- \$1.6 billion are infrastructure assets
- Largest asset class is roads, cycleways and pathways which account for around 50% of our infrastructure assets
- \$230 million generated in total operating revenue
- \$105 million generated from council rates (\$99 million excluding the 2012 SRV which is restricted to priority capital projects).
- \$65 million generated from residential rates

See graph 4 Council revenue mix FY15 (%)

As is illustrated by Graph 4 the amount expenses reflected in the operating statement is a small fraction of the value of the depreciable asset. Conversely, the operating expenses however constitute a large portion of council's rate revenue.

See graph 5 Assets

Council assets generally have a long lifespan and require only limited maintenance expenditure in proportion to their gross value. Asset related operating expenses include depreciation (blue), maintenance (red) and operating expenses associated with asset renewal (green). These costs are estimated at approximately \$71 million. Most of this expenditure is directed towards infrastructure assets. The balance of rates revenue of approximately \$30 million contributes to funding of other services.

We must spend adequate funds on maintaining and renewing infrastructure to ensure it doesn't deteriorate prematurely, which can result in substantial increases to asset maintenance and remediation costs in the future. As shown in the graphs above if a small portion of our assets require replacement (above the usual rate) this would have a significant impact on our financial position.

Asset maintenance and renewal over time

In years past, we have not invested enough funding in asset maintenance and renewal and there have been a number of contributing factors for this including

- restricted revenue growth due to the rate cap
- provision of new facilities and additional services to the community at the expense of funding infrastructure maintenance and renewal.

This approach has left many NSW councils with an infrastructure maintenance and renewal backlog. Our Infrastructure Backlog was reflected in the 2013/14 financial statements at \$90.4 million and the reduction of the backlog is a key focus of the 2013-2017 Delivery Program and the Long Term Financial Plan, as well as the 2015/16 Operational Plan.

Over the long term, annual asset renewal expenditure equivalent to the level of annual depreciation expense is generally required to ensure that the infrastructure backlog is kept at a sustainable level. The actual level of annual asset renewal expenditure varies based on the age and condition of the relevant infrastructure and the extent of the backlog.

Due to our large backlog, we need to spend more than the required level of renewal expenditure each year in order to gradually reduce the backlog to sustainable levels. To reduce the backlog within a reasonable period of time Council will need to spend between \$10 million to \$20 million extra per annum for around seven years.

In addition, the actual cost of remediation of the remaining backlog increases each year due to the increased cost of labour and materials and the continuing deterioration in the asset condition.

Graph 6 below shows the budgeted and forecast expenditure on capital works and includes the expensed component of asset renewal to reflect the full cost incurred on the capital works program.

See graph 6 Capital Works Program

Trends

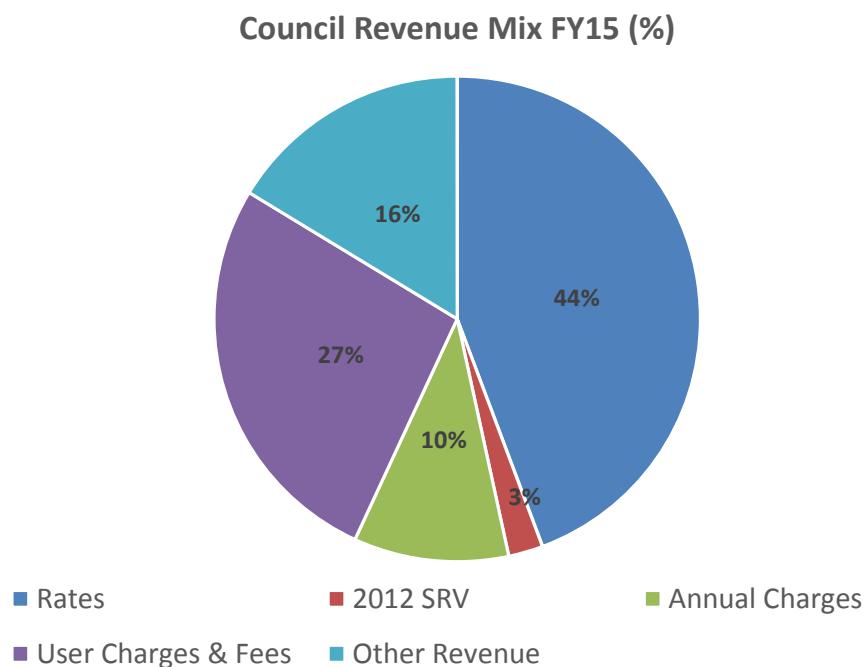
- Increasing expenditure on the asset renewal program to reduce the infrastructure backlog
- Increasing operational capacity required to deliver expanded works program
- New/upgrade projects constrained to focus on maintenance and renewal
- Once the infrastructure backlog target of <2% is reached (consistent with the Fit for the Future criteria) there is greater capacity to undertake new projects

Fit for the Future and the Delivery Program

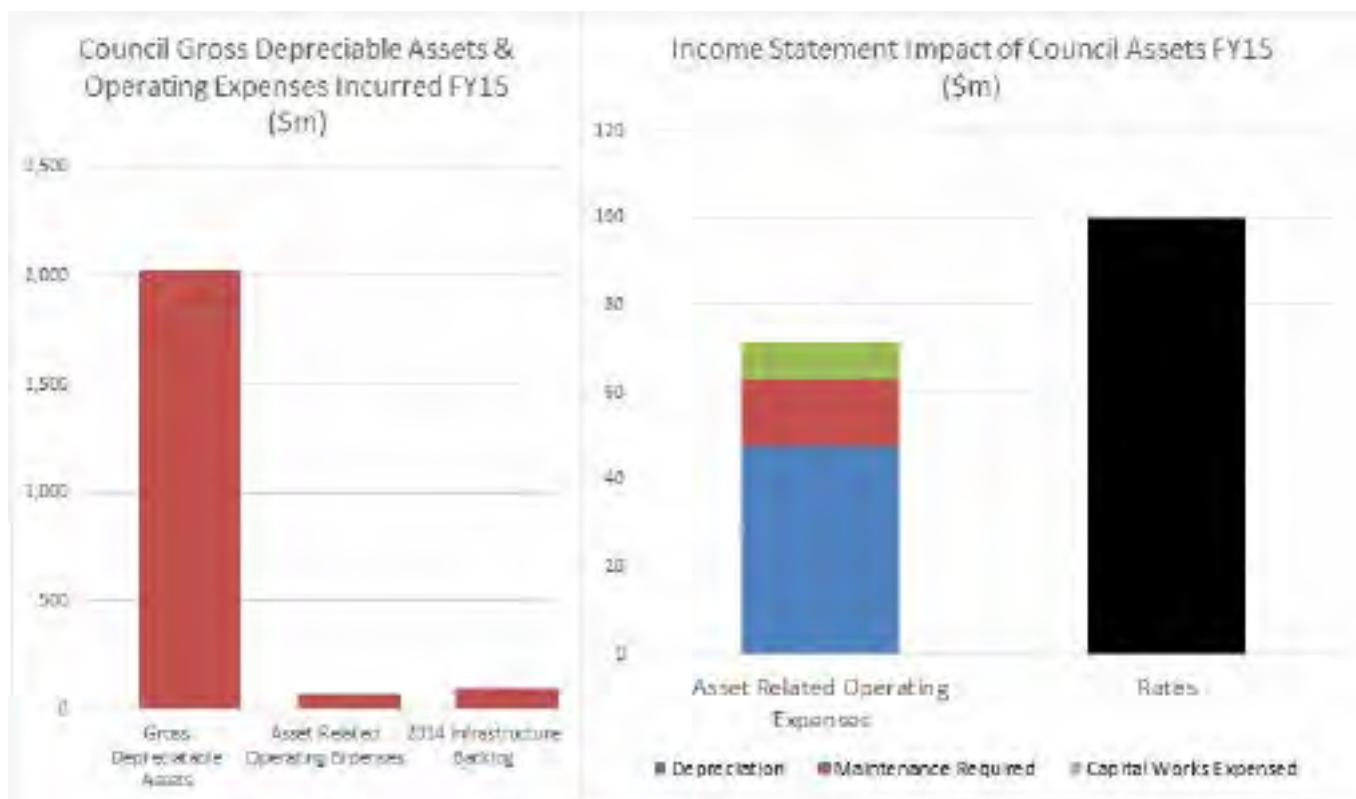
The NSW State Government Fit for the Future program is largely based on the recommendations of the Independent Local Government Review Panel (the Panel). It aims to ensure the long term financial viability of the local government sector and to encourage reform, with voluntary mergers of selected councils as a cornerstone of that reform. The program requires all councils to assess their current position and submit a Fit for the Future proposal by 30 June 2015.

