
LONG TERM FINANCIAL PLAN 2017-2026



CONTENTS

1.	EXECUTIVE SUMMARY	4
1.1	Structure	4
2.	INTRODUCTION	6
2.1	Purpose of the LTFP (LTFP)	6
2.2	Objectives of the LTFP	7
2.3	Key outcomes of the LTFP	7
2.4	Sensitivity analysis	9
3.	LINK BETWEEN LTFP AND COUNCIL'S PLANNING FRAMEWORK ...	10
3.1	Workforce strategy	10
3.2	Strategic Asset Management Plan (SAMP).....	10
4.	ANALYSIS OF INCOME AND EXPENDITURE.....	12
4.1	Income.....	12
4.1.1	Rates and charges	12
4.1.2	User charges and fees	13
4.1.3	Other income	13
4.1.4	Grants and contributions	14
4.2	Expenditure	14
4.2.1	Employee benefits.....	14
4.2.1.1	Enterprise agreement.....	14
4.2.1.2	Compulsory superannuation guarantee rate increase.....	14
4.2.1.3	Vested sick leave	15
4.2.1.4	Long service leave liability.....	15
4.2.1.5	Learning and development.....	15
4.2.1.6	Workers compensation.....	15
4.2.2	Borrowing costs.....	16
4.2.3	Materials and contracts	16
4.2.4	Depreciation	16
4.3	Other factors.....	17
4.3.1	Business technology fund.....	17
4.3.2	Fleet fund	17
4.3.3	Non-cash operating expenses.....	17
4.3.4	Newcastle Airport Partnership	18
5.	MACRO VIEW OF COUNCIL'S FINANCIAL POSITION	19

5.1	Financial performance indicators.....	20
5.1.1	Operating performance ratio.....	20
5.1.2	Own source operating revenue ratio	21
5.1.3	Unrestricted current ratio	21
5.1.4	Debt service cover ratio.....	21
5.1.5	Rates and annual charges outstanding	21
5.1.6	Cash expense cover ratio.....	22
6.	FINANCIAL STATEMENTS – STRATEGIC SCENARIO.....	23
7.	LONG TERM BORROWING STRATEGIES.....	29
7.1	Background to Council's current debt portfolio	29
7.2	Future loan strategies.....	30
7.2.1	What is Council's philosophy on debt?	30
7.2.2	Measuring what level of debt is appropriate	30
8.	LONG TERM RESTRICTED ASSET USAGE STRATEGIES	31
8.1	Nature and purpose of current restricted assets.....	33
8.1.1	Deposits, retentions and bonds	34
8.1.2	Bonds held for developer's works.....	34
8.1.3	Section 94/94a developer contributions	34
8.1.4	Specific purpose unexpended grants	34
8.1.5	Domestic waste management	34
8.1.6	Crown Holiday Parks.....	35
8.1.7	Carparking meters Crown Lands.....	35
8.1.8	Employee leave entitlements.....	35
8.1.9	Capital restricted assets/asset rehabilitation	35
8.1.10	Drainage restricted assets.....	35
8.1.11	Election restricted assets.....	35
8.1.12	Business technology fund.....	35
8.1.13	Newcastle Airport Partnership.....	36
8.1.14	Fleet	36
8.1.15	Section 355c committees	36
8.1.16	Unexpended loan funds.....	36
8.1.17	Community loans.....	36
8.1.18	Parking meters	36
8.1.19	Commercial properties	37

8.1.20	Other waste	37
8.1.21	Sustainable energy and water	37
8.1.22	Roads/environmental special rate	37
8.1.23	Administration Building	37
8.1.24	Ward funds	37
9.	RATING AND ANNUAL CHARGE STRATEGIES	38
9.1	Assessment of current rating levels	38
9.2	Rates and annual charges income	38
9.2.1	Special rates	38
9.2.2	Rate pegging and special variation	38
9.3	Future rating and annual charge option	39
9.3.1	Ordinary rates	39
9.3.2	Annual charges	39
	Appendices	40
	Appendix 1: Conservative Scenario	40
1.1	Introduction	40
1.2	Financial Results	40
1.3	Financial Statements	41
	Appendix 2: Improved Scenario	47
2.1	Introduction	47
2.2	Financial Results	47
2.3	Financial Statements	48
	CONTROLLED DOCUMENT INFORMATION:	54
	VERSION HISTORY:	54

1. EXECUTIVE SUMMARY

Port Stephens Council's LTFP (LTFP) contains a set of long range financial projections based on a set of assumptions. The LTFP covers a 10 year time period from 2017-2018 to 2026-2027.

1.1 Structure

The LTFP is structured as a series of 'Scenarios', each of which shows a specific financial outlook. The Scenarios are cumulative, so that each Scenario incorporates the assumptions and financial outcomes of the previous Scenario(s). The Scenarios can also be looked at in isolation.

This iteration of the LTFP presents financial forecasts associated with the following Scenarios:

INCOME:

	Conservative	Improved	Strategic
Rates			
Pegging factor applied	1.5%	1.5%	1.5%
Ongoing peg factor	2.0%	2.0%	2.0%
New annual rates assessment	200	250	250
User Fees and Charges			
Annual factor	1.5%	2.0%	2.0%
Operating Grants and Contributions			
Annual factor	1.5%	2.0%	2.0%
Other			
Other Income	1.5%	2.0%	2.0%
Airport dividend	1.5%	2.0%	2.0%
Capital spend over 10 years	\$218M	\$243M	\$256M
New bank loans	-	-	\$6M

EXPENSES:

	Conservative	Improved	Strategic
Salaries and allowances	2.8%	2.8%	2.8%
Ongoing factor	2.0%	2.0%	2.0%
Materials and contracts	1.3%	1.3%	1.3%
Local Government Cost Index	1.3%	1.3%	1.3%

PROJECTED RESULT:

	Conservative	Improved	Strategic
2017-2018	960,000	975,000	497,000
2018-2019	367,000	753,000	84,000
2019-2020	465,000	991,000	288,000
2020-2021	(375,000)	407,000	(331,000)
2021-2022	(409,000)	644,000	(131,000)
2022-2023	(383,000)	960,000	148,000
2023-2024	(982,000)	665,000	(586,000)
2024-2025	(837,000)	1,143,000	(180,000)
2025-2026	(990,000)	1,349,000	(76,000)
2026-2027	(995,000)	907,000	4,000

Council's recent resolution to externally borrow \$6million for works has been factored into the strategic scenario which is put forward as the recommended scenario. The financial effect of this level of loan borrowing and resultant depreciation of assets has had the effect of greatly reducing the underlying financial result of Council.

The forecast now shows that deficits are predicted for a number of years across the LTFP with substantially reduced surplus results in all other years.

If this position is to be maintained, considerable work will be required across the organisation to either increase operating revenue or reduce operating expenditure.

In previous iterations of the LTFP, it was accepted that the underlying result was to be maintained at around a surplus of \$1million, thus ensuring ongoing financial sustainability.

2. INTRODUCTION

2.1 Purpose of the LTFP (LTFP)

The LTFP (LTFP) exists primarily to facilitate the delivery of the objectives and strategies expressed in the Community Strategic Plan – Port Stephens 2023. The LTFP is not an end in itself but is a means of ensuring the objectives of the integrated planning framework are matched by an appropriate resource plan.

The LTFP links to the Delivery Program 2013-2017 and the Operational Plan 2017-2021 as follows:

Delivery Program 2013-2017

- 5.1.1 Council will maintain its underlying financial performance to budget at break even or better.

Operational Plan 2017-2021

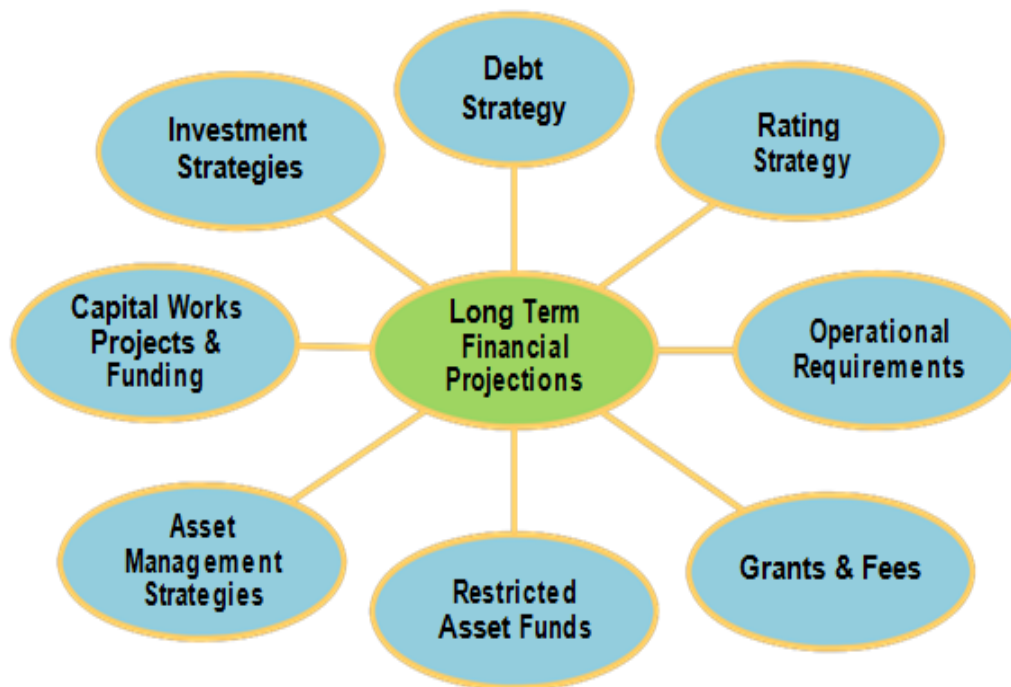
- 5.1.1.1 Complete and present for audit Council's financial statements.
- 5.1.1.3 Review, develop and implement the rating structure.
- 5.1.1.4 Review, develop and implement the fees and charges.

Therefore it is important to acknowledge that any significant changes to the financial strategies expressed in this document will have a consequent impact on Council's ability to deliver the outcomes expressed in the Delivery Program and the Operational Plan.

In addition to acting as a resource plan, the LTFP further endeavours to:

- 1) Establish a prudent and sound financial framework, combining and integrating financial strategies to achieve a planned outcome;
- 2) Establish a financial framework against which Council's strategies, policies, and financial performance can be measured;
- 3) Ensure that Council complies with sound financial management principles and plans for the long term financial sustainability of Council;
- 4) Allows Council to meet its obligations under the Council's Principle of the *Local Government Act 1993* as detailed in Section 8B.

This LTFP represents a comprehensive approach to documenting and integrating the various financial strategies of Council. The development of the long term financial projections represents the output of several strategy areas, that when combined, produce the financial direction of Council as shown below:



2.2 Objectives of the LTFP

The objectives of this LTFP are:

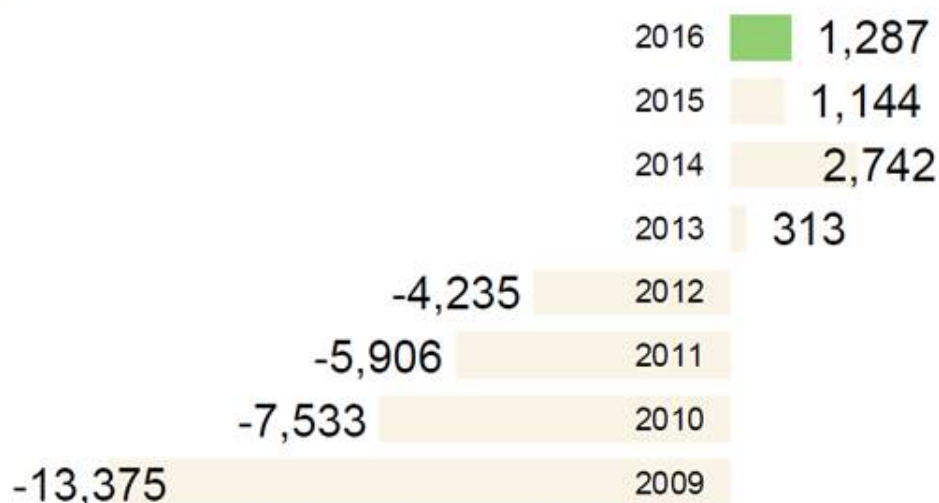
- An increased ability to fund asset renewal requirements;
- An enhanced funding level for capital works in general;
- Maintaining Council's position of financial sustainability in the long term;
- Rate and fee increases that are both manageable, sustainable and politically acceptable;
- Investment and funding strategies which promote intergenerational equity;
- Demonstrating Council's ability to be *Fit for the Future*;
- To ensure that external conditions are considered, for example, changes in interest rates and population growth.

2.3 Key outcomes of the LTFP

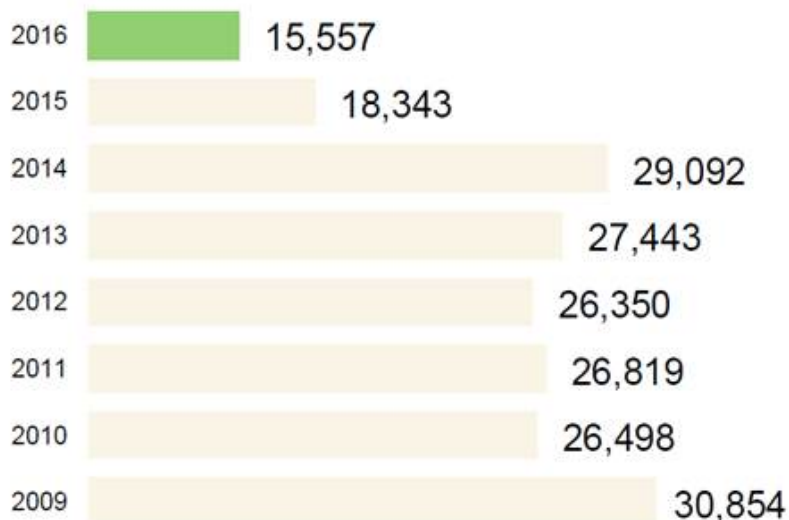
The challenge of financial sustainability is one faced by the majority of NSW councils and Port Stephens Council is certainly not immune from this issue. Council has recently been presented with data on the financial sustainability of this Council that indicate the following:



Underlying operating result \$ '000



Asset backlog \$ '000



These graphs highlight the significant changes that have occurred over recent years. The Council has moved into a financially sustainable position, as measured by the underlying operating result. The forecast now shows that deficits are predicted for a number of years across the LTFP with substantially reduced surplus results in all other years.

The asset backlog has continued to decrease, reflecting Council's commitment to meeting asset renewal requirements. A continued focus on asset renewal will see further reductions to the total backlog figure.

It is vital to state the importance of meeting community needs both now and in the future in terms of operational services. Council could achieve financial sustainability very readily by ignoring this need and placing all of its emphasis on asset management. Future community service needs are frequently not documented in such a compelling manner as infrastructure requirements and need to be considered in conjunction with asset management strategies.

Outcomes:

In preparing the 2017-2027 LTFP, each of the above challenges has been addressed. The LTFP is based on achieving the following outcomes:

- Reducing the infrastructure backlog to ensure Council infrastructure is maintained at a satisfactory level;
- Achieving a financial structure where new assets or existing asset renewal needs are met from the base operating income of Council;
- The retention of service provision at present levels.

In summary, the 2017-2027 LTFP presents a responsible financial blueprint for the future of Port Stephens Council.

2.4 Sensitivity analysis

LTFPs are inherently uncertain given the lengthy period of time which they are required to cover and the assumptions that are required to be made. Some of these assumptions have a relatively limited impact if they are wrong; others can have a major impact on future financial plans.

The three scenarios provided also serve as an indication of the impact these assumptions can have.

Given the financial position from which Council has come, it now utilises the LTFP as a management tool. Quarterly Budget Review amendments that have a permanent impact are processed into the model to assess the effect on the Plan.

Council will also review and update relevant sections and projections of the LTFP on an annual basis.

3. LINK BETWEEN LTFP AND COUNCIL'S PLANNING FRAMEWORK

3.1 Workforce strategy

In order to deliver our Operational Plan, we require a clear workforce resourcing strategy that sets out what type of organisation we need to be and how we plan to get there.

Council's business operating system is the Australian Business Excellence Framework; this includes the following categories:



3.2 Strategic Asset Management Plan (SAMP)

Port Stephens Council is responsible for a large and diverse asset base. These assets include roads, bridges, footpaths, drains, libraries, childcare centres, halls, parks, sporting facilities, fleet, land and information communication technology-related assets. *Local Government Act 1993* states:

The following principles of sound financial management apply to councils:

- a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.

- c) Councils should have effective financial and asset management, including sound policies and processes for the following:
 - i. performance management and reporting;
 - ii. asset maintenance and enhancement;
 - iii. funding decisions; and
 - iv. risk management practices;
- d) Councils should have regard to achieving intergenerational equity, including ensuring the following:
 - i. policy decisions are made after considering their financial effects on future generations;
 - ii. the current generation funds the cost of its services.

Over time Port Stephens Council has greatly increased its assets, which has consequently increased its depreciation, operation and maintenance costs to an already large sum and contributed to the ageing asset base.

Infrastructure assets are a significant part of the Council's operations with depreciation alone accounting for around 14-15% of the Council's annual operating budget. Including the cost of maintaining and operating these assets this number is significantly higher. The LTFP is dependent on the quality of information provided in Council's Strategic Asset Management Plan (SAMP).

In order to manage this asset base, strategies and plans have been developed and designed to address issues regarding asset life cycles and risk. These strategies and plans ensure that priorities are aligned to organisational objectives. Finance and expenditure should also be planned and controlled in line with these priorities. Resources should be used as effectively and efficiently as possible and technical levels of service that relate to compliance requirements in legislation should be maintained.

The SAMP ensures Council's infrastructure, buildings and other assets are managed to an appropriate standard. The SAMP highlights, based on condition ratings, when and what assets require replacement and forecasts how that can be achieved in a financially sustainable manner.

The SAMP also estimates the levels of depreciation required for assets based on asset age, obsolescence and condition rating. Any change to the SAMP estimates would have a significant impact on Council's operating result.

4. ANALYSIS OF INCOME AND EXPENDITURE

The following analysis provides additional information on each class of income and expenditure, highlighting past trends. A clear statement on future trends and economic assumptions is provided to assist the user of this plan in interpreting the projected outcomes.

4.1 Income

4.1.1 Rates and charges

A significant portion of Council's annual income is derived from the levying of rates and charges. The following table shows the historical trend of rate increases (peg) over the past few years.

Financial Year	Rate Peg*	No. Assessments†	Ordinary Rate Yield†
2012-2013	3.68%	32,037	\$34,915,940
2013-2014	3.47%	32,128	\$36,263,573
2014-2015	2.34%	32,324	\$37,307,437
2015-2016	2.44%	32,671	\$38,490,462
2016-2017	1.832%	33,199	\$39,685,207

*PSC rate peg includes an annual crown land adjustment special variation approved by IPART to recognise newly rateable Landcom subdivision land and Defence Housing Australia ex-gratia payments lost upon property sale.

†data source: Schedule 2 of Special Schedule 9 & 8 of Annual Financial Statements for the relevant years.

Forecast 2017-2018

Financial Year	Rate Peg*	No. Assessments†	Ordinary Rate Yield†
2017-2018	1.5%	33,302	\$40,710,720

**estimate*

Imminent changes to rating – Land Revaluation

Council has been advised by the NSW Valuer General to expect to receive 1 July 2016 base date valuations in November 2016. These new land values will be used to calculate rates for 2017-2018. The effect of using new land valuations is revenue neutral.

Imminent changes to rating - Emergency Services Property Levy

The Emergency Services Property Levy is proposed to be levied by all NSW councils on behalf of the state government from 1 July 2017 to fund Fire and Rescue NSW, NSW Rural Fire Service and the State Emergency Service. Council will include the levy with rates and charges collected from ratepayers and remit funds collected to NSW Treasury. From October to December 2016 Council individually classified each

property within its Local Government Area in accordance with the levy classifications as advised by NSW Treasury, in preparation for the 2017-2018 levy.

Based on a government announced average of \$160 per property, the potential levy within Port Stephens LGA may be in the vicinity of \$5.4M. However based on a 0.107c ad valorem rate which was quoted in the 2012 Emergency Services discussion paper, the levy within Port Stephens LGA may be as high as \$7.3M. NSW Treasury has not clarified the levy rates to apply but has suggested it will consist of a fixed charge component and an ad valorem component and will differ according to property classification.

The cost of preparing for the levy is being funded by NSW Treasury. Ongoing costs are also to be reimbursed, although there is no detail provided to Council at the time of writing. For planning purposes the Emergency Services Property Levy is revenue neutral.

Future changes to rating – IPART review of rating provisions

The NSW government has initiated a review of the rating provisions of the *Local Government Act 1993*. The recommendations from the review propose to retain rate pegging. While there will be impacts on equity, as far as which segments of the community bear the rating burden, the total amount of rates levied by councils will be unchanged from current rating provisions. Future growth of rate income may be enhanced however if a recommendation to move away from Land Value to Capital Improved Value is adopted. This would mean that strata subdivisions would enjoy the same ad valorem rate growth as deposited plan subdivisions. At present there is no ad valorem rate growth from strata subdivisions in New South Wales. Port Stephens Council presently has very few strata subdivisions, averaging around five per annum, so a change in valuation methodology will have no material impact on rate revenue based on current strata subdivisions, however this may change if future strata subdivision activity increases.

4.1.2 User charges and fees

User charges and fees have been modelled to increase by 2% per year for the life of this plan. Although 1.3% is the forecast CPI movement predicted for 2017-2018 it is unlikely that this low level of inflation will continue and so a more realistic forecast CPI movement of 2% has been used.

4.1.3 Other income

Other income has been modelled to increase by 2% per year for the life of this plan. Although 1.3% is the forecast CPI movement predicted for 2017-2018 it is unlikely that this low level of inflation will continue and so a more realistic forecast CPI movement of 2% has been used.

4.1.4 Grants and contributions

All operating grants and contributions with the exception of the financial assistance grant and the roads to recovery grant have been modelled to increase by 1.3% per year for the life of this plan which is the forecast CPI movement predicted for 2017-2018.

The financial assistance grant that is received from the State government will remain fixed at 2015-2016 levels due to a policy direction from the Federal government. The roads to recovery grant that is received from the Federal government will revert back to 2013-2014 levels of funding.

Operating grants are quite unpredictable and if a grant has been received in one year there is no guarantee that it will be received again in the following year. Even though the modelling of future operating grants is contained in this plan if a significant number of operating grants are no longer received then the levels of service provided may need to be decreased.

The only capital grants or contributions that have been modelled in this LTFP are Section 94 developer contributions and dedicated subdivisions. If any other capital grants or contributions are received this can be seen as a bonus and additional capital works can be undertaken.

4.2 Expenditure

4.2.1 Employee benefits

4.2.1.1 Enterprise agreement

Port Stephens Council has been operating under an Enterprise Agreement for some time now. In accordance with this Enterprise Agreement an agreed increase amount in wages takes place every year, as shown in the table below:

Year	Percentage
July 2012	2.15%
July 2013	3.25%
July 2014	3.25%
July 2015	2.7%
July 2016	2.8%
July 2017	2.8% minimum

4.2.1.2 Compulsory superannuation guarantee rate increase

The Federal government has changed the phasing of the increases in the superannuation guarantee levy as per the table below. The impact of this change has been factored into all three Scenarios of the LTFP.

Year	Rate
2015-2016	9.50%
2016-2017	9.50%
2017-2018	9.50%
2018-2019	9.50%
2019-2020	9.50%
2020-2021	9.50%
2021-2022	10.00%
2022-2023	10.50%
2023-2024	11.00%
2024-2025	11.50%

4.2.1.3 Vested sick leave

Staff employed by Council prior to or on 26 September 2000, who have not previously waived their right to this provision, continue to have an entitlement for the payment of unused sick leave arising out of the termination of employment. A provision for vested sick leave of \$3,320,000 has been included as a liability in the Balance Sheets of each Scenario in this Plan. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

4.2.1.4 Long service leave liability

Long service leave entitlements are governed primarily by the *Long Service Leave Act 1955* and by conditions in the Port Stephens Council Enterprise Agreement 2015. Port Stephens Council has not actively required employees to take long service leave as it falls due however if the amount of liability becomes excessive it is likely that employees will be encouraged to keep balances within reasonable limits. A provision of \$6.9 million has been included as a liability in the balance sheets of each scenario in this plan. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

4.2.1.5 Learning and development

Council provides extensive learning and development opportunities; there are education and training opportunities for people of all ages. A yearly expenditure on learning and development of \$462,000 has been included in the salaries and wages expense in the income statement of each scenario in this plan.

4.2.1.6 Workers compensation

Due to Council's focus on workplace safety, commitment to performing safety observations, reporting near misses and implementing many safe workplace policies Council's workers compensation premiums have been reduced dramatically in recent years. These savings have already been factored into the LTFP and Council is

committed to maintaining a safe workplace and ensuring that the workers compensation premium remains stable.

4.2.2 Borrowing costs

Council has taken advantage of a declining cash rate over the past two years by installing the majority of its loan portfolio at fixed interest rates. This allows for borrowing costs to be forecasted accurately using existing loan schedules, which remains the same across all three scenarios as well as providing security against impending cash rate increases. Council benchmarks the performance of its loans portfolio against the RBAs National lending average for large business. As at 30 June 2016 Council's weighted average fixed interest rate was 3.56% compared to a national average of 3.85%. New loans totalling \$6M have been included in the Strategic Scenario along with the associated borrowings costs. The value of the borrowing costs are dependent on the timing of when the loan funds are drawn and the interest rate obtained at that time.

4.2.3 Materials and contracts

The LTFP assumes that budgets are sufficient in order to meet service level expectations. Therefore material and contractor costs for 2018 have been increased based on the Local Government Cost Index (LGCI) and CPI thereafter. An additional \$400,000 has been made available every four years to allow for the outsourcing of local government elections.

4.2.4 Depreciation

Council's major non-cash operating expense is depreciation. Council infrastructure, property, plant, and equipment are depreciated using various methods which are specific to the asset category. These methods include, condition based, consumption based, straight line and diminishing value.

Condition-based depreciation methods rely upon a known correlation between the physical characteristics of the asset (for example, cracking, rutting, roughness, oxidisation) and the relevant remaining useful life.

Consumption-based depreciation⁶⁹ is based on measuring the level of the asset's remaining service potential after taking into account both holistic and component specific factors. It relies upon the determination of a pattern of consumption consistent with the asset's residual value and path of transition through the various stages of an asset's lifecycle.

The straight line method of depreciation ensures that there will be no major peaks or troughs in depreciation expense from year to year as this method ensures a uniform rate of depreciation of infrastructure, property, plant and equipment.

The diminishing value method provides for a higher depreciation charge in the first year of an asset's life and gradually decreasing charges in subsequent years. It is based on the assumption that the asset loses most of its value as soon as it is put into use and the rate of depreciation then reduces over time.

For each scenario the growth in depreciation expense is linked to the annual investment in infrastructure, property, plant and equipment. The depreciation expense ignores the effect of any asset revaluation that is mandatory.

4.3 Other factors

4.3.1 Business technology fund

As part of Council's ongoing service delivery it is suggested that an annual sum of \$500,000 be made available from general revenue, to the Business Technology Fund. The purpose of this fund is to provide an ongoing source of funds to ensure that Council's Business Technology is maintained at an appropriate level.

4.3.2 Fleet fund

Council is also committed to ensuring that the current fleet of vehicles and machinery is appropriately maintained and replaced when economically feasible to do so. To this end, and in line with the ten year fleet purchasing program an annual sum of \$2,200,000 is recommended to be set aside from general revenue, to the Fleet Fund.

4.3.3 Non-cash operating expenses

The Local Government Code of Accounting Practice and Financial Reporting states that full revaluations are to be undertaken on all assets on a five year cycle.

Year	Category of revaluations
2012-2013	Operational land, buildings, plant and equipment.
2013-2014	No revaluations scheduled.
2014-2015	Roads, bridges, footpaths, drainage and bulk earthworks.
2015-2016	Community land, all other assets classes, other structures, land improvements.
2016-2017	Water and sewerage networks.
2017-2018	Operational land, buildings, plant and equipment.
2018-2019	Land Under Roads (LUR), if applicable
2019-2020	Roads, bridges, footpaths, drainage, bulk earth works.

Council also becomes liable for maintenance of assets and spaces provided and paid for by the developers of residential estates one year after they are created. There is a number of areas that have potential for future growth and potential for new residential estates to be built. Council may become liable for maintenance of assets and spaces provided by the developers of these residential estates:

- 1) Anna Bay.
- 2) Heatherbrae – Tomago.
- 3) Karuah.
- 4) Medowie.
- 5) North Raymond Terrace (Kings Hill).
- 6) Wallalong.
- 7) Williamtown Airport Precinct.

At this stage these maintenance costs have not been quantified. When the costs are quantified, they will be included in future updates of the LTFP.

Due to environmental and conservation constraints of the Port Stephens LGA there are only limited opportunities for large scale residential and commercial developments. It is expected that the developments mentioned above will eventuate; however the future increase in the number of rate assessments, as outlined below in 'financial assumptions' has been estimated conservatively with these environmental and conservation constraints in mind.

4.3.4 Newcastle Airport Partnership

Under the Australian Accounting Standards Port Stephens Council is required to consolidate and report on its proportionate ownership of Newcastle Airport Partnership (NAP) which is 50%. The consolidation process requires the net profit to be included in the income statement and any related transactions eliminated eg the annual dividend.

To calculate Port Stephens Council's underlying result the NAP profit is deducted and the dividend received from NAP is added back. The consolidated profit from NAP has been forecasted out to the financial year 2027. The expected dividend to be received from NAP has been calculated at 50% of the consolidated profit.

5. MACRO VIEW OF COUNCIL'S FINANCIAL POSITION

The LTFP is structured as a series of 'Scenarios', each of which shows a specific financial outlook. Each of the Scenarios relates to particular Council plans or policies. The Scenarios are cumulative so that each Scenario incorporates the assumptions and financial outcomes of the previous Scenarios. The Scenarios can also be looked at in isolation.