The Panel made a series of recommendations for NSW local councils and one of these was for Newcastle to merge with Lake Macquarie City Council. This is the starting point for the development of our Fit for the Future proposal in which we must demonstrate the Council have sufficient scale and capacity to meet the needs of our community as well as achieving a number of financial criteria, based largely around asset maintenance and financial sustainability.

Graph 4: Council Revenue Mix FY15 (%)



Graph 5: Assets



Discussions with Lake Macquarie City Council

We have met with Lake Macquarie City Council (LMCC) and they have indicated they do not support the Panel recommendation to merge with Newcastle City Council. To consider a merger the Fit for the Future guidelines require both parties to support the recommendation. Therefore we will proceed with an individual proposal (Fit for the Future template 2) including an improvement plan which shows Council:

- have sufficient scale and capacity to meet the needs of the Newcastle community
- can demonstrate a clear trend towards achieving financial sustainability and adequate levels of asset maintenance (based on the Fit for the Future criteria) in a reasonable time frame.

Prior to the announcement of the Fit for the Future program we had already made significant progress in addressing Council's financial challenges and have a clear plan to achieve long term financial sustainability. This path of internal financial reform is completely aligned to the sustainability objectives of Fit for the Future.

See table 2 Fit for the Future criteria status

The Fit for the Future improvement proposal is wide-ranging and seeks to realize significant incremental benefits. Council will need to apply sufficient resources to achieve the outcomes sought however the program is structured to be self-funded. which means that there will be only limited net financial impact in 2015/16 and 2016/17 as establishment costs are absorbed.

The benefits from 2017/18 however are material and some of the key benefits are summarised below:

- the Infrastructure Backlog Ratio is projected to meet the TCorp (and Fit for the Future) target by 2020 (two years earlier than projected in LTFP scenario 3)
- the reserves position will recover by 2024. Whilst the LTFP scenario 3 reflects a sustainable reserves position in the latter years of the projections there is only limited contingency for unforeseen events. The benefits from the Fit for the Future initiatives help address this risk.
- optimising the sequencing of asset maintenance and renewal activity will assist in limiting assets degrading to a condition not deemed satisfactory.
- a more diversified portfolio of investments within acceptable risk parameters can reduce financial risks. For example although the current investment portfolio is at very low risk of capital loss (due to the risk profile of investments). Council returns are impacted adversely by current prevailing low interest rates. Some of these investment reserves are held to cover what will be considerable future liabilities associated with remediation of Council's waste management

facilities. These reserves will not be drawn on for up to and exceeding 50 years. Continuing to hold all of these funds in short term low interest investments does not provide an optimal return on investment.

Analysis of the 2015/16 Operational Plan

A summary of the Budget included in the 2015/16 Operational Plan compared to the 2014/15 adopted budget as well as the LTFP forecast for 2015/16 is on page 40.

See table 3 Operating Summary. Page 43.

The operating deficit for 2015/16 is budgeted to be higher than that for 2014/15 due to:

- increased levels of asset maintenance
- additional operating costs associated with increased levels of capital works for asset renewal
- increased expenditure associated with the revitalisation of the city (per SRV application).

An analysis by major revenue and expense line assists in providing a clearer picture of where the key changes are between 2014/15 and 2015/16.

The detail in table 4 on page 43 will help explain the key movements and the challenges and possible risk areas.

See table 4 page 43: Overall budget funding summary

Revenue is consistent with the recently adopted LTFP projections and includes an 8% rates and charges increase arising from the SRV.

Note: The SRV application was approved by IPART on 19 May 2015 and the below revision will no longer need to be implemented:

- If an increase between scenarios 2 and 3 is approved (i.e. greater than 6.8% but less than 8% for 2015/16) this would require a review of the revitalization initiatives and their prioritisation. Priority will be given to initiatives which are aligned with asset renewal.
- If an increase is approved in line with scenario 2 (i.e. 6.8% for 2015/16) this would result in Council excluding all revitalization initiatives that were included in scenario 3 as part of the revitalization component. The asset renewal program will be continued to the maximum extent possible.
- An SRV determination less than scenario 2 (i.e. less than 6.8% and also less in future years) will require Council, as a matter of urgency, to assess how it will fund the future capital works required for asset renewal. This may also require alteration to service levels, community facilities and/or community grant programs.

Graph 6: Capital Works Program

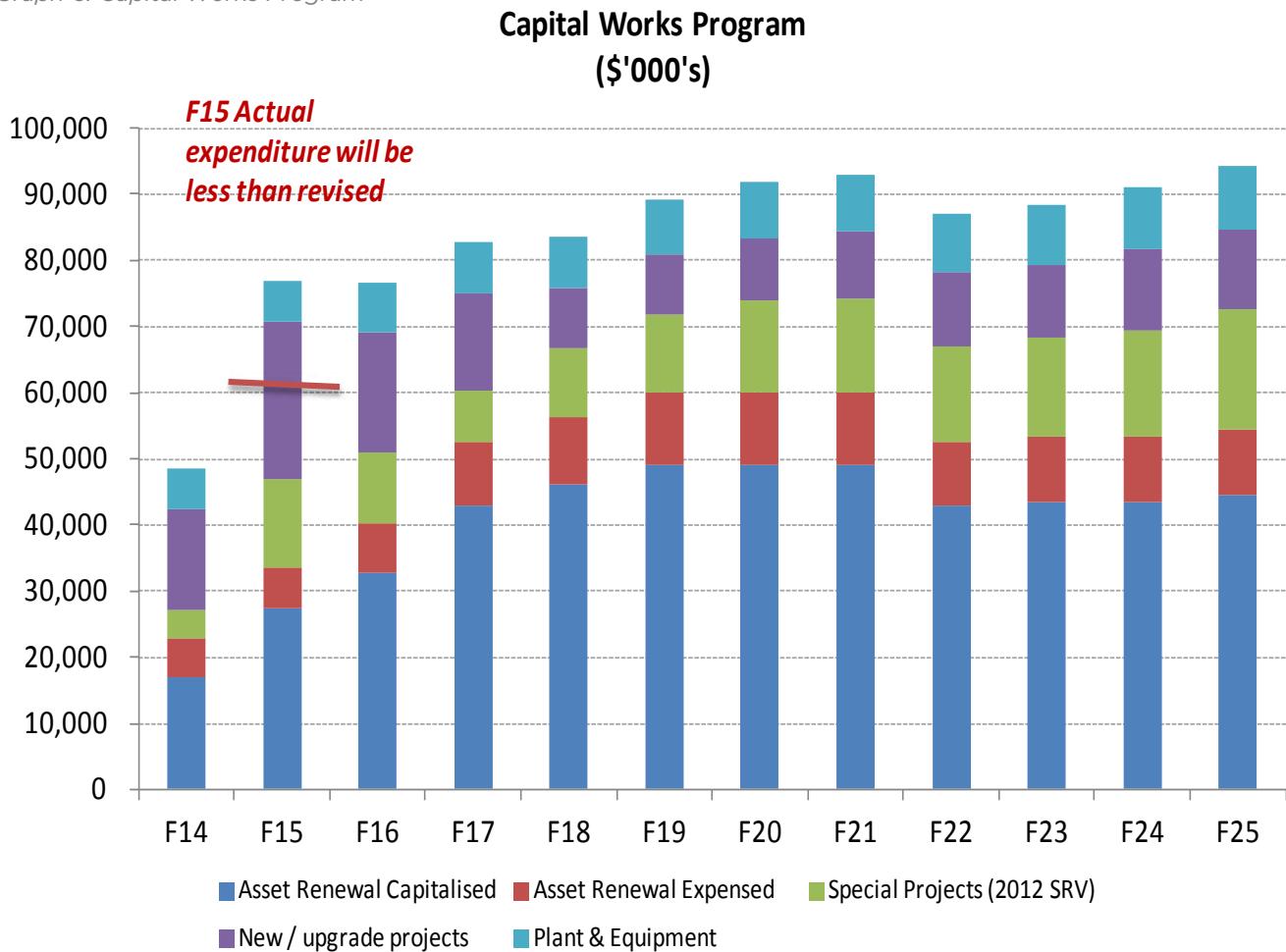


Table 2: Fit for the Future Criteria Status

Fit for the Future criteria	Council's Status & Projection
Operating Performance Ratio (greater or equal to break-even average over 3 years)	Do not currently meet this criterion but with continued improving trend in operating performance will meet this criterion with operating surpluses forecast from 2017/18 and continuing to trend positively .
Own Source Revenue Ratio (greater than 60% average over 3 years)	Currently meets criterion. Council has a very high percentage of own sourced revenue. This creates an opportunity for Council to focus on increasing grants and sponsorships (included in the improvement program)
Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)	Do not currently meet this criterion but increased levels of renewal expenditure are included in the 2015/16 budget and the LTFP projections. Trending positively .
Infrastructure Backlog Ratio (less than 2%)	Do not currently meet this criterion but have significantly reduced the backlog through asset sales and are treating this as a key priority. Improving underlying operating position will fund continued reduction of the backlog. Trending positively and estimated to meet in 2021.
Asset Maintenance Ratio (greater than 100% average over 3 years)	Do not currently meet this criterion in the past but increased levels of asset maintenance expenditure is included in the 2015/16 budget and the LTFP projections. Trending positively .
Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)	Currently meets criterion. Council has low levels of debt and until there is capacity to repay any debt from funds generated will not undertake further debt.
A decrease in Real Operating Expenditure per capita over time	Currently meets criterion. Council's organisational restructuring has resulted in real expenditure per capita decreasing. Positive long term trend expected.