This iteration of the LTFP presents financial forecasts associated with the following Scenarios:

INCOME:

	Conservative	Improved	Strategic
Rates			
Pegging factor applied	1.5%	1.5%	1.5%
Ongoing peg factor	2.0%	2.0%	2.0%
New annual rates assessment	200	250	250
User Fees and Charges			
Annual factor	1.5%	2.0%	2.0%
Operating Grants and Contributions			
Annual factor	1.5%	2.0%	2.0%
Other			
Other Income	1.5%	2.0%	2.0%
Airport dividend	1.5%	2.0%	2.0%
Capital spend over 10 years	\$218M	\$243M	\$256M
New bank loans	-	-	\$6M

EXPENSES:

	Conservative	Improved	Strategic
Salaries and allowances	2.8%	2.8%	2.8%
Ongoing factor	2.0%	2.0%	2.0%
Materials and contracts	1.3%	1.3%	1.3%
Local Government Cost Index	1.3%	1.3%	1.3%

PROJECTED RESULT:

	Conservative	Improved	Strategic
2017-2018	960,000	975,000	497,000
2018-2019	367,000	753,000	84,000
2019-2020	465,000	991,000	288,000
2020-2021	(375,000)	407,000	(331,000)

	Conservative	Improved	Strategic
2021-2022	(409,000)	644,000	(131,000)
2022-2023	(383,000)	960,000	148,000
2023-2024	(982,000)	665,000	(586,000)
2024-2025	(837,000)	1,143,000	(180,000)
2025-2026	(990,000)	1,349,000	(76,000)
2026-2027	(995,000)	907,000	4,000

The **Strategic Scenario** has been selected as Council's preferred Scenario. The **Strategic Scenario** has been selected because of the planned infrastructure investment which will be funded from externally sourced bank loans. The Conservative Scenario is not financially sustainable and the Improved Scenario does not meet the infrastructure investment goals of Council. It is also important to be conservative with income projections in order to not spend outside of Council's means when forecasting its financial future.

The following financial statements portray the projected financial position of Port Stephens Council over the next ten years for each Scenario:

- Income statement;
- Balance sheet; and
- Cash flow statement.

A number of financial performance indicators otherwise known as ratios have been calculated for each scenario to further portray the projected financial results for each scenario.

The statements are prepared based on current knowledge and service levels and will no doubt be affected by various events which will occur in future years. It is important that the long term financial outlook is revisited and updated on an annual basis.

The base point used for modelling is the September quarterly budget review for the financial year ended 30 June 2017.

5.1 Financial performance indicators

The financial performance indicators are intended to be indicative of the financial health and presence of good business management practices at Port Stephens Council.

5.1.1 Operating performance ratio

Definition:	<p>This ratio measures a council's achievement of containing operating expenditure within operating revenue.</p> <p>Ratio = Operating revenue excluding capital grants and contributions – operating expenses / operating revenue excluding capital grants and contributions.</p>
-------------	---

Analysis:	The Code of Accounting Practice and Financial Reporting uses a benchmark for the operating performance ratio of greater than 0%.
-----------	--

5.1.2 Own source operating revenue ratio

Definition:	It is the degree of reliance on external funding sources such as operating grants and contributions. A council's financial flexibility improves the higher the level of its own source revenue. Ratio = rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions).
Analysis:	NSW Treasury Corporation uses a benchmark for the Own Source Revenue Ratio of greater than 60%.

5.1.3 Unrestricted current ratio

Definition:	Used to assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.
Analysis:	An industry benchmark of 1.5 as a minimum is used.

5.1.4 Debt service cover ratio

Definition:	This ratio measures the availability of cash to service debt including interest, principal and lease payments. Ratio = operating results before interest and depreciation (EBITDA) / principal repayments (from the Statement of Cash Flows) + borrowing interest costs (from the Income Statement).
Analysis:	Council uses a benchmark for the Debt Service Cover Ratio of greater than zero.

5.1.5 Rates and annual charges outstanding

Definition:	Used to assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.
Analysis:	The Office of Local Government states a maximum of 5% for metropolitan councils and 10% for all other councils.

5.1.6 Cash expense cover ratio

Definition:	<p>This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.</p> <p>Ratio = current year's cash and cash equivalents / total expenses – depreciation – interest costs.</p>
Analysis:	<p>NSW Treasury Corporation uses a benchmark for the cash expense ratio of greater than three.</p>

6. FINANCIAL STATEMENTS – STRATEGIC SCENARIO

Strategic Scenario – Income Statement

Port Stephens Council
Profit & Loss Statement

As at 30 June:

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000
Revenue										
Rates & Annual Charges	54,709	56,058	57,434	58,838	60,270	61,730	63,220	64,739	66,289	67,870
User Fees and Charges	38,984	39,763	40,559	41,370	42,197	43,041	43,902	44,780	45,676	46,589
Interest & Investment Revenue	1,322	1,239	1,230	1,202	1,145	1,097	1,068	1,019	990	970
Other Revenues	5,989	6,108	6,231	6,355	6,482	6,612	6,744	6,879	7,017	7,157
Operating Grants and Contributions	12,023	11,714	11,948	12,187	12,431	12,679	12,933	13,192	13,456	13,725
Capital Grants and Contributions	5,703	5,829	5,957	6,088	6,222	6,359	6,499	6,642	6,788	6,937
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	118,979	120,962	123,608	126,290	128,997	131,768	134,615	137,500	140,464	143,497
Operating Expenses										
Employee Benefits & On-Costs	42,123	43,208	44,249	46,318	47,553	48,730	50,974	52,058	53,463	54,727
Borrowing Costs	903	774	668	571	488	414	344	306	303	299
Materials & Contracts	39,940	40,339	41,145	41,968	43,208	43,672	44,545	45,436	46,745	47,280
Depreciation & Amortisation	14,705	14,820	15,094	15,170	15,251	15,336	15,425	15,520	15,619	15,922
Amortisation - intangibles	530	540	567	595	625	657	689	724	760	798
Other	13,034	13,266	13,502	13,742	13,987	14,236	14,489	14,747	15,010	15,277
Total Operating Expenses	111,234	112,946	115,226	118,365	121,111	123,043	126,467	128,791	131,899	134,303
Operating Surplus / (Deficit)	7,745	8,015	8,382	7,925	7,887	8,725	8,148	8,710	8,565	9,194
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	7,745	8,015	8,382	7,925	7,887	8,725	8,148	8,710	8,565	9,194
Net Operating Result before Capital Grants	2,042	2,187	2,425	1,837	1,665	2,366	1,650	2,068	1,778	2,257
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(615)	(683)	(703)	(724)	(746)	(769)	(792)	(815)	(840)	(865)
NAP Profit	(2,330)	(2,445)	(2,485)	(2,521)	(2,552)	(2,580)	(2,602)	(2,619)	(2,629)	(2,632)
Local election costs	400	-	-	-	400	-	-	-	400	-
NAP dividend	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494
Underlying result	497	84	288	(331)	(131)	148	(586)	(180)	(76)	4

Strategic Scenario – Balance Sheet

Port Stephens Council

Balance Sheet

As at 30 June:

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	15,153	14,832	13,906	12,026	10,402	9,441	7,801	6,846	6,166	7,237
Investments	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155
Receivables	10,572	10,754	10,994	11,239	11,490	11,745	12,005	12,271	12,542	12,818
Inventories	7,790	7,790	7,790	7,790	7,790	7,790	7,790	7,790	7,790	7,790
Total Financial Assets	59,669	59,530	58,845	57,210	55,837	55,131	53,751	53,062	52,653	54,000
Non Financial Assets										
Infrastructure, Property, Plant & Equipment	871,982	877,798	883,752	890,052	896,700	903,701	911,059	918,778	926,863	935,119
Inventories	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077
Investment Properties	22,760	23,443	24,146	24,871	25,617	26,385	27,177	27,992	28,832	29,697
Intangibles	1,475	1,735	1,968	2,172	2,347	2,491	2,601	2,677	2,717	2,719
Total Non Financial Assets	904,295	911,053	917,944	925,172	932,741	940,654	948,914	957,525	966,490	975,614
Total Assets	963,964	970,584	976,789	982,382	988,578	995,785	1,002,665	1,010,587	1,019,143	1,029,614
LIABILITIES										
Current Liabilities										
Trade & Other Payables	7,589	7,664	7,818	7,974	8,209	8,298	8,464	8,633	8,882	8,983
Borrowings	3,220	2,632	2,379	1,767	1,807	1,423	1,070	112	115	430
Provisions	14,400	16,682	17,517	17,941	18,314	19,048	19,569	20,214	20,298	21,574
	25,208	26,978	27,713	27,681	28,330	28,768	29,103	28,960	29,295	30,988
Non Current Liabilities										
Trade & Other Payables	4,061	3,516	2,970	2,425	1,879	1,334	788	243	0	0
Borrowings	17,554	14,923	12,544	10,777	8,971	7,548	6,478	6,365	6,250	5,820
Provisions	585	596	608	620	633	646	658	672	685	699
	22,200	19,034	16,122	13,822	11,483	9,527	7,924	7,279	6,935	6,520
Total Liabilities	47,408	46,012	43,836	41,503	39,813	38,295	37,027	36,239	36,230	37,508
Net Assets	916,556	924,571	932,953	940,878	948,765	957,490	965,638	974,348	982,913	992,106
EQUITY										
Accumulated Surplus	562,976	570,991	579,373	587,298	595,185	603,910	612,058	620,768	629,333	638,526
Asset Revaluation Reserves	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580
Total Equity	916,556	924,571	932,953	940,878	948,765	957,490	965,638	974,348	982,913	992,106

Strategic Scenario – Statement of Cash Flows

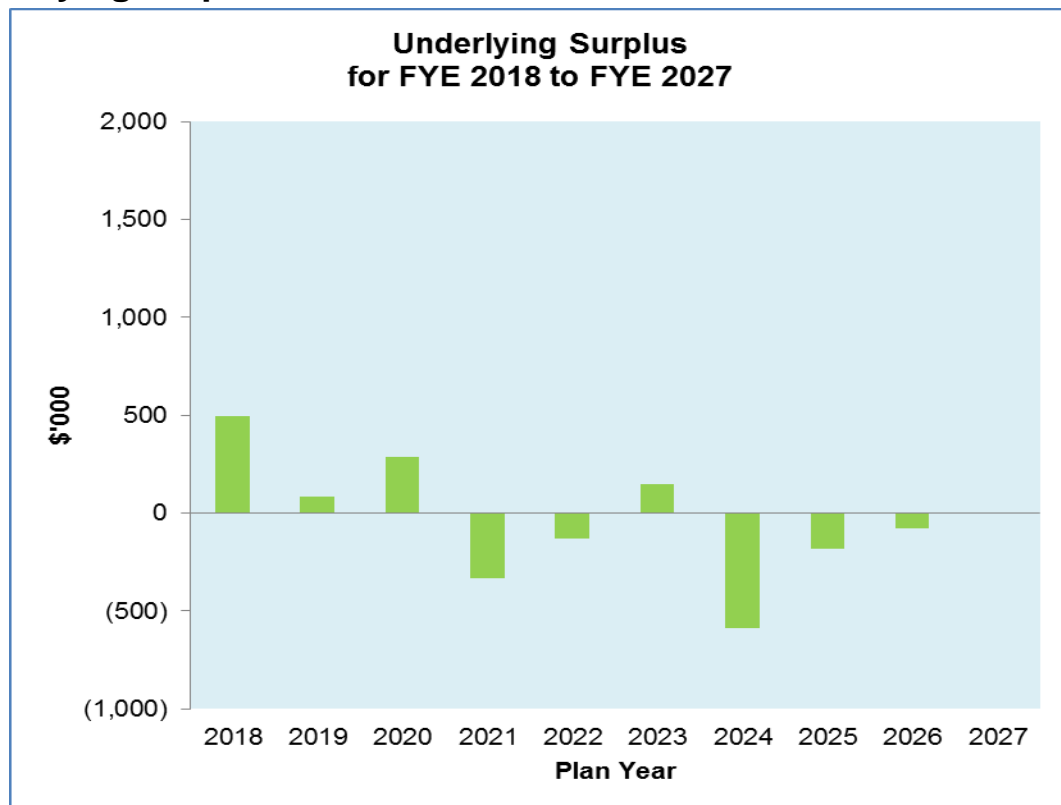
Port Stephens Council

Cashflow Statement

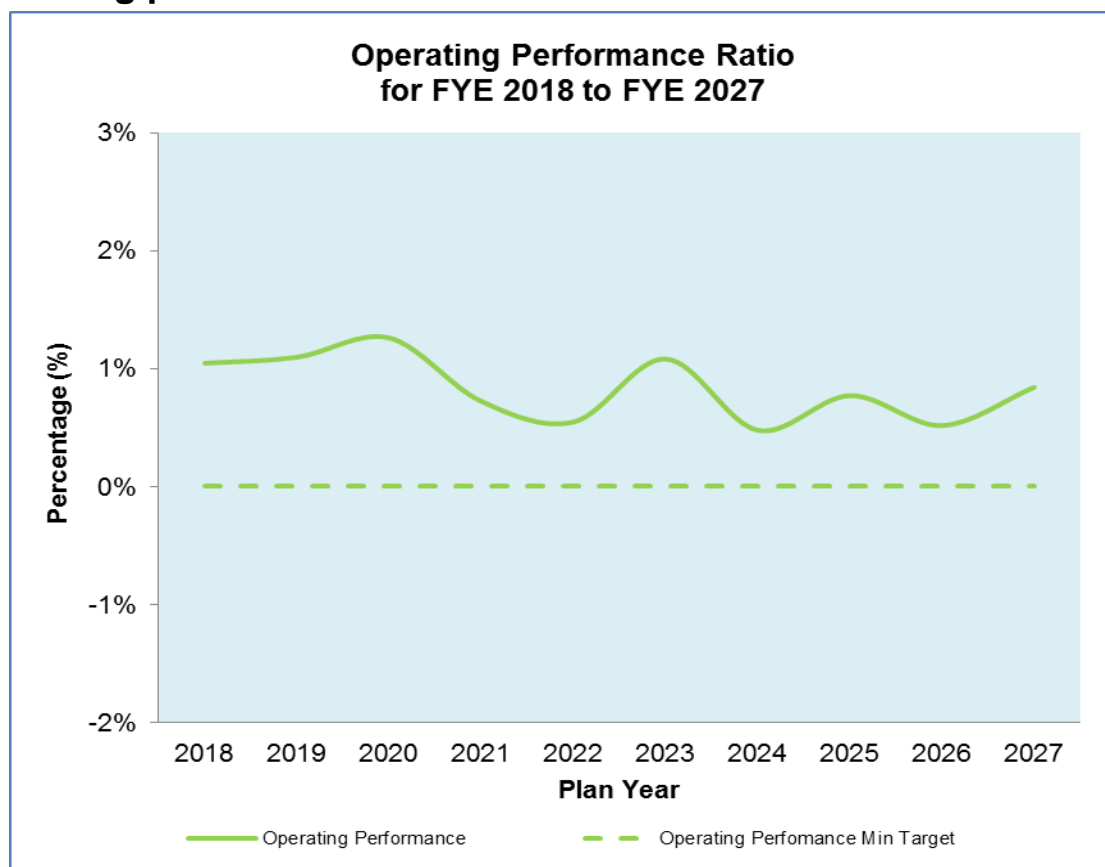
As at 30 June:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	54,333	55,876	57,194	58,593	60,019	61,475	62,959	64,474	66,018	67,592
User Charges & Fees	38,984	39,763	40,559	41,370	42,197	43,041	43,902	44,780	45,676	46,589
Interest & Investment Revenue Received	1,322	1,239	1,230	1,202	1,145	1,097	1,068	1,019	990	970
Grants & Contributions	15,726	15,498	15,816	16,140	16,471	16,808	17,153	17,504	17,863	18,229
Other	5,373	5,426	5,527	5,631	5,736	5,843	5,953	6,064	6,177	6,292
Payments:										
Employee Benefits & On-Costs	(42,290)	(45,502)	(45,096)	(46,754)	(47,939)	(49,476)	(51,508)	(52,716)	(53,561)	(56,016)
Materials & Contracts	(39,595)	(39,869)	(40,753)	(41,579)	(42,898)	(43,214)	(44,166)	(45,060)	(46,751)	(47,382)
Borrowing Costs	(903)	(774)	(668)	(571)	(488)	(414)	(344)	(306)	(303)	(299)
Other	(8,388)	(9,617)	(12,592)	(13,649)	(13,835)	(13,658)	(14,181)	(14,182)	(14,803)	(12,493)
Net Cash provided (or used in) Operating Activities	24,561	22,040	21,216	20,383	20,410	21,503	20,837	21,576	21,306	23,481
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(25,584)	(18,592)	(18,959)	(19,334)	(19,717)	(20,107)	(20,505)	(20,910)	(21,324)	(21,745)
Purchase of Intangible Assets	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Net Cash provided (or used in) Investing Activities	(26,134)	(19,142)	(19,509)	(19,884)	(20,267)	(20,657)	(21,055)	(21,460)	(21,874)	(22,295)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	6,000	0	0	0	0	0	0	0	0	0
Payments:										
Repayment of Borrowings & Advances	(2,808)	(3,220)	(2,632)	(2,379)	(1,767)	(1,807)	(1,423)	(1,070)	(112)	(115)
Net Cash Flow provided (used in) Financing Activities	3,192	(3,220)	(2,632)	(2,379)	(1,767)	(1,807)	(1,423)	(1,070)	(112)	(115)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,620	(321)	(925)	(1,881)	(1,623)	(961)	(1,641)	(955)	(680)	1,070
plus: Cash - beginning of year	13,533	15,153	14,832	13,906	12,026	10,402	9,441	7,801	6,846	6,166
Cash - end of the year	15,153	14,832	13,906	12,026	10,402	9,441	7,801	6,846	6,166	7,237
plus: Investments - end of the year	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155
Total Cash & Investments - end of the year	41,308	40,987	40,061	38,181	36,557	35,596	33,956	33,001	32,321	33,392
Less restricted Cash (NAL)	(14,595)	(15,656)	(16,626)	(17,490)	(18,233)	(18,839)	(19,290)	(19,566)	(19,647)	(19,509)
Cash, Cash Equivalents & Investments - end of the year	26,713	25,330	23,435	20,691	18,324	16,757	14,666	13,435	12,674	13,883

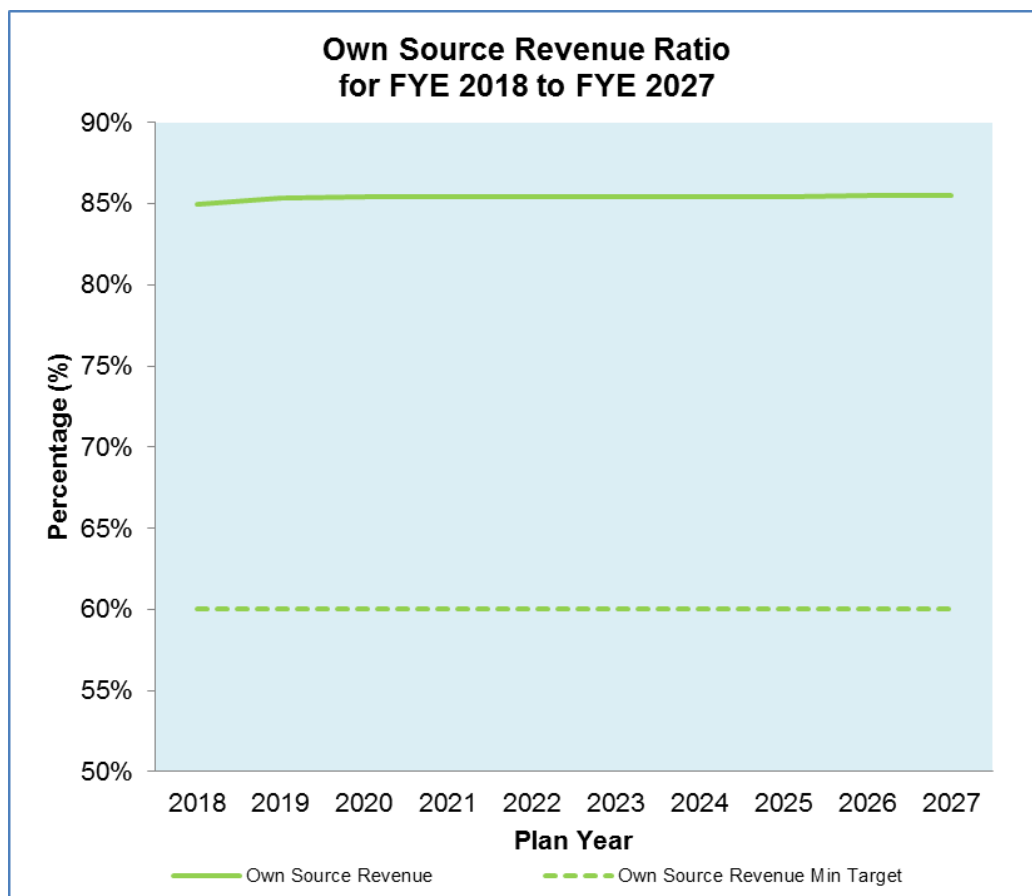
Underlying surplus



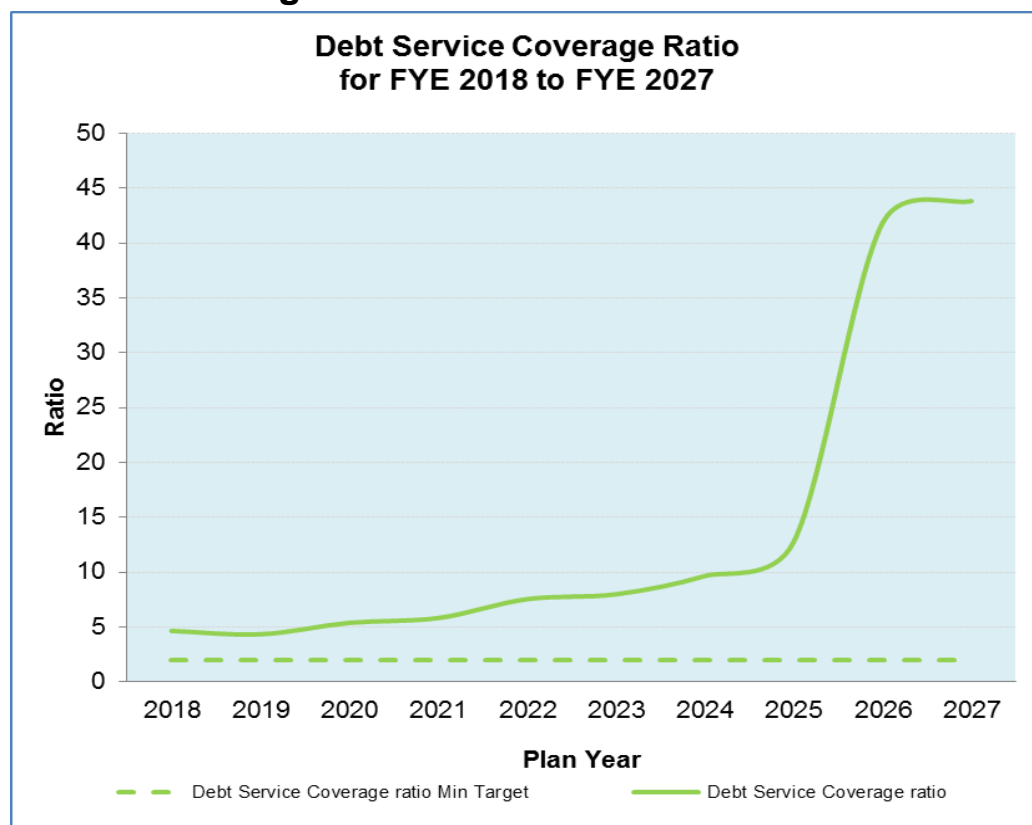
Operating performance ratio



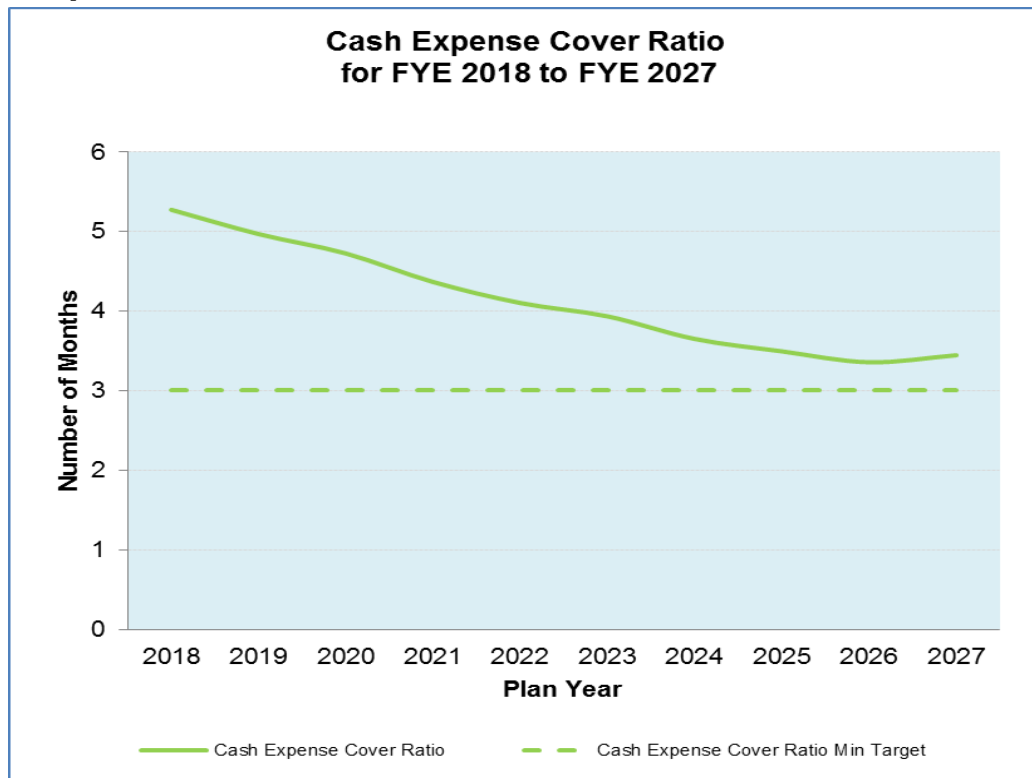
Own source revenue ratio



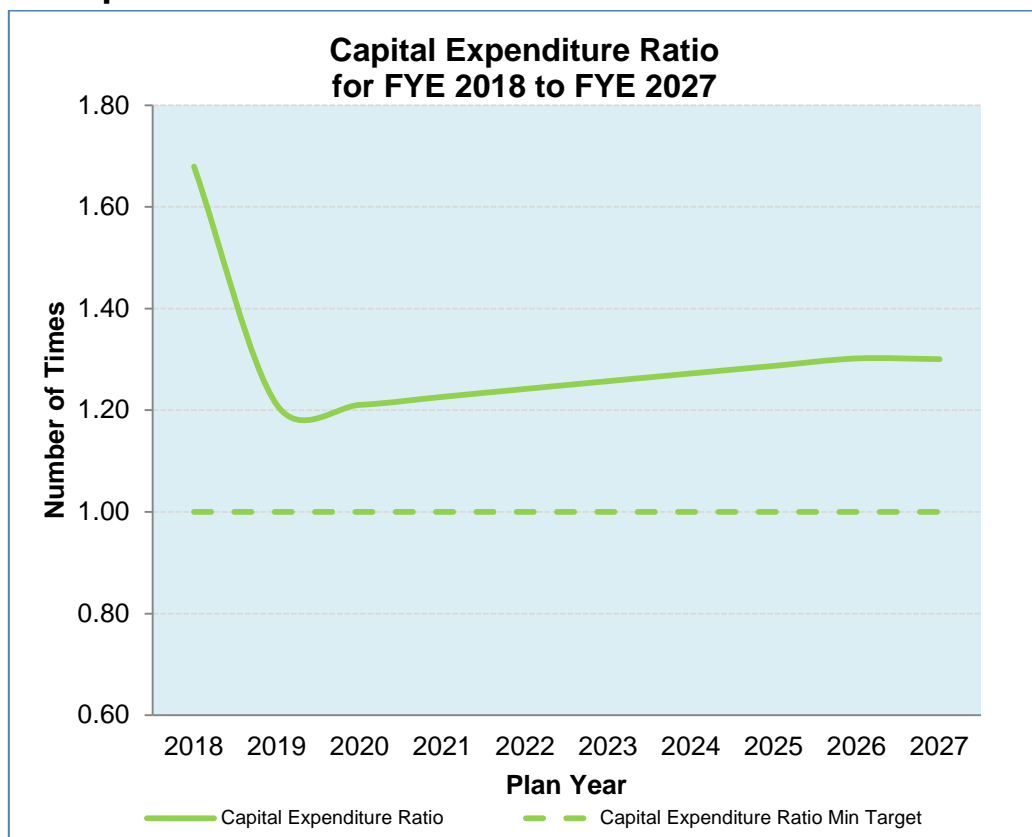
Debt service coverage ratio



Cash expense cover ratio



Capital expenditure ratio



7. LONG TERM BORROWING STRATEGIES

The areas covered by this section are:

- Background to Council's current debt portfolio;
- Future loan strategies.

7.1 Background to Council's current debt portfolio

The table below outlines Council's position in respect of all interest bearing liabilities and the break down between loan borrowings and other long term debt during the past six financial years.

Debt Type	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2016 \$'000
Loan borrowings	47,535	35,987	30,716	26,319	20,497	16,768	13,422
Other long term debt	2,996	2,805	2,173	1,472	6,548	6,365	6,290
Total	50,531	38,792	32,889	27,791	27,045	23,133	19,712

Council has been successful in receiving loan funds at a subsidised interest rate as part of the State government Local Infrastructure Renewal Scheme (LIRS). The initial application was to provide an additional \$1 million for an extensive road resealing/rehabilitation program designed to improve the condition of the overall road network. The second application was to provide \$2 million for the rehabilitation and re-sheeting of assets.

As part of the first round of applications, Council was required to be independently reviewed to determine the financial sustainability of the organisation. This review was conducted by NSW Treasury Corporation which concluded that Council is financially sustainable and could afford more debt in the short term to fund asset renewal.

This review also complemented an independent internal audit that was conducted to review the short/medium and long term financial sustainability of the organisation. This audit, while concluding that the annual spend on asset renewal was not currently optimal, showed the potential for significant positive cash movements in the short/medium and long term.