User charges and fees

User charges and fees have been budgeted to increase modestly. The level of increase achieved in 2013/14 for Summerhill Waste Management Centre has not been replicated in 2014/15, with revenue below original 2014/15 budget largely due to prevailing market conditions. As a consequence the 2015/16 revenue budget reflects a more modest increase.

Interest revenue budget for 2015/16

Interest revenue budget for 2015/16 reflects the strong performance achieved in 2014/15, however also takes into account prevailing market conditions, which may make it difficult to replicate the positive variance to budget achieved in the prior year.

Other operating revenues

Other operating revenues are projected to decrease against the 2014/15 adopted budget. This revenue includes property rental, compliance revenue and other miscellaneous revenue and the budget reflects the challenging market conditions currently prevailing.

Grants and contributions

Operational grants and contributions are projected to remain largely flat reflecting the freezing and reprioritising of the Australian Government's Financial Assistance Grant. As a consequence our grant decreased in 2014/15 and is at risk of a further reduction in 2015/16.

In summary, a number of revenue lines are largely flat due to federal and state government budgetary pressures and a subdued commercial operating environment. The primary driver of increased operating revenue is rates and charges, reflecting the SRV. This results in total operating revenue increasing by 5.3% despite a 8% increase in rates.

The proposed Fit for the Future improvement plan seeks to address this directly in future years. Those initiatives seek to increase user charges and fees by expanding Summerhill Waste Facilities service capabilities and increasing investment returns through a more diversified investment portfolio.

The impact of the various efficiency initiatives can be clearly demonstrated by graph 7 below which compares actual and forecast operating costs from FY13 onwards to a 'benchmark' based on indexed actual costs for FY13. A composite index of 2.85% is used for the comparison which is an average of the CPI of 2.5% and the labour index of 3.2%:

See graph 7 Total operating expenses

The NSW Government waste levy is subject to annual increases well in excess of inflation. It is outside of our control and has a significant impact on our operating expenses. If the waste levy is excluded from the analysis it is clear our efficiency initiatives have achieved very significant annual savings.

See graph 8 Total operating expenses (excl. waste levy)

Analysis of major operating cost categories in the 2015/16 budget, compared to the prior year, is provided below:

Employee costs

- Significant and sustainable reduction in employee costs, compared to the long term average, due to the organisational restructure
- Renewed focus on the capital works program for FY15/16 will see a moderate increase in the budget for employee costs compared to the prior year.

Borrowing Costs

These have been reduced to reflect reduced debt levels arising from the scheduled principle repayments. Most debt is at fixed rates and we don't benefit from the recent decreases in interest rates.

Materials and contracts budget

Materials and contracts budget has been increased significantly to reflect the increased operating costs associated with an expanded capital works program during 2015/16.

Depreciation and amortization

Depreciation and amortization has increased for the 2015/16 budget to reflect the increase in the provision required for Summerhill Waste Management Centre. An internal review has indicated that the level of provisioning for final remediation has been below prudent levels. This will be addressed for the 2014/15 financial statements and an engineering assessment is being completed to ensure the provision in future years (including 2015/16) is adequate.

Other operating expenses

Other operating expenses remain flat. The waste levy increase of approximately \$2 million in 2015/16 means that other expenses are actually reducing by an equivalent amount.

Net loss

It is anticipated there will be some losses on the disposal of infrastructure assets that are replaced as part of the renewal program. The demolition of these assets means that their residual book value needs to be written off.

See table 4 Capital Summary

The second half of table 4 on page 43, covers other sources of funds including additional revenue beyond operating revenue, adjustments to exclude non-cash expenses such as depreciation and non-operational expenses such as capital works resulting in assets which are added to the balance sheet and the repayment of principal associated with borrowings.

Table 3 Operating Summary

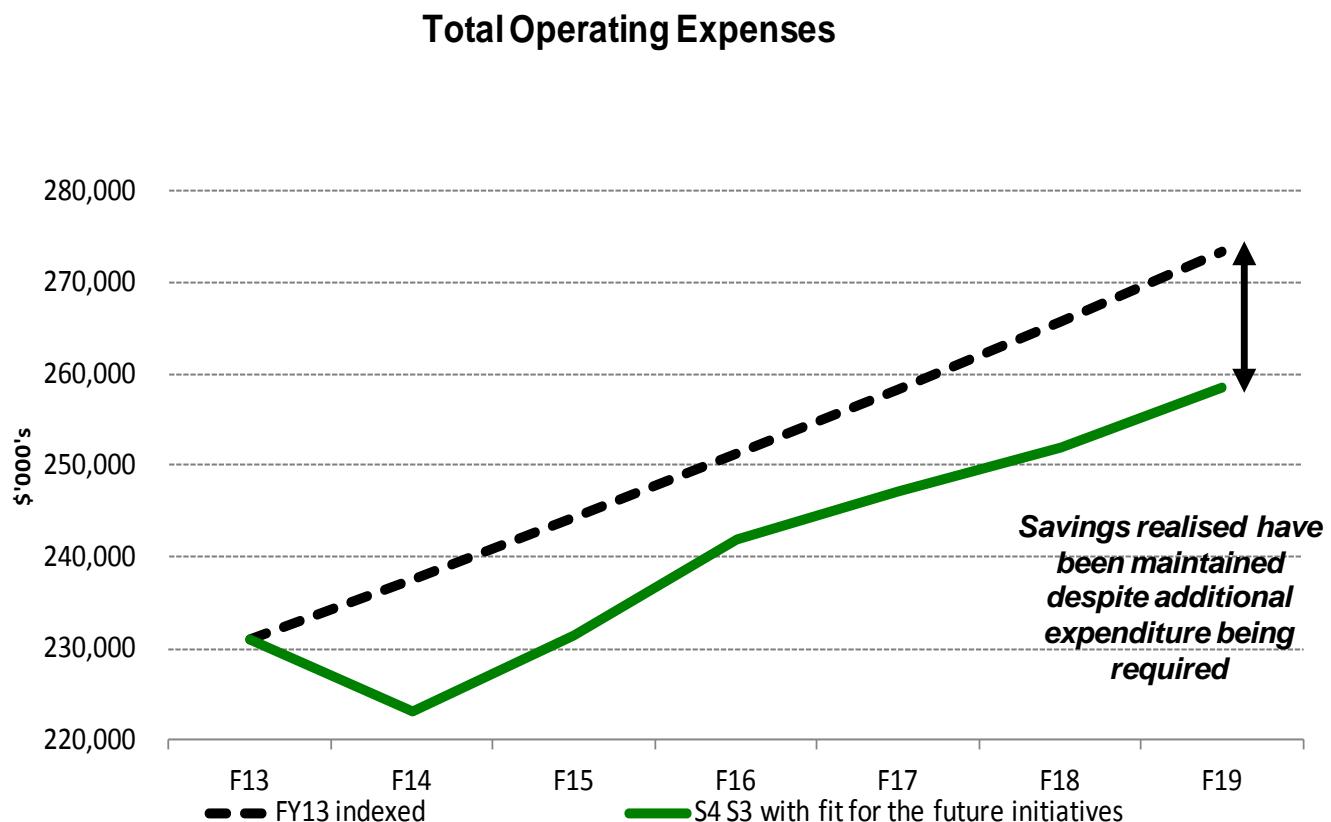
Operating Summary	Adopted Budget 2014/15 \$,000	Budget 2015/16 \$,000	LTFP Scenario 3 2015/16 \$,000
Operating Income			
Rates & charges	128,191	137,126	137,126
User charges & fees	60,093	62,749	62,701
Interest	7,077	7,618	6,609
Other operating revenues	9,463	8,960	10,129
Grants & contributions - Operating	16,419	16,591	15,697
Total Operating Income	221,243	233,044	232,262
Operating Expenditure			
Employee costs	90,813	93,712	94,712
Borrowing costs	4,257	4,117	4,110
Materials & contracts	40,256	50,054	47,806
Depreciation & amortisation	48,476	50,242	48,861
Other operating expenses	42,910	42,232	43,022
Net Loss from disposal of assets		2,228	2,228
Total Operating Expenditure	226,712	242,585	240,739
Total Operating Income less Operating Expenditure	(5,469)	(9,541)	(8,477)

Table 4 Capital Summary

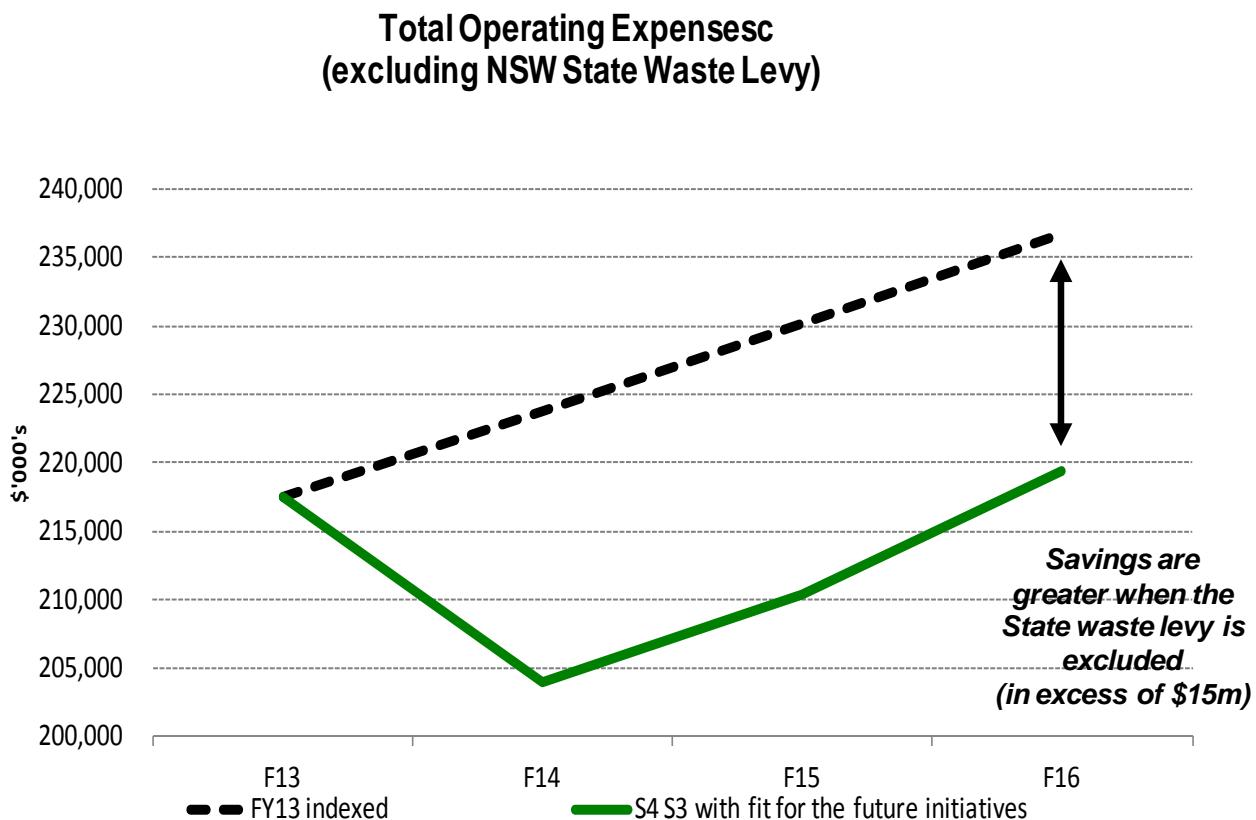
Capital Summary	Adopted Budget 2014/15 \$,000	Budget 2015/16 \$,000	LTFP Scenario 3 2015/16 \$,000
Total Operating Income less Operating Expenditure	(5,469)	(9,541)	(8,477)
Capital Revenues			
Grants & contributions - Capital	2,252	20,207	6,680
Proceeds from the sale of Assets	7,171	16,500	17,848
Total Capital Income	9,423	36,707	24,528
Net Surplus/(deficit) after capital income	3,954	27,166	16,051
Adjustments for Non Cash Items			
Add back Depreciation	48,476	50,242	48,861
Less land & infrastructure donations		(10,081)	
Funding available for capital expenditure	52,430	67,327	64,912
Capital Expenses			
Asset Renewal	24,505	32,841	39,140
Special Rate Variation Projects	11,245	9,815	7,271
New / Upgrade	19,239	25,665	26,000
Total Capital Spend	54,989	68,321	72,411
Net Loans Borrowings / (Repayments)	(2,697)	(2,600)	(2,611)
Net Funds Generated / (Used)	(5,256)	(3,594)	(10,110)

Note: LTFP 15/16 differs from the adopted long term financial plan in that it consolidates Council's 50% share of Newcastle airport and excludes forecast balance sheet movements.

Graph 7: Total Operating Expenses



Graph 8: Total Operating Expenses (Excluding NSW State Waste Levy)



Key budget items

Capital revenue

Capital revenues are anticipated to be substantially higher in 2015/16 due to:

- higher capital related grants and contributions including donation of land under roads associated with new sub-divisions (\$10.1 million. Note: This does not assist our cash position and is therefore excluded when determining funding available for capital expenditure) and
- on-going sales of surplus assets.

Adjustments for non-cash items

Adjustments for non-cash items recognises that the items listed do not utilise funds (eg depreciation) or generate funds (eg donation of land).

Funding available for capital expenditure

Funding available for capital expenditure is higher than the adopted budget for 2014/15 due to proceeds of surplus asset sales which are due to settle in 2015/16. This reflects the importance of these sales in generating funds, particularly where our operating position is gradually improving in conjunction with ongoing containment of operating expenses.

Capital expenses

Capital expenses reflect the investment being made in remediation or replacement of existing assets or the construction of new assets (including priority projects associated with the 2012 SRV).

Summary

The most significant factor in increasing revenue is the SRV (approved by IPART 19 May 2015). Other revenue categories will remain largely flat due to a combination of government policy, legislative constraints and a subdued economic/competitive environment.

Operating expenditure in aggregate remains constrained and preserves the efficiency savings achieved since 2013/14. There are, however, additional operating expenses associated with the expanded asset maintenance and capital works program. There is also some impact from the additional costs associated with the revitalisation initiatives funded from the SRV, together with provision for waste site remediation and the increased per tonne charges associated with the waste levy.

Asset sales are a key contributor to our funding position in the short term. The expanded capital works program requires more funds than are generated in 2015/16 with a consequential reduction in our reserves position.

SPECIAL RATE VARIATIONS

2012 Special Rate Variation (S.508(2))

In 2012, we successfully applied for a section 508(2) special rate variation (SRV) of 5% above the rate cap for one year. The variation occurred in the 2012/13 financial year increasing the base rate charge. The variation was granted for works of a capital nature for specific projects, these are outlined below. The Delivery Program adopted by Council also includes Budget Principles specific to project delivery and these are:

'that no project commences until funding for the full cost of the project is secured or has certainty'

'special projects be prioritised in accordance with community ranking from the Micromex Research 2011 Report and timing for delivery matched to cash flow.'

Special Projects

These priorities according to community support are:

1. Revitalising Hunter Street

2. Revitalising our coast

3. Upgrading Blackbutt Reserve

4. Providing new cycleways

5. Improving our swimming pools

6. Modernising our libraries

7. Expanding parking meters

(Note: Council resolved not to expand the parking meter network.)

8. Off-street parking stations

(Note: Council sold two of three parking stations.)

9. Expanding our Art Gallery

First four priority projects

Currently we are focused on delivering the first four priority projects and these are:

1. Hunter Street Revitalisation

2. Coastal Revitalisation

3. Blackbutt Reserve

4. Cycleways

2012 SRV	Rate Revenue \$,000	Expenditure on Priority Project \$,000
2012/13 - Actual	4,685	5,076
2013/14 - Actual	4,740	4,085
2014/15 - Forecast at March 2015	4,859	6,305
2015/16 - Budget	5,004	9,815
Total	19,288	25,281

The SRV was introduced in July 2012 and in this time \$14,193,026 (30 June 2015) has been raised. This revenue is placed in a restricted reserve and can only be used to fund the projects outlined in the SRV application.

In total \$14,401,711 (to March 15) has been spent on these capital projects since the introduction of the variation. We are currently planning to spend in excess of \$11 million again in the 2015/16 financial year.

2015 SRV (S.508 (A)) - Road to Recovery

During October 2014, we undertook an extensive program of communication and engagement activities labelled the 'Road to Recovery', to make the Newcastle community aware of the issues, inform them of the options proposed to address the situation and provide multiple feedback opportunities.