A summary of the LIRS loans are shown below:

Round One	\$1,000,000 borrowed in April 2013
Round Two	\$2,000,000 borrowed in April 2014

The cost of borrowing has been decreasing over recent years making the present time a favourable time to borrow. Council's fixed weighted average interest rate decreased from 3.78% at 30 June 2014 to 3.62% at 30 June 2015.

At a Council meeting held on 8 December 2015 it was resolved to borrow \$2.367 million to fund Ferodale Sports Complex – stage one implementation. The proposed building design is based on it being a multi-purpose community facility similar to what Council provides in many other areas across the local government area. The proposal expands the opportunity for organised sporting events as well as informal community interaction at a range of levels. This loan will be taken out either during financial year 2016 or financial year 2017.

In addition Council also resolved to borrow \$6 million to fund and fast track various new capital infrastructure projects. The infrastructure projects are only depended on the loan funding and therefore the effect has only been modelled in the strategic scenario. Council intends to use funds earned from the commercial property portfolio to repay the loan.

7.2 Future loan strategies

7.2.1 What is Council's philosophy on debt?

Many NSW councils are debt averse and view the achievement of a low level of debt or even debt free status as a primary goal. Others see the use of loan funding as being a critical component of the funding mix to deliver much needed infrastructure to the community.

The use of loans to fund capital expenditure can be an effective mechanism to link the payment for the asset (via debt redemption payments) to the successive councils' populations who receive benefits over the life of that asset. This matching concept is frequently referred to as 'intergenerational equity'.

Historically, Council's policy regarding the use of loan funding has been that loan funding is only available where the proposed expenditure will result in a future revenue stream that will fund the loan repayments. As a result, the majority of Council's existing debt portfolio relates to its commercially focused activities, being the Holiday Parks, Newcastle Airport and the Commercial Property portfolio. This LTFP advocates an expansion of the existing policy's scope.

7.2.2 Measuring what level of debt is appropriate

The 2006 Allen Inquiry into the Financial Sustainability of NSW Local Government gave significant consideration to the role of borrowings as a funding option for NSW councils. The Allen Inquiry's suggestion of using debt has been taken up by Council however it is not Council's strategy to use excessive levels of debt.

8. LONG TERM RESTRICTED ASSET USAGE STRATEGIES

Councils in NSW have traditionally operated with Restricted Asset funds that are amounts of money set aside for specific purposes in later years. In general these funds do not have bank accounts of their own but are a theoretical split up of the accumulated cash surplus that a council has on hand.

Background

Local government will continue into the foreseeable future to be challenged by a tightening cash position through increasing demands for cash for daily operations, restricted rate income levels, increasing demands for expenditure on new infrastructure and the maintenance and rehabilitation of existing infrastructure. Port Stephens Council is certainly subject to these same pressures, exacerbated by high growth in population and development activity, significant environmental responsibilities and an added responsibility as a quality tourist destination.

A strategic financial response to these pressures is necessary for Port Stephens Council to remain a sustainable community leader.

Objective

Council will from time to time decide, or be required by legislation, to set aside funds for specific purposes for which clear guidelines are set to ensure Council's cash position and investment portfolio are adequate and managed responsibly.

Principles

- Council is the custodian of financial and built assets on behalf of the Port Stephens community;
- Council provides works, services and facilities to the community through limited financial means;
- Council is required to operate within the framework and supporting guidelines of:
 - *Local Government Act (NSW) 1993*;
 - Local Government Code of Accounting Practice and Financial Reporting;
 - Local Government Asset Accounting Manual;
 - Australian Accounting Standards.
- A strategic financial plan and associated policies are required to support Council's service delivery and asset management strategies, ensuring long term financial viability.

Policy statement

- Council will set aside funds as required from time to time by specific legislation. These funds will be managed and accounted for so as to comply with the relevant legislation;

- Council will also from time to time set aside additional funds for Council's specific purposes;
- Restricted Funds will be reported in the Annual Financial Statements and reviewed annually against the specified requirements of each fund;
- Restricted Funds will be reviewed at least quarterly against the Annual Budget by the Section Manager accountable for that fund;
- Each specific fund shall be approved by Council and must be supported by a statement which outlines the following:
 - Purpose of Restricted Funds;
 - Source of funds;
 - The apportionment of interest earned on cash held for that fund;
 - A specific statement including targets, sinking funds, timeframes for accumulation and expenditure of funds;
 - Accountability for the collection, management and expenditure of that fund;
 - Relevant legislation or Council Minute supporting the creation of the fund;
- Creation of all restricted funds shall be in accordance with this policy;
- Expenditure of Restricted Funds shall be in strict accordance with the approved Budget, and expenditure shall not exceed funds available without specific Council Resolution;
- Budgeting for the expenditure of profits from land development activities will only occur after the physical receipt of sale proceeds by Council;
- All Restricted Funds are to be 100% cash backed.

Related Council policies

- Cash Investment Policy.
- Property Investment Policy.
- Beach Vehicles Policy.
- Community Groups Loans Policy.

Review date

Review of this policy will be undertaken 12 months after the date of its adoption by Council. Should amendments to the relevant legislation occur within that 12 month period, review will take place as near as possible to the commencement of such amendments.

Relevant legislative provisions

- *Local Government Act (NSW) 1993.*
- *Code of Accounting Practice and Financial Reporting.*
- *Environmental Planning and Assessment Act (NSW) 1979.*
- *Crown Lands Act (NSW) 1989.*
- *Department of Lands – Crown Lands Caravan Park Policy (April 1990).*

Implementation responsibility

Financial Services Section.

Definitions

Externally Restricted Funds – refers to those funds which have an external restriction, whether by statute or otherwise, which governs the management of money held within the fund.

Internally Restricted Funds – refers to those funds which Council has resolved to set up, to hold monies for specific purposes. The operation of such funds is solely governed by Council.

Internal Loans – refers to those monies transferred within Council to cover identified projects, where the money is to be repaid to the restricted fund from a specified source. Internal Loans are subject to specific Council approval.

The following section outlines what restricted assets Council currently holds, their purpose and recommendations for their future.

8.1 Nature and purpose of current restricted assets

The more material current restricted asset funds held by Port Stephens Council are:

- Deposits, retentions and bonds;
- Bonds held for developers' works;
- Section 94/94a developer contributions;
- Specific purpose unexpended grants;
- Domestic waste management;
- Crown Holiday Parks;
- Car parking meters Crown Lands;
- Employee leave entitlements;
- Capital asset restricted asset/asset rehabilitation;
- Drainage restricted assets;
- Election restricted assets;
- Business technology fund;
- Newcastle Airport Partnership;
- Fleet;
- Section 355c committees;
- Unexpended loan funds;
- Community loans;
- Parking meters;
- Commercial properties;
- Other waste;
- Sustainable energy and water;
- Roads/environmental special rate;
- Administration Building;
- Ward funds.

8.1.1 Deposits, retentions and bonds

Purpose:	An external restriction is placed on deposits, retentions and bonds held by Council.
Source of Funds:	Any person or company that has paid a deposit, retention monies or bond to Council.

8.1.2 Bonds held for developer's works

Purpose:	An external restriction is placed on bonds held by Council.
Source of Funds:	Any developer that has paid a bond to Council.

8.1.3 Section 94/94a developer contributions

Purpose:	Section 94 of the <i>Environmental Planning & Assessment Act 1979</i> enables Council to levy contributions as a consequence of development. These contributions are essential in providing quality facilities and services to an expanding local population. The Act requires Council to set these funds aside to be used specifically for the provision of these facilities and services.
Source of Funds:	Developer contributions as levied in accordance with Council's adopted Section 94 Plan.

8.1.4 Specific purpose unexpended grants

Purpose:	An external restriction is placed on grant funding that has been received for a specific purpose that has not been spent by the end of the financial year.
Source of Funds:	Grant funding that is for a specific purpose is provided to Council from various sources.

8.1.5 Domestic waste management

Purpose:	By virtue of Section 496 of the <i>Local Government Act 1993</i> (as amended), Council must levy a separate charge for domestic waste management services, which include garbage and recycling services. Under the legislation Council cannot finance these services from ordinary rates so the charge must be sufficient to recover reasonable costs of providing these services. Council is obliged to set these funds aside and use them for their specific purpose.
Source of Funds:	Domestic Waste Services & Management Levy.

8.1.6 Crown Holiday Parks

Purpose:	Net profits from Holiday Parks on Crown Land are retained for reinvestment back into Holiday Parks on Crown Land.
Source of Funds:	Surplus from the Holiday Parks on Crown Land.

8.1.7 Carparking meters Crown Lands

Purpose:	This restricted asset is to set aside funds that are collected from parking meters situated on Crown Land, which is then required to be reinvested into that area.
Source of Funds:	Revenue collected from parking meters on Crown Land.

8.1.8 Employee leave entitlements

Purpose:	To provide funds for employee leave entitlements which have been accrued but not yet paid.
Source of Funds:	General revenue.

8.1.9 Capital restricted assets/asset rehabilitation

Purpose:	This restricted asset is to set aside monies for major capital works projects.
Source of Funds:	Various sources.

8.1.10 Drainage restricted assets

Purpose:	This restricted asset is to set aside funds to fund drainage works.
Source of Funds:	Various sources.

8.1.11 Election restricted assets

Purpose:	To provide funds for the Local Government Elections which are conducted every four years.
Source of Funds:	Funds provided annually from general revenue.

8.1.12 Business technology fund

Purpose:	This restricted asset is to fund the information technology needs of Council.
Source of Funds:	General revenue.

8.1.13 Newcastle Airport Partnership

Purpose:	To set aside Council's share of Newcastle Airport Partnership's cash, cash equivalents and investments.
Source of Funds:	Newcastle Airport Partnership.

8.1.14 Fleet

Purpose:	To provide funds for the purchase of fleet assets.
Source of Funds:	General revenue.

8.1.15 Section 355c committees

Purpose:	Section 355(c) of <i>the Local Government Act, 1993</i> allows Council to delegate certain functions. A section 355(c) Committee is an entity of Port Stephens Council and as such is subject to the same legislation, accountability and probity requirements as Council. Funds are set aside for Section 355(c) purposes.
Source of Funds:	Various sources.

8.1.16 Unexpended loan funds

Purpose:	To restrict the use of cash which has been borrowed externally for a specific purpose but not yet spent.
Source of Funds:	Funds borrowed from banks.

8.1.17 Community loans

Purpose:	To provide loan funds for community recreational groups to assist with major asset upgrades on Council owned property.
Source of Funds:	General revenue.

8.1.18 Parking meters

Purpose:	This restricted asset is to set aside funds that are collected from parking meters on Council land to fund future works.
Source of Funds:	General revenue.

8.1.19 Commercial properties

Purpose:	To set aside net proceeds received from commercial investment property and property development to fund future commercial investments.
Source of Funds:	Surplus from investment property portfolio

8.1.20 Other waste

Purpose:	To set aside the net proceeds from the Salamander Waste Transfer Station to fund future works.
Source of Funds:	General revenue.

8.1.21 Sustainable energy and water

Purpose:	To provide a pool of funds that could be used to attract further funding for sustainable developments on Council owned properties.
Source of Funds:	General revenue.

8.1.22 Roads/environmental special rate

Purpose:	To set aside revenue received from the roads and environmental special rate for those specific purposes.
Source of Funds:	General revenue.

8.1.23 Administration Building

Purpose:	To provide funds for future upgrade and improvement works to the Administration Building.
Source of Funds:	General revenue.

8.1.24 Ward funds

Purpose:	To provide an annual allocation of funds to assist Councillors to provide facilities in each ward under section 356 of the local government Act.
Source of Funds:	General revenue allocation and an allocation of net proceeds from the sale of commercially developed property.

9. RATING AND ANNUAL CHARGE STRATEGIES

9.1 Assessment of current rating levels

Comparison of rates with other councils

Comparison of rating between councils is affected by the rating and charging strategies they have each adopted. Some councils rely solely on the ordinary rate for rate income while others levy special rates and annual charges for specific purposes that supplement ordinary rate income.

Income from ordinary rates, special rates and drainage services are subject to State government rate pegging while domestic waste management service annual charges are limited to recovering the reasonable cost of providing those services.

Councils may choose a mix of ordinary and special rates and vary those from year to year, however the annual increase in total rate income from all rates is not to exceed the percentage specified by Independent Pricing and Regulatory Tribunal (IPART) each year.

The NSW Office of Local Government (OLG) publishes annual comparative information on council rating, financial indicators, service costs and service performance. The information is separated into 11 groups of similar councils based on size and character. Port Stephens Council is placed within OLG category 4.

9.2 Rates and annual charges income

9.2.1 Special rates

Council currently has no special rates. Council has had experience with two special rates, the Nelson Bay Town Improvement Special Rate and the Nelson Bay Town Improvement Promotion Special Rates A and B. Approval for both of those variations have either expired or been discontinued.

At this time Council does not have any intention to seek approval to levy any other special rates.

9.2.2 Rate pegging and special variation

Councils are subject to rate pegging in New South Wales restricting total rate income to the prior year's notional income plus a percentage increase as allowed by IPART. This has been factored into this plan: refer to Financial Assumptions.

Council has had a number of historical special variations to its notional general income. With the exception of part of one of these, all of the income from these special variations has been tied to providing additional works or services. Two of the special variations were for a fixed term requiring a reduction to Council's notional general income when the approval expired.

In 2006-2007 Council was granted a special variation to its rate income of 9.96% to fund road rehabilitation, environmental protection programs and to move towards achieving long term financial sustainability. Council was granted another special variation to its rate income in 2008-2009 to increase business rates to fund its Economic Development Plan.

Council applied for a special variation to its rate income for the four years commencing 2010-2011 to implement asset and infrastructure maintenance and renewal as identified in Council's asset management plans. The application was not successful.

No special variation has been factored into this Plan. Due to Sustainability Reviews, current operating and satisfaction levels and sound financial management practices, modelling suggests no special rate variation is warranted. This is a conservative approach and if at some point in the future it becomes likely that the Council is required to apply for a special variation then future iterations of this Plan will be amended to reflect that change.

9.3 Future rating and annual charge option

9.3.1 Ordinary rates

In order to assess the adequacy of rate income to fund Council activities into the future it is necessary to estimate future rate income. This has been performed in all three Scenarios in this Plan. It is at Council's discretion whether the full rate peg is applied.

9.3.2 Annual charges

Stormwater Management Services Annual Charges

The maximum amount of individual annual charges for stormwater management services is regulated. Clause 125A of the *Local Government (General) Regulation, 2005* prevents Council from levying a stormwater management services annual charge as it obtained a special variation to its general rate income in 1997-1998 for the provision of stormwater management services. Council received a permanent 3.065061% increase to its ordinary rate income in 1997-1998 for stormwater management services. The maximum amount that could potentially be raised under the statutory formula, should Council be eligible to do so, has been calculated and is less than the amount raised by the enduring special variation to general income. Council has not identified any other new sources of general income that are a viable alternative to ordinary rate income.

Appendices

Appendix 1: Conservative Scenario

1.1 Introduction

The Conservative Scenario of the LTFP shows the financial results of applying the following assumptions:

- The entire rate peg of 1.5% is applied to rating income.
- An inflation forecast of 1.3% is applied to most sources of income.

1.2 Financial Results

In the Conservative Scenario the underlying result deteriorates each year of the Plan and a large deficit of almost \$1,400,000 is reached by financial year 2027. Although the entire rate peg has been applied this Scenario is not financially sustainable due to inflationary factors and has not been selected as the preferred Scenario.