At the November 2014 Ordinary Council meeting, Council supported submission of an application to the Independent Pricing and Regulatory Tribunal (IPART) for a SRV of 8% (5% above the rate peg) for five years.

IPART considered all the information provided as part of the application and approved on 19 May 2015.

FOUR YEAR FINANCIAL PLAN

This update of the Delivery Program 2013-2017 is based on the principles established in the prior planning documentation outlined below. It has been updated to reflect progress to date and to take account of any relevant changes to the operating environment. It includes all prior planning documents that remain relevant as key inputs. Financial sustainability remains a long term issue which is being addressed through the IP&R process.

Key reports and planning documents

Integrated Strategic Financial Analysis (ISFA)

- Extensive coverage of adverse financial position and asset backlog
- Highlighted both systemic issues in NSW and factors unique to The City of Newcastle
- Broad range of actions recommended including significant capital works to address the Infrastructure Backlog.

Report of the Financial Advisory Panel (FAP)

- Noted a significant capital works program was not viable due to weak financial position
- Recommended against funding new capital works via debt.

Long Term Financial Plan (LTFP)

- Modelled financial projections - based on ISFA and economic assumptions
- Identified specific actions such as areas of cost reductions, asset sales (reducing backlog) and revenue actions to achieve a sustainable financial outcome
- Scenarios demonstrated the need for a broad based response including a multiyear SRV as the only sustainable outcome.

Financial Sustainability

FiscalStar in a 2009 Local Government Review defined sustainability as: *"Maintaining an investment grade credit rating through achieving three primary goals:*

1. *A minimum 2.5% budget surplus ratio, so that future ratepayers are not left with excessive share of the cost of capital*
2. *A maximum 60% Net debt and other financial liabilities to total operating revenue, and*
3. *A maximum 2% unsatisfactory infrastructure, unsafe or unsightly."*

Secondary goals were:

1. More revenue through own sources than through Government grants
2. Keeping operating expenditure growth less than revenue growth making extra infrastructure renewal monies available for backlogs
3. Having a modest physical asset base.

High Level Assessment

- A 2.5% budget surplus ratio would require us to have an operating surplus of approximately \$5.5 million to \$6 million (based on a \$230 million revenue base)
- Asset backlog (as a proxy for this unsatisfactory infrastructure) would need to be approximately \$18 million (based on ISFA) to meet the 2% target
- Wages cost would need to increase less than CPI if revenue (per rate cap) remained constrained below CPI. Australian labour cost indices are usually a significant increment above CPI

Four year financial budgets (Including SRV)

	2013/14 Adopted Budget \$'000	2014/15 Adopted Budget \$'000	Budget 2015/16 \$'000	LTFP 2016/17 \$'000
Operating revenue				
Rates & charges	123,045	128,191	137,126	147,058
User charges & fees	46,947	60,093	62,749	64,631
Interest	6,858	7,077	7,618	5,741
Other operating revenues	12,394	9,463	8,960	10,636
Grants & contributions - Operating	16,390	16,419	16,591	15,697
Total Operating Revenue	205,634	221,243	233,044	243,763
Operating Expenses				
Employee costs	88,978	90,813	93,712	97,627
Borrowing costs	4,220	4,257	4,117	3,916
Materials & contracts	50,378	40,256	50,054	49,003
Depreciation & amortisation	55,609	48,476	50,242	49,545
Other operating expenses	36,361	42,910	42,232	44,102
Net Loss from disposal of assets			2,228	2,326
Total operating expenses	235,546	226,712	242,585	246,519
Total Operating Revenue Less Operating Expenditure	(29,912)	(5,469)	(9,541)	(2,756)
Capital revenues				
Grants & contributions - Capital	6,715	2,252	20,207	6,680
Proceeds from the sale of Assets	800	7,171	16,500	10,779
Total capital raising revenue	7,515	9,423	36,707	17,459
Net Surplus/(deficit) after capital revenue	(22,397)	3,954	27,166	14,703
Adjustments for Non Cash Items				
Add back Depreciation	55,609	48,476	50,242	49,545
Less land & infrastructure donations			(10,081)	
Funding available for capital expenditure	33,212	52,430	67,327	64,248

	2013/14 Adopted Budget \$'000	2014/15 Adopted Budget \$'000	Budget 2015/16 \$'000	LTFP 2016/17 \$'000
Capital Expenses				
Major Asset Preservation Program	25,000	24,505	32,841	40,211
- Building & Structures			23,837	
- City Roads			6,327	
- Environmental			2,677	
Special Rate Variation Projects	7,047	11,245	9,815	8,147
- Hunter st Revitalisation			395	
- Coastal Revitalisation			7,330	
- Blackbutt Reserve			440	
- Cycleways			1,650	
New/Upgrade Projects	13,314	19,239	25,665	22,450
- Built Infrastructure			6,122	
- Information Technology			300	
- Waste			10,685	
- Minor Capital			1,130	
- Fleet Replacement Program			7,428	
Total capital spend	45,361	54,989	68,321	70,808
Net Loans Borrowings/(Repayments)		(2,697)	(2,600)	(2,611)
Net Funds Generated / (Used)	(12,149)	(5,256)	(3,594)	(3,949)
Net Transfers (from)/to Restricted Cash Reserves	(388)	(26,812)	(22,621)	
Net Transfers (from)/to Unrestricted Cash	16,063	21,556	19,027	
Net change in Council's Reserves	15,675	(5,256)	(3,594)	



RESOURCING THE DELIVERY PROGRAM

The City of Newcastle has 919 EFT and is responsible for providing services and facilities to more than 148,531 people in our LGA. Sound resource planning is required to ensure Council is able to efficiently deliver services and facilities.

This includes a suitably experienced and qualified workforce (within financial constraints) to deliver on both community expectations for customer-focused services and the community's vision for a smart, liveable sustainable city.

To resource the **Newcastle 2030 Community Strategic Plan** and the **Delivery Program 2013-2017 (including the 2015/16 Operational Plan)**, Council maintains three resourcing strategies:

- **Long Term Financial Plan**
- **Workforce Management Plan**
- **Asset Management Strategy**

LONG TERM FINANCIAL PLAN

Council has, as per requirements of the local government Integrated Planning and Reporting Framework (IP&R), revised the Long Term Financial Plan (LTFP) and updated the Delivery Program for 2013-2017.

The LTFP is a key input into the Delivery Program. Prior projections undertaken in early versions of the LTFP highlighted the dire financial position of the Council if no remedial action was taken. As reflected in the latest LTFP, adopted in February 2015, Council has made significant progress in turning around Council's financial position and has a clear plan on how to achieve a financially sustainable position by 2022..

The LTFP has been updated as part of the 2015/16 budget process and includes the impact of any changes arising from the 2015/16 Operating Plan and the impact of the Fit for the Future Improvement Plan across all years of the LTFP. These initiatives will make a material contribution to improving the Council's financial position. The Fit for the Future improvement plan has targeted a broad range of initiatives which will incrementally increase operating revenue, reduce expenses and improve efficiencies across the organization with a particular focus on the capital works program which is an area of significant expenditure.

Council's operating position was discussed in the first section of this financial overview. The graph below shows the 10 year projection. The prevailing guidance (provided by TCorp and the Fit for the Future program) is that councils should maintain a trend of modest surpluses in order to remain financially sustainable. However NCC needs to generate additional surpluses over the medium term to fund the additional capital expenditure required to address the infrastructure backlog, which is expected to be approximately \$100m by the end fo the current financial year.

The impact of the capital works program (as shown previously in graph 6) can be seen in the Funding Surplus (Deficit) graph below. In simple terms the Funding Surplus/(Deficit) is the operating surplus/ deficit adjusted to reflect the cashflow impact of depreciation and any capital revenue or expenditure items not reflected in the operating result. Despite Council moving to a position of operating surplus in 2017/18 Council will continue to incur funding deficits due to ongoing expenditure required on capital works.

The net funding position however does move to surplus in 2019/20. This is an accelerated outcome due to the Fit for the Future improvement plan. Ongoing funding surpluses provide some room in future years to expand investment on areas other than asset renewal.

The net funding deficits and surpluses reflected above translate to the movements in Council's cash reserves position.

Council requires reserves to ensure there are sufficient funds to cover future obligations. These include a certain amount of funding to cover obligations entered into for long term capital works programs. Like all organizations Council needs to maintain provisions for future obligations to its employees. One of the largest provisions required is to meet the future remediation costs associated with Council's waste disposal sites (ie Summer Hill and the former Astra St site). It is both financially prudent and important from an intergenerational equity perspective to ensure that Council establishes sufficient provisions now to meet the cost of future waste site remediation. These costs are likely to be substantial but may not be incurred for 50 or more years into the future.