1.3 Financial Statements

Conservative Scenario – Income Statement

Port Stephens Council
Profit & Loss Statement

As at 30 June:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
Rates & Annual Charges	54,659	55,956	57,279	58,629	60,005	61,410	62,842	64,303	65,793	67,312
User Fees and Charges	37,573	38,137	38,709	39,289	39,879	40,477	41,084	41,700	42,326	42,961
Interest & Investment Revenue	1,322	1,180	1,239	1,276	1,282	1,286	1,298	1,283	1,276	1,241
Other Revenues	5,989	6,078	6,170	6,262	6,356	6,451	6,548	6,646	6,746	6,847
Operating Grants and Contributions	12,023	11,654	11,829	12,006	12,186	12,369	12,554	12,743	12,934	13,128
Capital Grants and Contributions	5,203	5,281	5,360	5,441	5,522	5,605	5,689	5,775	5,861	5,949
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	117,019	118,536	120,836	123,154	125,481	127,848	130,265	132,700	135,186	137,689
Operating Expenses										
Employee Benefits & On-Costs	42,123	43,208	44,249	46,318	47,553	48,730	50,974	52,058	53,463	54,727
Borrowing Costs	674	576	502	438	390	352	319	306	303	299
Materials & Contracts	38,529	38,900	39,678	40,471	41,681	42,114	42,957	43,816	45,092	45,594
Depreciation & Amortisation	14,420	14,514	14,646	14,681	14,720	14,763	14,811	14,863	14,920	14,980
Amortisation - intangibles	530	540	567	595	625	657	689	724	760	798
Other	13,034	13,294	13,560	13,832	14,108	14,390	14,678	14,972	15,271	15,577
Total Operating Expenses	109,310	111,033	113,202	116,335	119,077	121,006	124,429	126,738	129,809	131,975
Operating Surplus / (Deficit)	7,709	7,503	7,634	6,819	6,404	6,842	5,837	5,961	5,377	5,714
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	7,709	7,503	7,634	6,819	6,404	6,842	5,837	5,961	5,377	5,714
Net Operating Result before Capital Grants	2,506	2,222	2,273	1,378	882	1,237	147	187	(484)	(235)
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(615)	(624)	(634)	(643)	(653)	(663)	(673)	(683)	(693)	(703)
NAP Profit	(2,330)	(2,249)	(2,212)	(2,167)	(2,115)	(2,054)	(1,984)	(1,905)	(1,815)	(1,715)
Local election costs	400	-	-	-	400	-	-	-	400	-
NAP dividend	1,250	1,269	1,288	1,307	1,327	1,347	1,367	1,387	1,408	1,429
Underlying result	960	367	465	(375)	(409)	(383)	(1,393)	(1,263)	(1,435)	(1,474)

Conservative Scenario – Balance Sheet

Port Stephens Council

Balance Sheet

As at 30 June:

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	15,153	14,832	13,906	12,026	10,402	9,441	7,801	6,846	6,166	7,237
Investments	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155
Receivables	10,572	10,754	10,994	11,239	11,490	11,745	12,005	12,271	12,542	12,818
Inventories	7,790	7,790	7,790	7,790	7,790	7,790	7,790	7,790	7,790	7,790
Total Financial Assets	59,669	59,530	58,845	57,210	55,837	55,131	53,751	53,062	52,653	54,000
Non Financial Assets										
Infrastructure, Property, Plant & Equipment	871,982	877,798	883,752	890,052	896,700	903,701	911,059	918,778	926,863	935,119
Inventories	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077
Investment Properties	22,760	23,443	24,146	24,871	25,617	26,385	27,177	27,992	28,832	29,697
Intangibles	1,475	1,735	1,968	2,172	2,347	2,491	2,601	2,677	2,717	2,719
Total Non Financial Assets	904,295	911,053	917,944	925,172	932,741	940,654	948,914	957,525	966,490	975,614
Total Assets	963,964	970,584	976,789	982,382	988,578	995,785	1,002,665	1,010,587	1,019,143	1,029,614
LIABILITIES										
Current Liabilities										
Trade & Other Payables	7,589	7,664	7,818	7,974	8,209	8,298	8,464	8,633	8,882	8,983
Borrowings	3,220	2,632	2,379	1,767	1,807	1,423	1,070	112	115	430
Provisions	14,400	16,682	17,517	17,941	18,314	19,048	19,569	20,214	20,298	21,574
	25,208	26,978	27,713	27,681	28,330	28,768	29,103	28,960	29,295	30,988
Non Current Liabilities										
Trade & Other Payables	4,061	3,516	2,970	2,425	1,879	1,334	788	243	0	0
Borrowings	17,554	14,923	12,544	10,777	8,971	7,548	6,478	6,365	6,250	5,820
Provisions	585	596	608	620	633	646	658	672	685	699
	22,200	19,034	16,122	13,822	11,483	9,527	7,924	7,279	6,935	6,520
Total Liabilities	47,408	46,012	43,836	41,503	39,813	38,295	37,027	36,239	36,230	37,508
Net Assets	916,556	924,571	932,953	940,878	948,765	957,490	965,638	974,348	982,913	992,106
EQUITY										
Accumulated Surplus	562,976	570,991	579,373	587,298	595,185	603,910	612,058	620,768	629,333	638,526
Asset Revaluation Reserves	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580
Total Equity	916,556	924,571	932,953	940,878	948,765	957,490	965,638	974,348	982,913	992,106

Conservative Scenario – Statement of Cash Flows

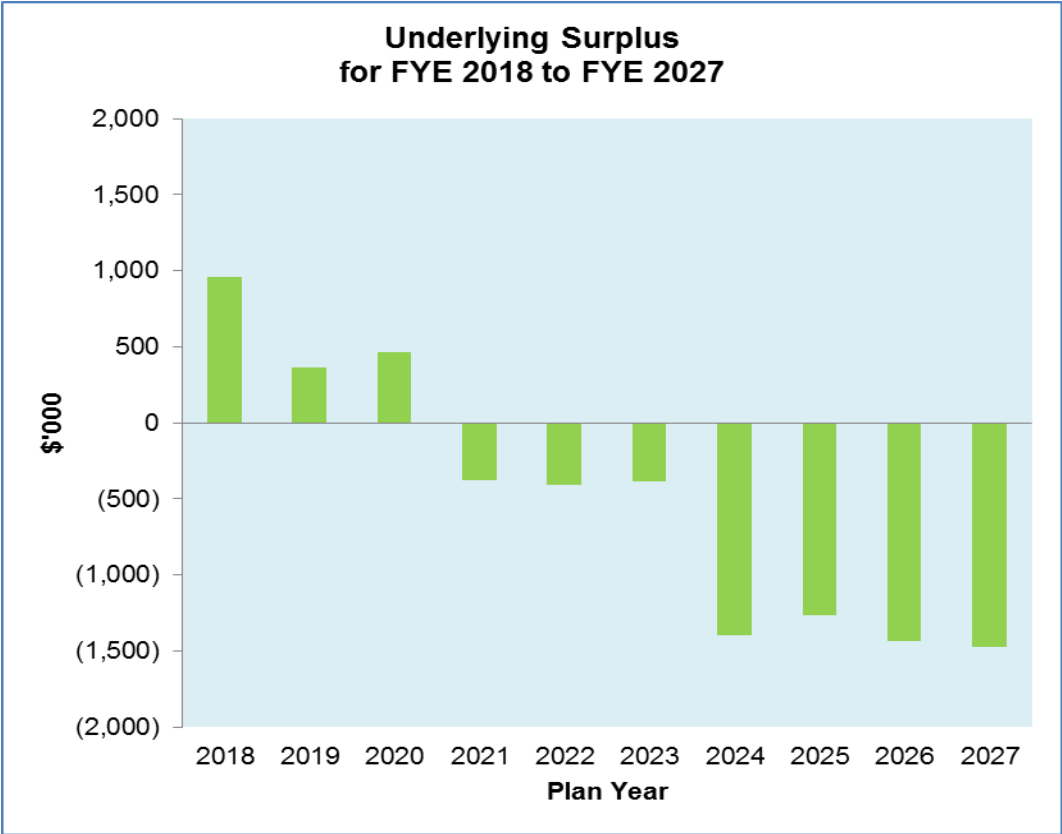
Port Stephens Council

Cashflow Statement

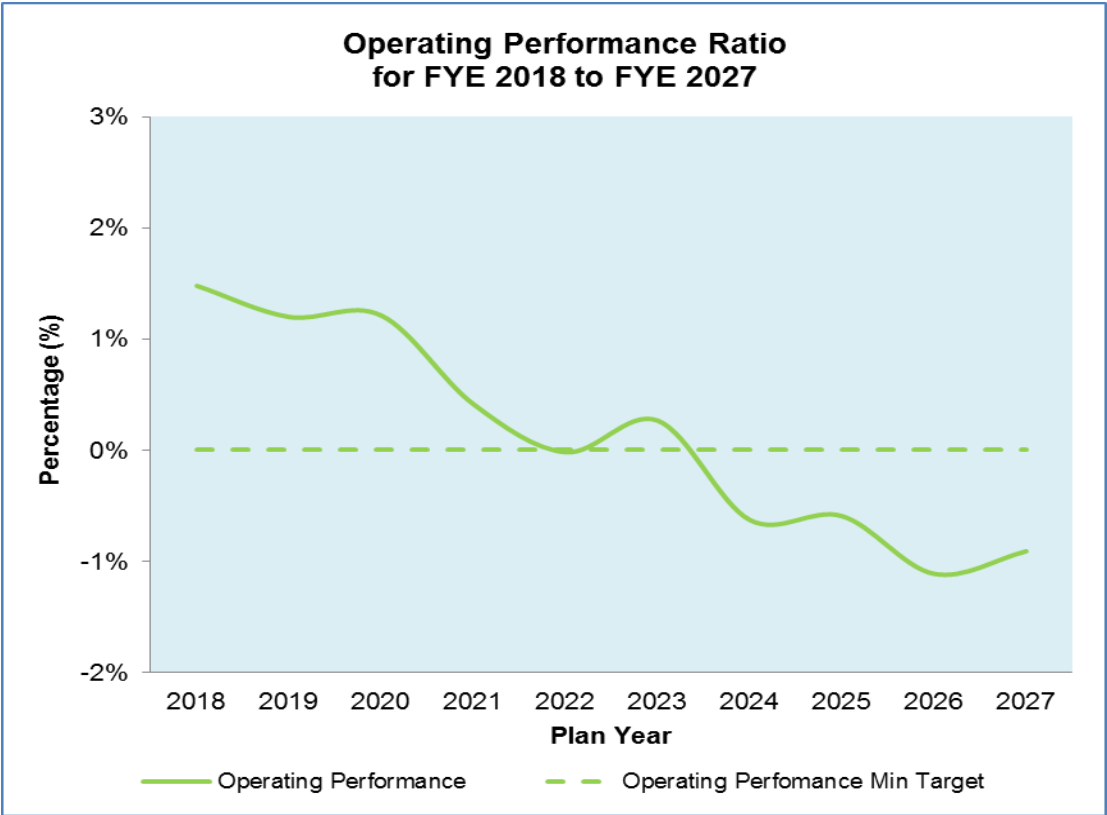
As at 30 June:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	54,429	55,807	57,072	58,418	59,791	61,191	62,619	64,076	65,562	67,077
User Charges & Fees	37,573	38,137	38,709	39,289	39,879	40,477	41,084	41,700	42,326	42,961
Interest & Investment Revenue Received	1,322	1,180	1,239	1,276	1,282	1,286	1,298	1,283	1,276	1,241
Grants & Contributions	17,226	16,935	17,189	17,447	17,708	17,974	18,244	18,517	18,795	19,077
Other	5,989	6,078	6,170	6,262	6,356	6,451	6,548	6,646	6,746	6,847
Payments:										
Employee Benefits & On-Costs	(42,290)	(45,502)	(45,096)	(46,754)	(47,939)	(49,476)	(51,508)	(52,716)	(53,561)	(56,016)
Materials & Contracts	(37,917)	(38,425)	(39,280)	(40,077)	(41,365)	(41,651)	(42,571)	(43,433)	(45,092)	(45,690)
Borrowing Costs	(674)	(576)	(502)	(438)	(390)	(352)	(319)	(306)	(303)	(299)
Other	(9,488)	(10,341)	(13,366)	(14,476)	(14,715)	(14,594)	(15,175)	(15,236)	(15,918)	(13,673)
Net Cash provided (or used in) Operating Activities	26,169	23,293	22,135	20,949	20,607	21,306	20,220	20,532	19,832	21,525
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(17,544)	(17,895)	(18,253)	(18,618)	(18,990)	(19,370)	(19,757)	(20,153)	(20,556)	(20,967)
Purchase of Intangible Assets	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Net Cash provided (or used in) Investing Activities	(18,094)	(18,445)	(18,803)	(19,168)	(19,540)	(19,920)	(20,307)	(20,703)	(21,106)	(21,517)
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings & Advances	(2,808)	(2,462)	(1,843)	(1,558)	(912)	(918)	(498)	(108)	(111)	(115)
Net Cash Flow provided (used in) Financing Activities	(2,808)	(2,462)	(1,843)	(1,558)	(912)	(918)	(498)	(108)	(111)	(115)
Net Increase/(Decrease) in Cash & Cash Equivalents	5,267	2,386	1,489	223	155	469	(585)	(279)	(1,385)	(107)
plus: Cash - beginning of year	15,762	21,029	23,415	24,905	25,128	25,283	25,751	25,166	24,887	23,502
Cash - end of the year	21,029	23,415	24,905	25,128	25,283	25,751	25,166	24,887	23,502	23,395
plus: Investments - end of the year	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155
Total Cash & Investments - end of the year	47,184	49,570	51,060	51,283	51,438	51,906	51,321	51,042	49,657	49,550
Less restricted Cash (NAL)	(14,492)	(15,370)	(16,087)	(16,623)	(16,962)	(17,083)	(16,965)	(16,584)	(15,915)	(14,933)
Cash, Cash Equivalents & Investments - end of the year (unrestricted)	32,692	34,200	34,973	34,659	34,475	34,823	34,357	34,459	33,742	34,617

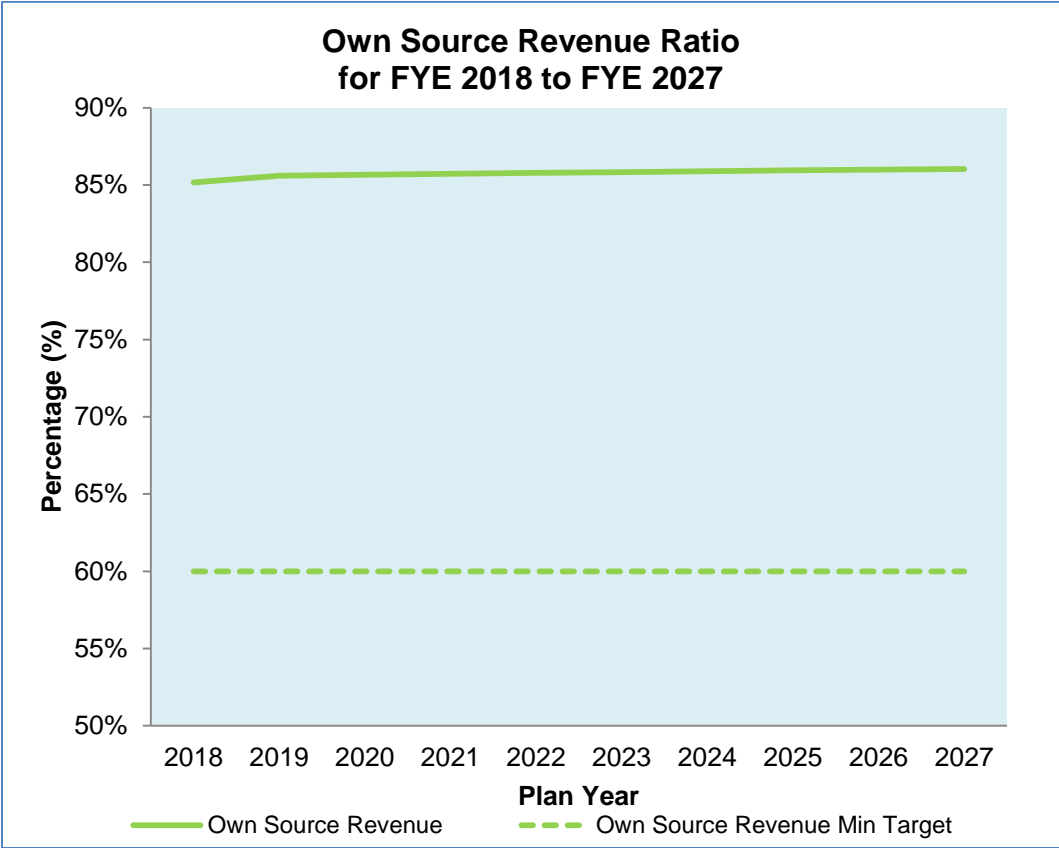
Underlying surplus



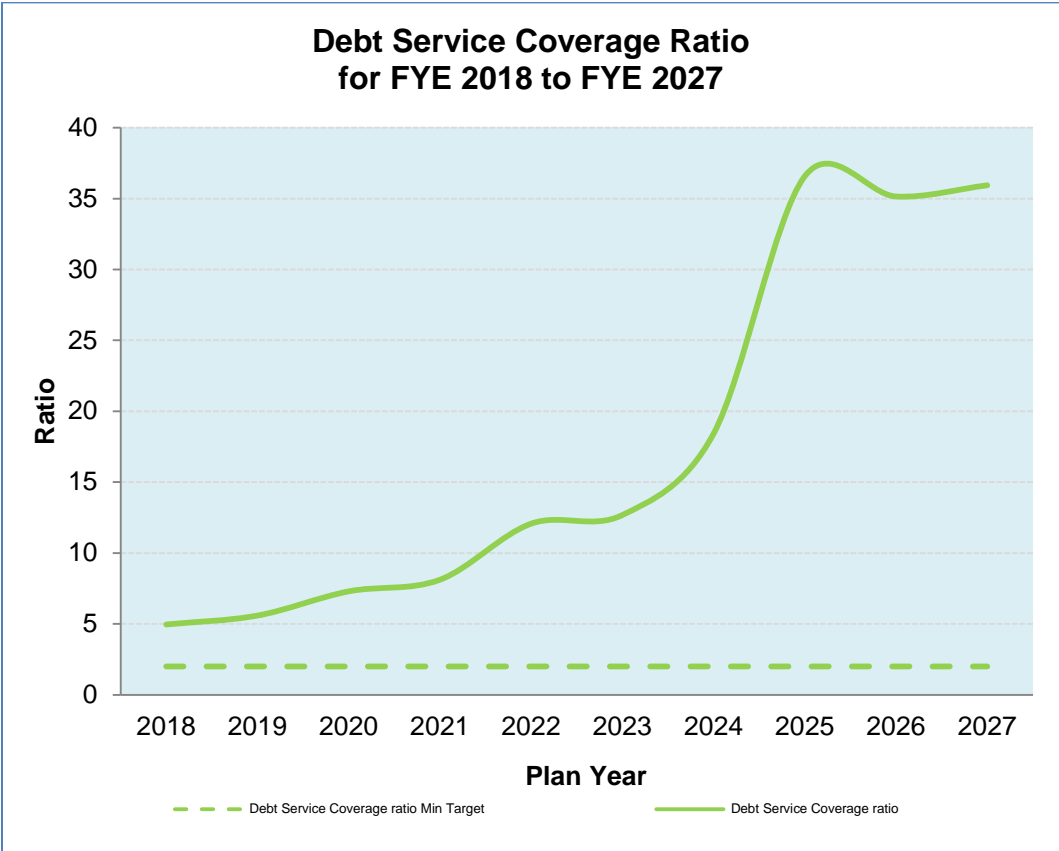
Operating performance ratio



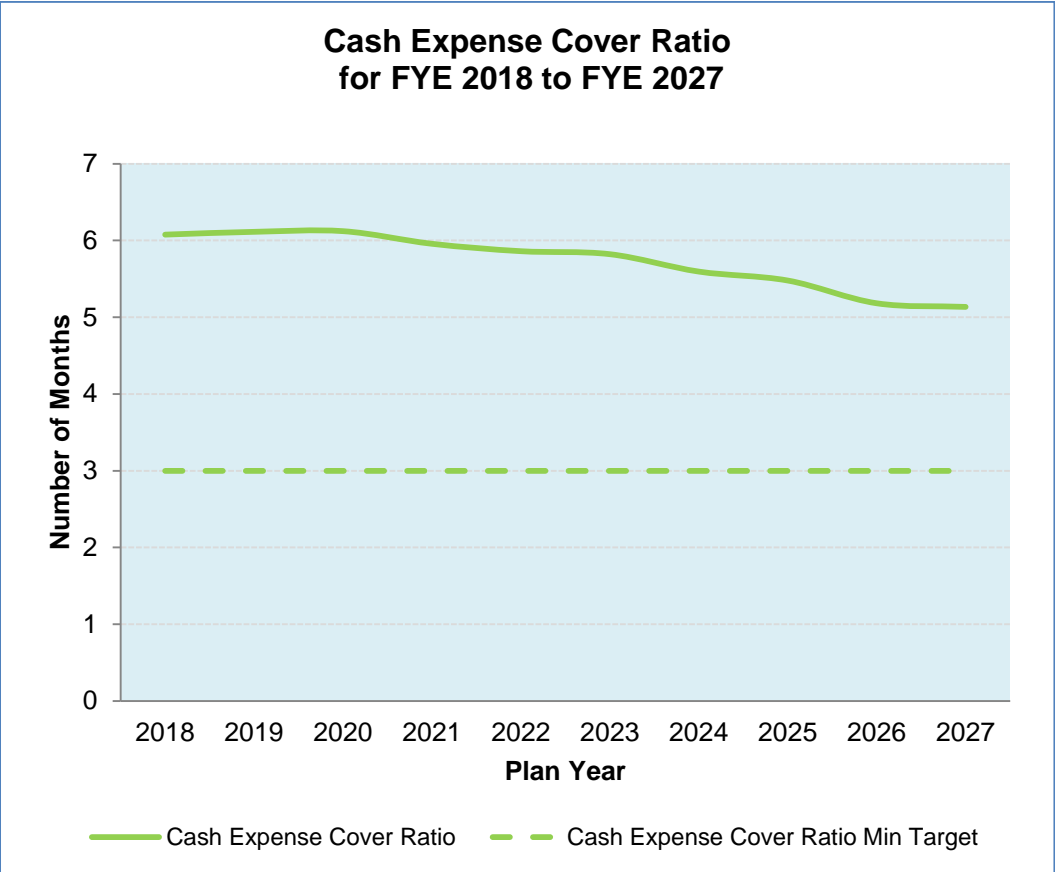
Own source revenue ratio



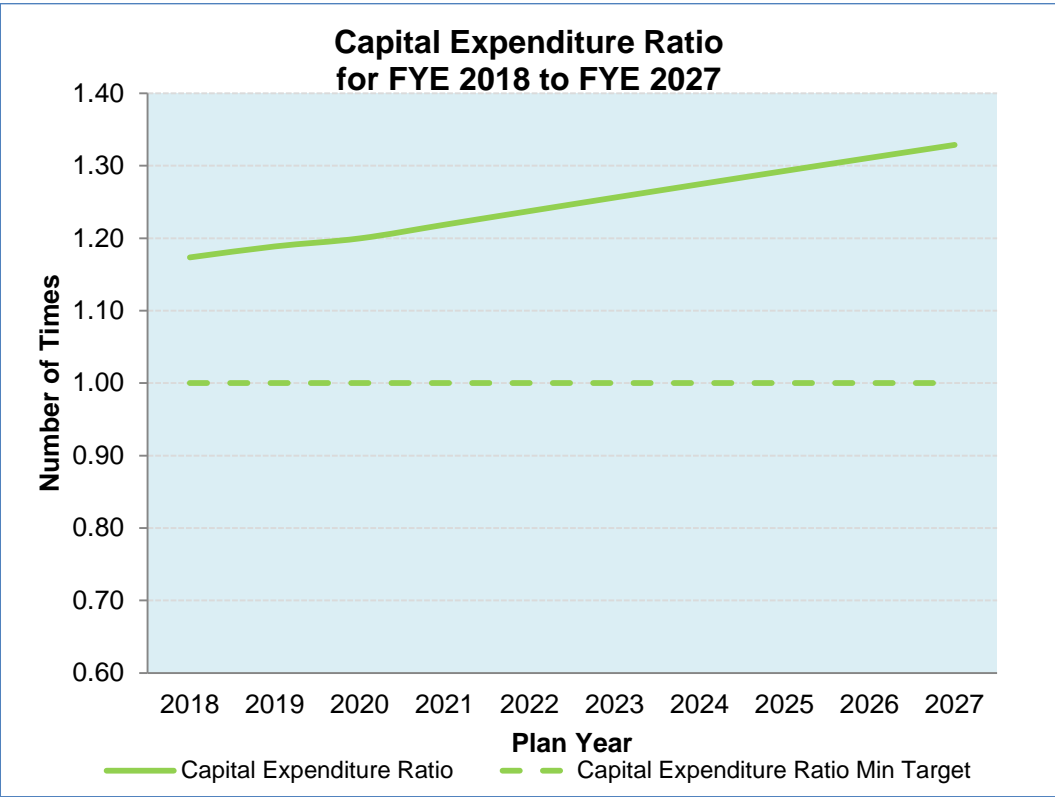
Debt service coverage ratio



Cash expense cover ratio



Capital expenditure ratio



Appendix 2: Improved Scenario

2.1 Introduction

The Improved Scenario of the LTFP shows the financial results of applying the following assumptions:

- The entire rate peg of 1.5% is applied to rating income for financial year 2018.

2.2 Financial Results

In the Improved Scenario the underlying operating result is a surplus of \$750,000 or more for most years of the ten year plan. This Scenario is sustainable but has not been chosen as the preferred Scenario as it does not meet the additional infrastructure investment goals of Council.

2.3 Financial Statements

Improved Scenario – Income Statement

Port Stephens Council

Profit & Loss Statement

As at 30 June:

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000
Revenue										
Rates & Annual Charges	54,709	56,058	57,434	58,838	60,270	61,730	63,220	64,739	66,289	67,870
User Fees and Charges	38,984	39,763	40,559	41,370	42,197	43,041	43,902	44,780	45,676	46,589
Interest & Investment Revenue	1,322	1,475	1,523	1,557	1,564	1,581	1,620	1,652	1,710	1,750
Other Revenues	5,989	6,108	6,231	6,355	6,482	6,612	6,744	6,879	7,017	7,157
Operating Grants and Contributions	12,023	11,714	11,948	12,187	12,431	12,679	12,933	13,192	13,456	13,725
Capital Grants and Contributions	5,703	5,829	5,957	6,088	6,222	6,359	6,499	6,642	6,788	6,937
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	118,979	121,197	123,902	126,645	129,416	132,252	135,168	138,133	141,184	144,277
Operating Expenses										
Employee Benefits & On-Costs	42,123	43,208	44,249	46,318	47,553	48,730	50,974	52,058	53,463	54,727
Borrowing Costs	674	576	502	438	390	352	319	306	303	299
Materials & Contracts	39,940	40,339	41,145	41,968	43,208	43,672	44,145	45,028	46,329	46,855
Depreciation & Amortisation	14,455	14,584	14,851	14,920	14,992	15,070	15,152	15,238	15,329	16,224
Amortisation - intangibles	530	540	567	595	625	657	689	724	760	798
Other	13,034	13,266	13,502	13,742	13,987	14,236	14,489	14,747	15,010	15,277
Total Operating Expenses	110,755	112,513	114,817	117,981	120,755	122,715	125,769	128,101	131,193	134,181
Operating Surplus / (Deficit)	8,224	8,684	9,085	8,663	8,661	9,537	9,399	10,033	9,991	10,097
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	8,224	8,684	9,085	8,663	8,661	9,537	9,399	10,033	9,991	10,097
Net Operating Result before Capital Grants	2,521	2,856	3,128	2,575	2,439	3,178	2,901	3,391	3,203	3,160
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(615)	(683)	(703)	(724)	(746)	(769)	(792)	(815)	(840)	(865)
NAP Profit	(2,330)	(2,445)	(2,485)	(2,521)	(2,552)	(2,580)	(2,602)	(2,619)	(2,629)	(2,632)
Local election costs	400	-	-	-	400	-	-	-	400	-
NAP dividend	1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494
Underlying result	975	753	991	407	644	960	665	1,143	1,349	907

Improved Scenario – Balance Sheet

Port Stephens Council

Balance Sheet

As at 30 June:

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	22,996	24,617	25,734	25,971	26,544	27,860	28,905	30,829	32,178	35,363
Investments	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155
Receivables	5,286	5,377	5,497	5,620	5,745	5,873	6,003	6,136	6,271	6,409
Inventories	7,690	7,690	7,690	7,690	7,690	7,690	7,690	7,690	7,690	7,690
Total Financial Assets	62,127	63,839	65,077	65,436	66,134	67,578	68,753	70,809	72,294	75,617
Non Financial Assets										
Infrastructure, Property, Plant & Equipment	864,232	869,624	875,148	881,011	887,217	893,769	900,673	907,931	915,548	922,728
Inventories	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077	8,077
Investment Properties	22,760	23,443	24,146	24,871	25,617	26,385	27,177	27,992	28,832	29,697
Intangibles	1,475	1,735	1,968	2,172	2,347	2,491	2,601	2,677	2,717	2,719
Total Non Financial Assets	896,545	902,879	909,339	916,131	923,258	930,722	938,528	946,677	955,174	963,222
Total Assets	958,672	966,718	974,416	981,567	989,392	998,300	1,007,280	1,017,486	1,027,468	1,038,839
LIABILITIES										
Current Liabilities										
Trade & Other Payables	7,589	7,664	7,818	7,974	8,209	8,298	8,388	8,555	8,802	8,902
Borrowings	2,462	1,843	1,558	912	918	498	108	111	115	0
Provisions	14,400	16,682	17,517	17,941	18,314	19,048	19,569	20,214	20,298	21,574
	24,450	26,189	26,893	26,827	27,441	27,843	28,064	28,881	29,216	30,477
Non Current Liabilities										
Trade & Other Payables	4,061	3,516	2,970	2,425	1,879	1,334	788	243	0	0
Borrowings	12,312	10,470	8,912	7,999	7,082	6,584	6,476	6,365	6,250	6,250
Provisions	585	596	608	620	633	646	658	672	685	699
	16,958	14,582	12,490	11,044	9,594	8,563	7,923	7,279	6,935	6,950
Total Liabilities	41,408	40,770	39,383	37,871	37,035	36,406	35,987	36,160	36,151	37,427
Net Assets	917,264	925,948	935,033	943,696	952,357	961,894	971,293	981,326	991,317	1,001,413
EQUITY										
Accumulated Surplus	563,684	572,368	581,453	590,116	598,777	608,314	617,713	627,746	637,737	647,833
Asset Revaluation Reserves	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580	353,580
Total Equity	917,264	925,948	935,033	943,696	952,357	961,894	971,293	981,326	991,317	1,001,413