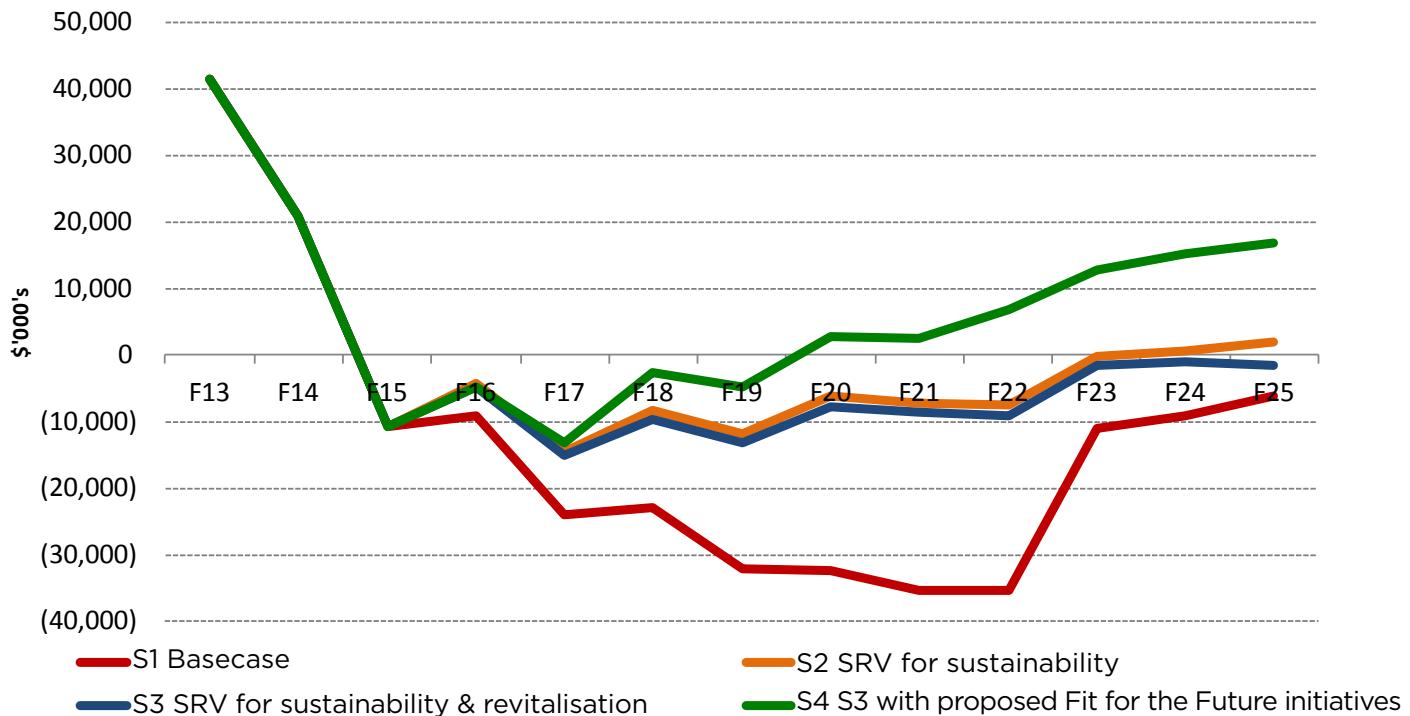
Reserve position

The graph below reflects all scenarios detailed in the LTFP (scenarios 1 and 2 involve the same level of investment as scenario 3 and therefore are reflected by the same line). The LTFP has been further updated to include Scenario 4 ,which reflects the fit for the future improvement program, (this scenario is not included in the recently endorsed version of the LTFP) provides the capacity to accelerate the reduction in the reduction in the backlog by achieving greater efficiencies in the capital works program.

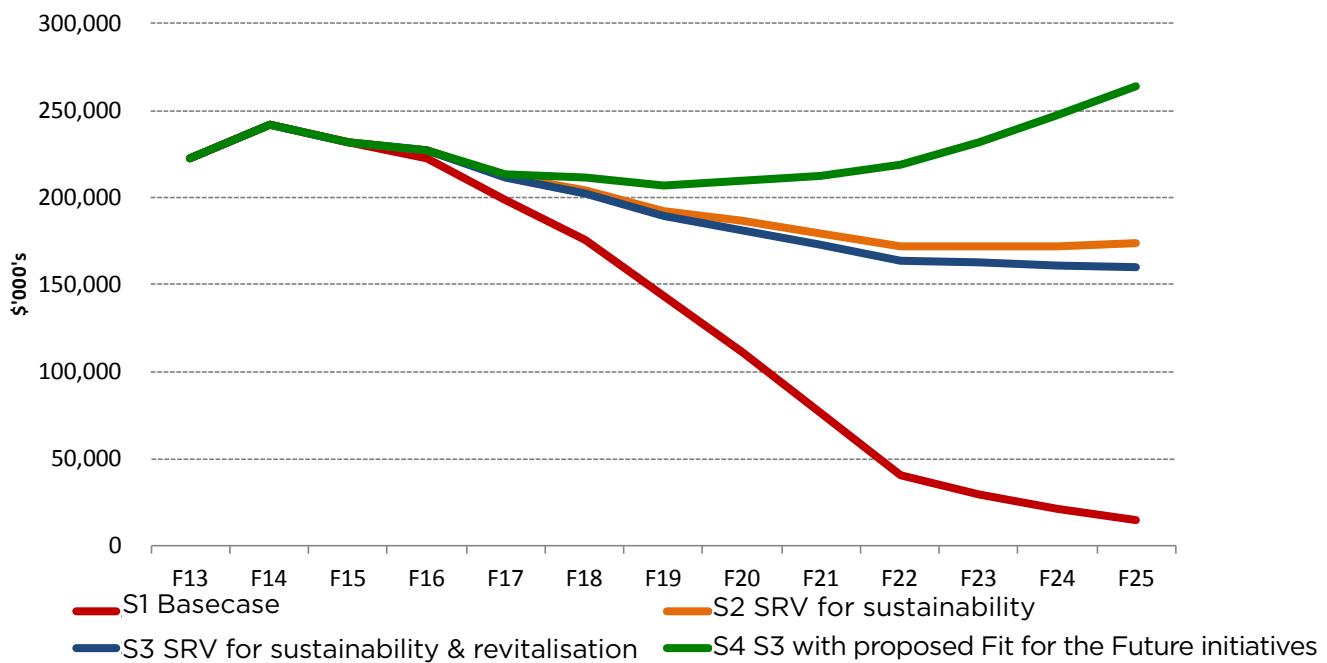
The infrastructure backlog has reduced in recent years. The backlog was \$117 million in 2011/12. The anticipated increase in the backlog in 2014/15 and 2015/16 needs some explanation. The reason for the earlier reduction in the backlog was largely due to the sale of assets which were themselves a contributor to the infrastructure backlog. Most of the remaining assets which constitute the infrastructure backlog are not saleable. For example, City Hall, roads and drainage assets are considerable contributors to the backlog.

See table page 53: Council Reserves (Cash & Investments) Position

Funding Surplus (Deficit)



Council Reserves (Cash & Investments) Position



Infrastructure backlog

In summary, Council has successfully implemented a number of initiatives which have delivered significant financial improvements in the short term, but it is very focused on the long term and on ensuring that Council maintains the financial discipline necessary to deliver services in line with community needs and expectations in a sustainable manner into the future. Council has made considerable progress on this path (the road to recovery).

The 2015/16 budget is a key step on this path with a strong focus on ensuring Council makes the investment necessary on its existing assets to ensure they are in the condition expected by ratepayers. This approach also ensures Council spends the funds received from ratepayers in the most efficient manner (assets in a poor condition require more funds to remedy compared to the cost of maintaining these assets in an appropriate condition on an ongoing basis). Council will need to remain focused on the documented priorities and not be diverted from these goals to ensure the outcomes of the LTFP are delivered.

The outlook for Council if this path is followed is very positive.

- Council will have rates which compare favourably to other councils based on both absolute comparisons and based on affordability metrics.
- Council will meet all sustainability metrics and therefore will be in a strong financial position and Fit for the Future.

- Council is building the capacity in the future to consider further revitalization initiatives for Newcastle, based on community needs and expectations and to continue building Newcastle as an increasingly important regional centre

- Taking a long term view will ensure that Council provisions adequately for future obligations and avoid imposing these costs on future generations.

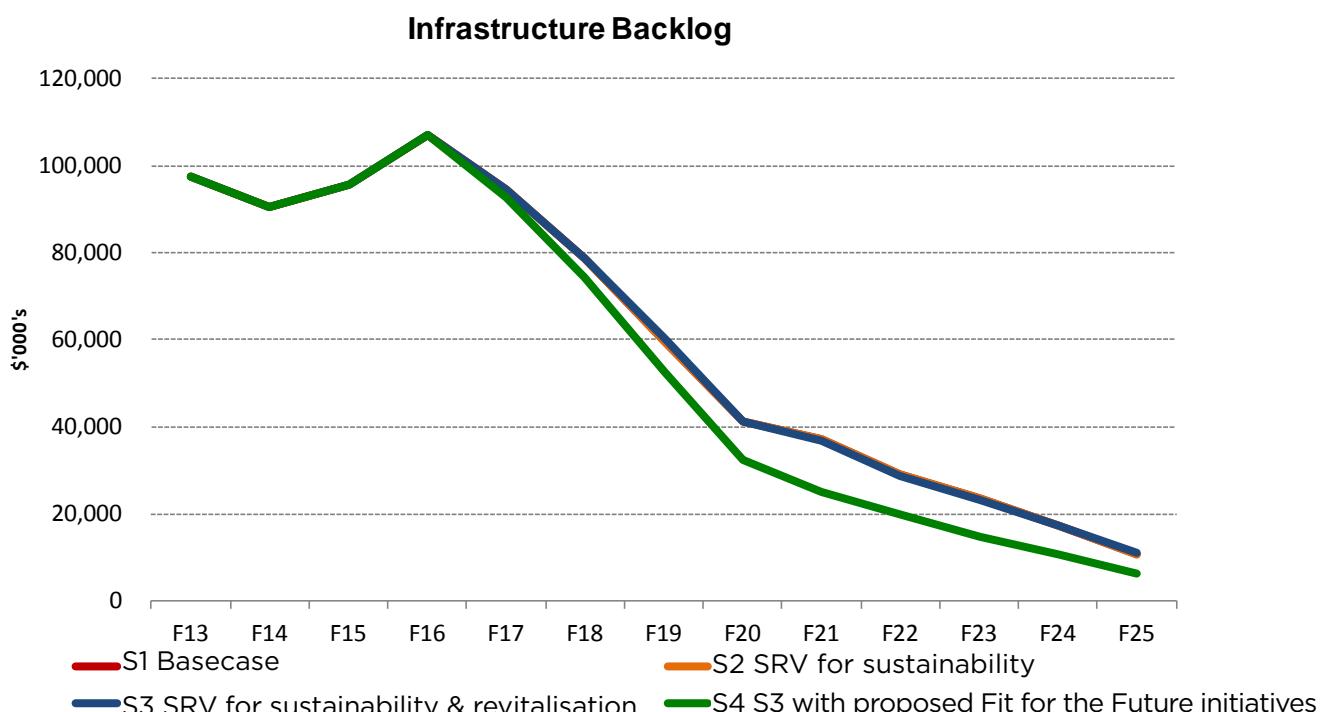
There has been a clear trend of improvement in Council's financial position which will provide the motivation and confidence to maintain the road to recovery and meet all sustainability criteria by 2020/21. This is ahead of the original target set as part of the budget principles in the 2013-2017 Delivery Program.

See table page 55: Infrastructure Backlog

Road to recovery – Achieving financial sustainability

The analysis on page 55 reflects how Council will continue to strengthen its financial position. A review of the TCorp ratios and supporting data reflects how the strategies being pursued address any current gaps in financial sustainability.

All key ratios achieve TCorp benchmarks by FY21 (2020/21), which will also mean that we meet all of the Fit for the Future criteria. In addition key ratios continue to improve ensuring Council will remain in a strong financial position.



S4 Fit for the Future For the year ended 30 June

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Revenue	233,542	243,763	260,059	274,199	288,669	296,966	304,563	313,391	322,468	332,638
Operating Expenses	242,397	246,519	251,928	258,506	263,270	276,904	280,908	287,032	293,092	299,876
Operating Surplus (Deficit)	(8,855)	(2,756)	8,131	15,693	25,399	20,063	23,654	26,359	29,376	32,763
Total Assets	1,720,954	1,695,168	1,683,438	1,702,519	1,731,096	1,933,747	1,955,980	1,984,314	2,017,051	2,053,504
Total Liabilities	132,631	131,797	130,490	129,036	127,438	125,618	119,581	117,003	115,874	115,141
Equity	1,588,323	1,563,370	1,552,948	1,573,483	1,603,658	1,808,129	1,836,399	1,867,311	1,901,177	1,938,363
Borrowing	62,851	59,880	56,522	52,958	49,190	45,138	40,818	35,992	32,550	29,438
Closing Investments & Cash	227,438	214,910	213,030	208,915	212,506	215,873	223,535	236,989	253,101	271,001

	Bench-mark	F16	F17	F18	F19	F20	F21	F22	F23	F24	F25
Operating Position											
Operating Surplus (Deficit)	Breakeven	(8,855)	(2,756)	8,131	15,693	25,399	20,063	23,654	26,359	29,376	32,763
Operating Surplus (Deficit) ex SRV & Airport	Breakeven	(16,825)	(11,268)	(916)	6,054	15,124	9,485	12,763	15,145	17,828	20,872
Operating Ratio	0% or greater	-3.79%	-1.14%	3.13%	5.72%	8.80%	6.76%	7.77%	8.41%	9.11%	9.85%
Own Source Operating Revenue Ratio	> 60%	85.58%	86.24%	86.67%	87.05%	87.61%	87.64%	87.96%	87.98%	88.02%	87.83%
Infrastructure											
Asset Backlog		106,970	92,778	74,214	52,633	32,563	24,908	19,875	14,888	10,812	6,268
Building & Infrastructure Backlog Ratio	< 2%	9.99%	8.77%	7.08%	4.91%	2.97%	1.92%	1.52%	1.12%	0.81%	0.46%
Asset Maintenance Ratio	> 1X	1.01	1.04	1.07	1.07	1.02	1.01	1.01	1.01	1.01	1.01
Building & Infrastructure Renewal Ratio	> 1X	0.97	1.28	1.38	1.44	1.41	1.19	1.03	1.02	1.01	1.01
Capital Expenditure Ratio	> 1.1X	1.38	1.51	1.52	1.59	1.62	1.45	1.35	1.35	1.38	1.41
Borrowing											
Debt Service Ratio	> 2X	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02
Debt Service Cover Ratio	> 2X	6.38	6.85	8.17	9.35	10.87	10.97	11.57	11.70	15.73	18.20
Interest Cover Ratio	> 4X	10.43	12.04	15.59	18.96	23.59	26.02	30.30	35.70	41.17	47.62
Liquidity											
Cash Expense Cover Ratio	> 3 months	3.69	3.67	3.67	3.65	3.68	3.64	3.69	3.70	3.71	3.71
Unrestricted Current Ratio	> 1.5X	2.27	2.14	2.08	2.01	1.99	1.96	2.06	2.13	2.19	2.24
Reserves											
Closing Investments & Cash		227,438	214,910	213,030	208,915	212,506	215,873	223,535	236,989	253,101	271,001
Funding Surplus / (Deficit)	Surplus	(4,148)	(12,527)	(1,881)	(4,115)	3,591	3,366	7,663	13,454	16,112	17,900

Meeting the benchmark Not meeting benchmark

WORKFORCE MANAGEMENT

Workforce Management Plan

The aim of the Workforce Management Plan is to ensure Council has planned its workforce for the foreseeable future (next four years), and is able to meet the objectives of the Newcastle 2030 Community Strategic Plan (CSP) which documents the community's aspirations. While the initial focus of this Workforce Management Plan is on the next four years; it is important to note that workforce planning is a continuous process of matching workforce requirements to organisational objectives in delivering the CSP, as well as analysing and forecasting the human resource implications when undertaking particular operational or strategic activities.

In developing and maintaining the Workforce Management Plan consideration has been given to both internal and external factors that may affect Council's ability to meet its current and future workforce needs. These factors include an ageing population, identified skills shortages, past recruiting experience, Council's financial position and also the expectations of the community.

The key strategies are outlined below.

Key strategies

Attracting and retaining talent

Having people with the right skills, knowledge and behaviours to ensure delivery of our strategic and operational programs.

Investing in the capabilities of our people

Developing the required capabilities of our people to ensure they can contribute at a high level of performance.

Planning for our future workforce needs

Implementing workforce planning processes that identify future workforce needs and put strategies in place to address them.

Facilitating a culture of cooperation, respect and wellbeing

Building a workplace culture that ensures that all employees act in accordance with our values at all times.

Of our current workforce, 28% are aged 50 years or older and will likely exit over the next 15 years through

retirement. In addition, 20% of the staff that are aged 50 years or older are in roles deemed as 'hard to fill', such as engineering. 14% of the workforce will also then move into the aged 50 years or older age bracket over the next five years.

See graph: Age profile

Equivalent Full Time (EFT) staff numbers

In 2013 an organisational restructure commenced which resulted in staff reductions of 97.47 EFT's delivered over a 12 month period. This included both staff and management and is effectively a 10% reduction in the workforce. As outlined in table 7.1 this organisational restructuring delivered a larger reduction in staff numbers than was budgeted in the Delivery Program and achieved this result 12 months ahead of schedule.

The savings achieved by the restructure have been sustained and have resulted in significant ongoing operational cost savings.

See table: EFT staff numbers

Graph: Age profile

Age profile of The City of Newcastle staff 2009 to 2015

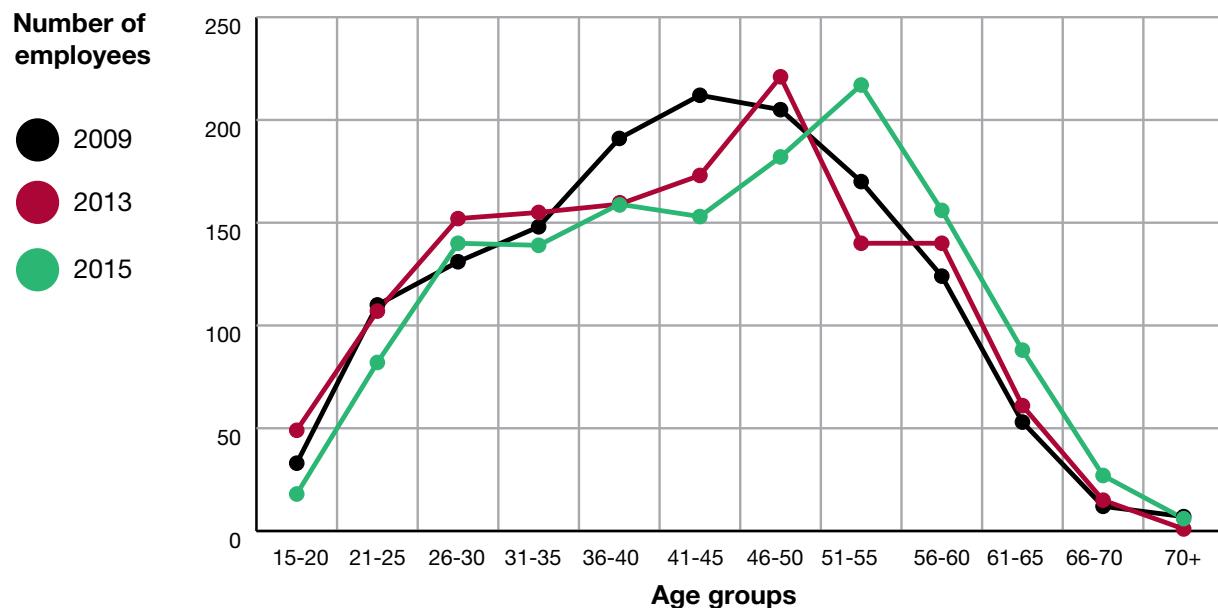


Table: EFT staff numbers

Directorate	EFT at July 2013	% EFT	Current EFT 2015	Service Units
Executive Management	24.8	2.3%	20.8	General Manager Lord Mayor Council and Legal Services
Corporate Services	161.9	15.5%	142.1	Finance Information Technology Commercial Property Human Resources Customer Services
Planning and Regulatory	241.53	23.1%	213.06	Development and Building Regulatory Services Libraries Strategic Planning Cultural Facilities
Infrastructure	588.87	59.1%	543.67	Civil Works Regulatory Services Infrastructure Planning Facilities and Recreation Waste Management
Total EFT	1017.1	100%	919.63	

ASSET MANAGEMENT

Asset Management Policy

The Asset Management Policy is currently under review. The primary aim is to ensure appropriate prioritisation of scarce financial and operational resources to optimise the service level provided by the Council's portfolio of community assets while also ensuring that the Infrastructure Backlog is addressed in a timely manner. The policy sets out the purpose of Asset Management Strategy (AMS) and associated Asset Management Plans (AMP). These are to:

- meet community needs and expectations for all assets and management of these assets
- provide greater transparency in asset planning, enabling informed input from all stakeholders
- implement continuous improvement practices in asset management
- determine appropriate service levels for assets to maximise the use of resources
- manage risk to people and property
- comply with state and federal legislation pertaining to assets; and
- protect and enhance the environment for the future.

Snapshot of current asset profile

Council currently manages an asset portfolio of \$1.6 billion, delivering services across eight asset classes.

Buildings and Structures	
68 Council operational buildings	26 Community halls and facilities
64 Toilet blocks	8 Commercial buildings
236 Sporting facilities	21 Accommodation facilities eg. aged care
41 Cultural buildings/libraries	20 Community facilities
23 Council structures ie wharves	81 Bus shelters
	1 Parking station
Stormwater Drainage	
18,862 Pits	16 km Culverts
423 km Pipes	237 Stormwater quality improvement devices
Library Collection	
369,300 General collection	46,438 Local studies collection
Art Gallery Collection	
6,100 Objects in the permanent collection	94 Objects in the study collection
Museum Collection	
10,124 Accessioned collection	
8,123 Non-accessioned collection	
38 Inward loan objects	
526 Intangible heritage collections	

Transport

264 Bridges	4 Underpasses
• 35 Major bridges	3 Weighbridges
• 19 Minor bridges	124 Transport shelters
• 35 Major culverts	913 km Footpaths (including 59 km of shared path)
• 98 Minor culverts	1,246 km Kerb and gutter
• 1 Tunnel	810 km roads

Key issues – Infrastructure backlog

The Infrastructure Backlog has been reduced from \$117 million (Special Schedule 7 of the 2011/12 financial statements) to \$90.4 million (Special Schedule 7 of the 2013/14 financial statements). This is a significant reduction in the asset backlog. The biggest component of this backlog is the buildings and structures category. The backlog for this category has reduced from \$89 million to \$44 million.

The priority has been to dispose of non-core assets which themselves contributed to the infrastructure backlog. This has largely been completed, and has been the main contributor to the reduction in the backlog. However, as we continue to address the challenges of building sufficient operational capacity within the organisation it is expected that the Infrastructure Backlog will increase to in excess of \$100 million at the end of 2015/16.

Key strategies

To improve our asset management we have developed the below key strategies that will form a four year action plan.

- The development and implementation of a Corporate Asset Management system for all asset classes
- The development and implementation of a single source of truth asset management register
- Identification and reuse of recycled materials
- Complete service level reviews for core asset classes of Roads, Parks and Recreation, and Buildings and Structures over the next four years, in consultation with the community, including functionality and capacity
- Rate assets in accordance with required levels of service
- Undertake condition based programmed inspections
- Remove duplications in asset register
- Develop four year program for capital works

Table: Asset Costs

Asset Class	Predicted	Maintenance	Renewal	Total	Current Replacement Cost	Depreciable Amount	Sustainability Ratio
Art Gallery	Lifecycle	\$25,000	\$162,600		\$64,610,000	N/A	
	1 year	\$25,000	\$162,000				
Buildings and Structures	Lifecycle	\$5,461,000	\$4,416,000	\$8,918,000	\$468,973,000	\$422,076,000	1.06
	10 Year	\$5,461,000	\$1,883,000	\$7,344,000			1.42
	1 year	\$3,182,000	\$7,248,000	\$10,430,000			
Library collection	Lifecycle	\$1,260,000	\$1,300,000	\$2,560,000	\$19,463,000	\$13,412,000	0.85
	1 year	\$1,260,000	\$1,100,000	\$2,360,000			0.46
Museum Collection	Lifecycle	\$20,000	\$26,000				
	1 year	\$25,000	\$21,000	\$46,000			
Natural Assets	Lifecycle	\$2,105,000	\$4,386,000	\$6,491,000	\$352,584,000	\$340,067,000	0.60
	10 Year	\$2,105,000	\$4,943,000	\$7,048,000			0.55
	1 year	\$2,096,000	\$1,795,000	\$3,891,000			
Parks and Recreation	Lifecycle	\$8,837,000	\$3,626,000	\$12,463,000	\$130,299,000	\$130,298,602	
	10 Year	\$8,837,000	\$6,783,000	\$15,620,000			
Stormwater Drainage	Lifecycle	\$925,000	\$3,837,000	\$4,762,000	\$352,464,000	\$297,995,794	0.33
	10 Year	\$925,000	\$3,148,000	\$4,073,000			0.39
	1 year	\$461,000	\$1,126,000	\$1,587,000			
Transport	Lifecycle	\$8,808,000	\$22,551,000	\$31,359,000	\$1,130,420,000	\$1,130,420,000	0.46
	10 Year	\$8,808,000	\$19,334,000	\$28,142,000			0.51
	1 year	\$7,480,000	\$9,453,000	\$14,343,000			