Improved Scenario – Statement of Cash Flows

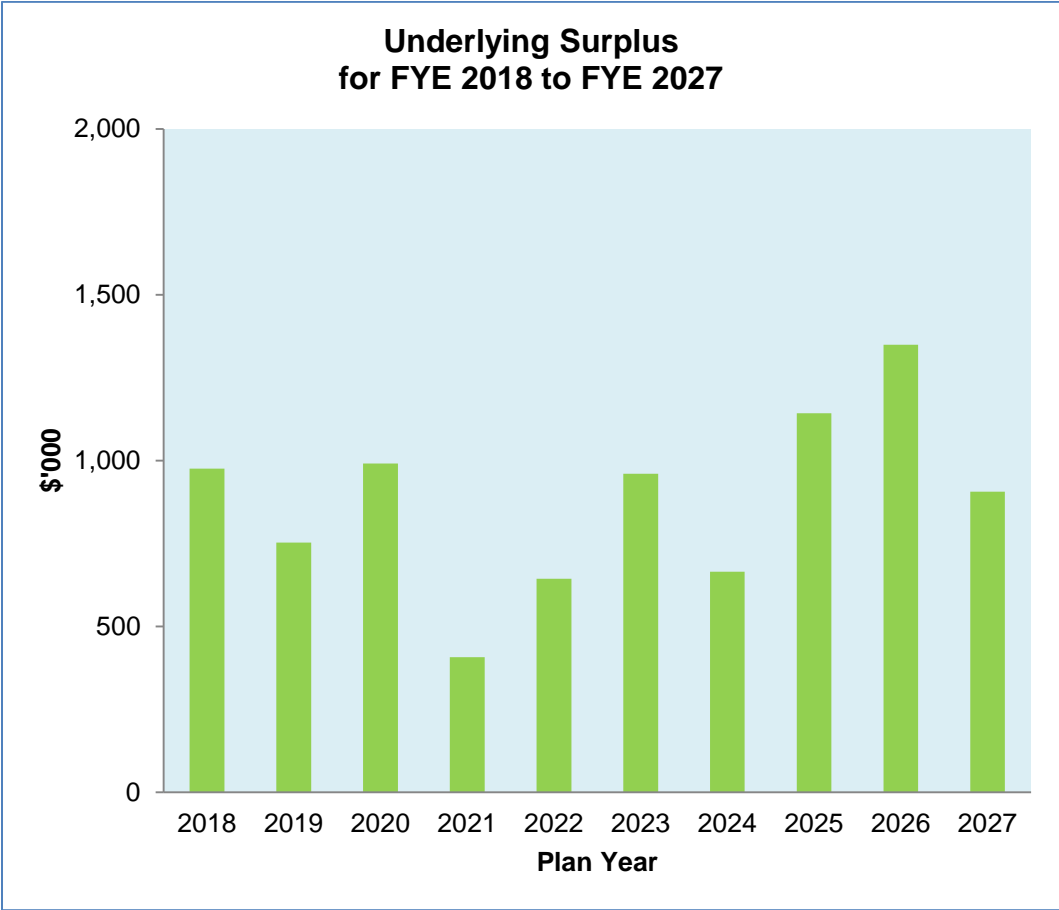
Port Stephens Council

Cashflow Statement

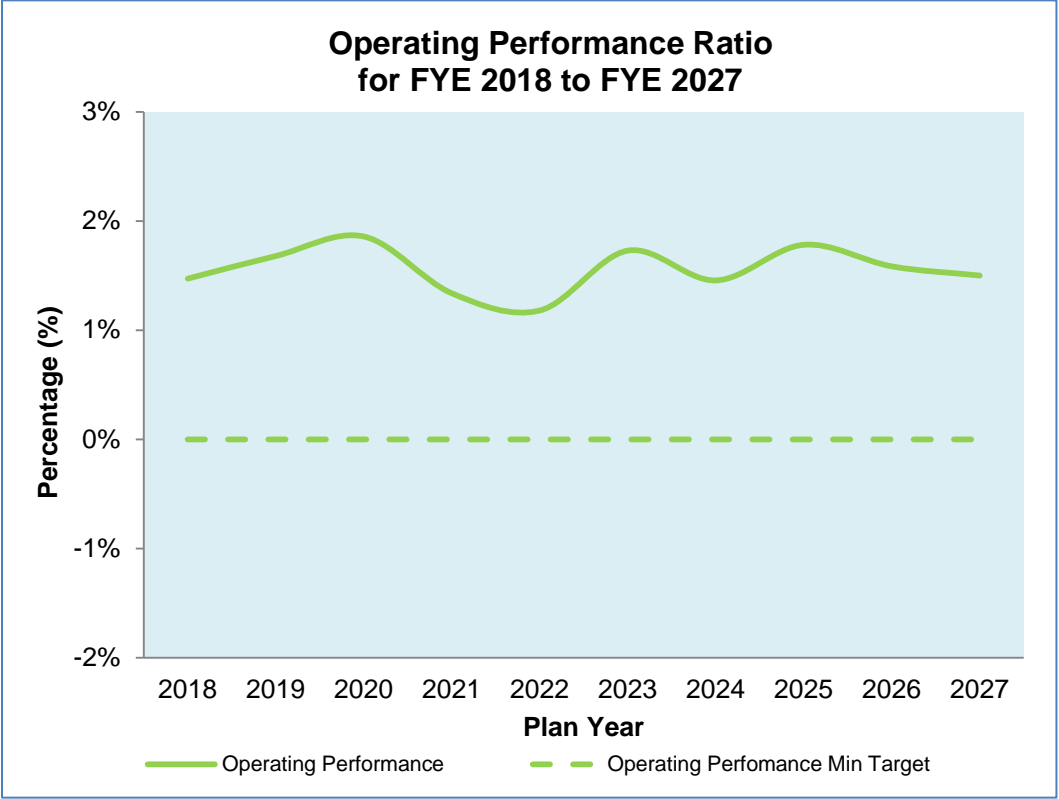
As at 30 June:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	54,521	55,967	57,314	58,715	60,145	61,602	63,090	64,606	66,153	67,731
User Charges & Fees	38,984	39,763	40,559	41,370	42,197	43,041	43,902	44,780	45,676	46,589
Interest & Investment Revenue Received	1,322	1,475	1,523	1,557	1,564	1,581	1,620	1,652	1,710	1,750
Grants & Contributions	15,726	15,498	15,816	16,140	16,471	16,808	17,153	17,504	17,863	18,229
Other	5,373	5,426	5,527	5,631	5,736	5,843	5,953	6,064	6,177	6,292
Payments:										
Employee Benefits & On-Costs	(42,290)	(45,502)	(45,096)	(46,754)	(47,939)	(49,476)	(51,508)	(52,716)	(53,561)	(56,016)
Materials & Contracts	(39,595)	(39,869)	(40,753)	(41,579)	(42,898)	(43,214)	(43,690)	(44,650)	(46,333)	(46,956)
Borrowing Costs	(674)	(576)	(502)	(438)	(390)	(352)	(319)	(306)	(303)	(299)
Other	(8,288)	(9,617)	(12,592)	(13,649)	(13,835)	(13,658)	(14,333)	(14,185)	(14,806)	(12,497)
Net Cash provided (or used in) Operating Activities	25,078	22,565	21,796	20,993	21,052	22,176	21,868	22,748	22,576	24,822
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(17,584)	(17,932)	(18,286)	(18,648)	(19,016)	(19,392)	(19,776)	(20,167)	(20,565)	(20,972)
Purchase of Intangible Assets	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Net Cash provided (or used in) Investing Activities	(18,134)	(18,482)	(18,836)	(19,198)	(19,566)	(19,942)	(20,326)	(20,717)	(21,115)	(21,522)
Cash Flows from Financing Activities										
Payments:										
Repayment of Borrowings & Advances	(2,808)	(2,462)	(1,843)	(1,558)	(912)	(918)	(498)	(108)	(111)	(115)
Net Cash Flow provided (used in) Financing Activities	(2,808)	(2,462)	(1,843)	(1,558)	(912)	(918)	(498)	(108)	(111)	(115)
Net Increase/(Decrease) in Cash & Cash Equivalents	4,136	1,621	1,117	237	573	1,316	1,044	1,924	1,349	3,185
plus: Cash - beginning of year	18,860	22,996	24,617	25,734	25,971	26,544	27,860	28,905	30,829	32,178
Cash - end of the year	22,996	24,617	25,734	25,971	26,544	27,860	28,905	30,829	32,178	35,363
plus: Investments - end of the year	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155	26,155
Total Cash & Investments - end of the year	49,151	50,772	51,889	52,126	52,699	54,015	55,060	56,984	58,333	61,518
Less restricted Cash (NAL)	(14,595)	(15,656)	(16,626)	(17,490)	(18,233)	(18,839)	(19,290)	(19,566)	(19,647)	(19,509)
Cash, Cash Equivalents & Investments - end of the year (unrestricted)	34,556	35,116	35,263	34,636	34,466	35,176	35,770	37,417	38,686	42,008

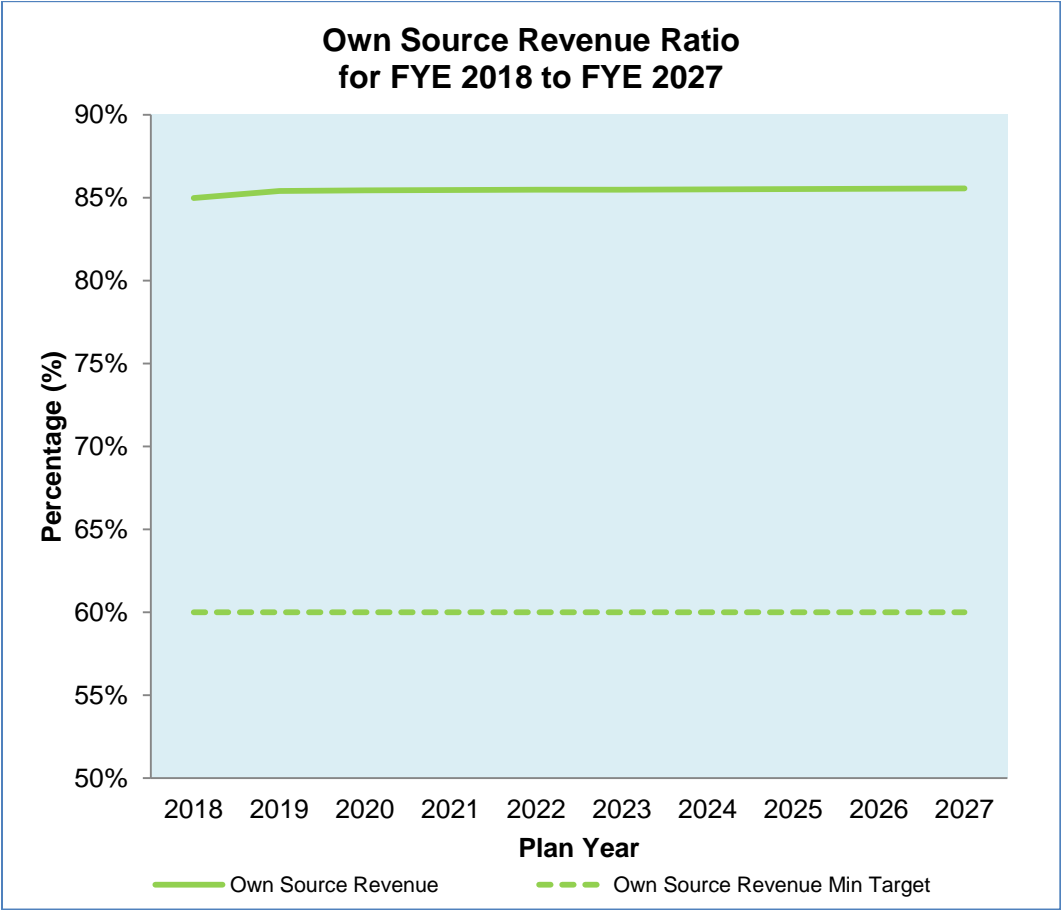
Underlying surplus



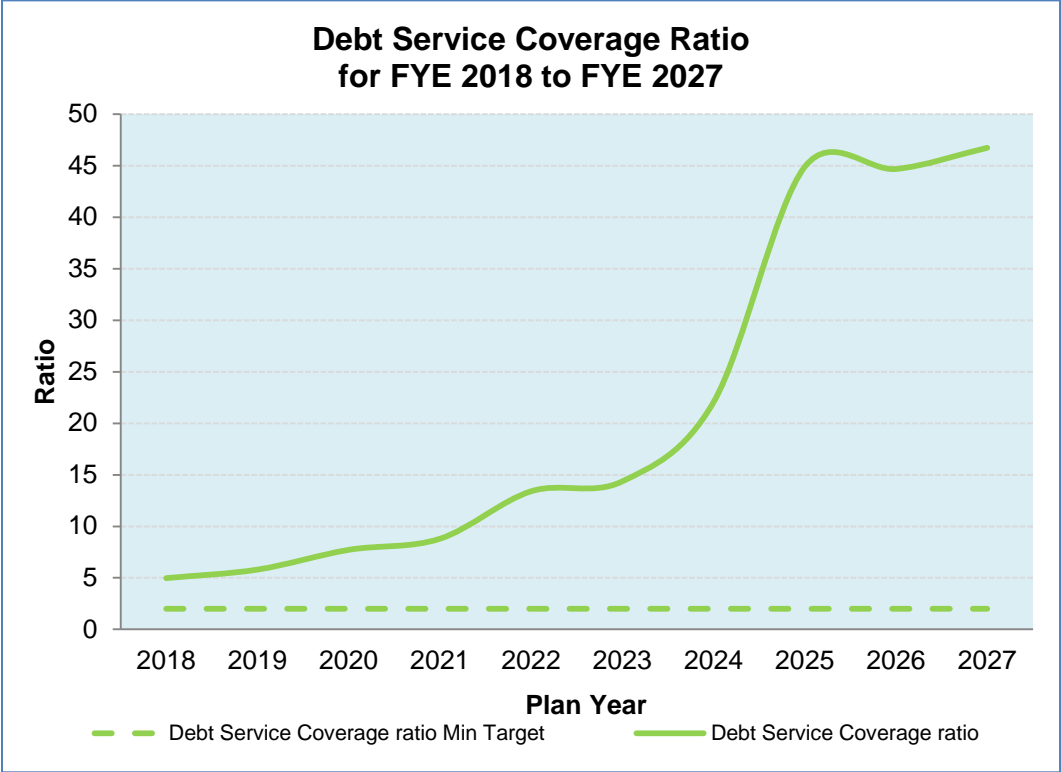
Operating performance ratio



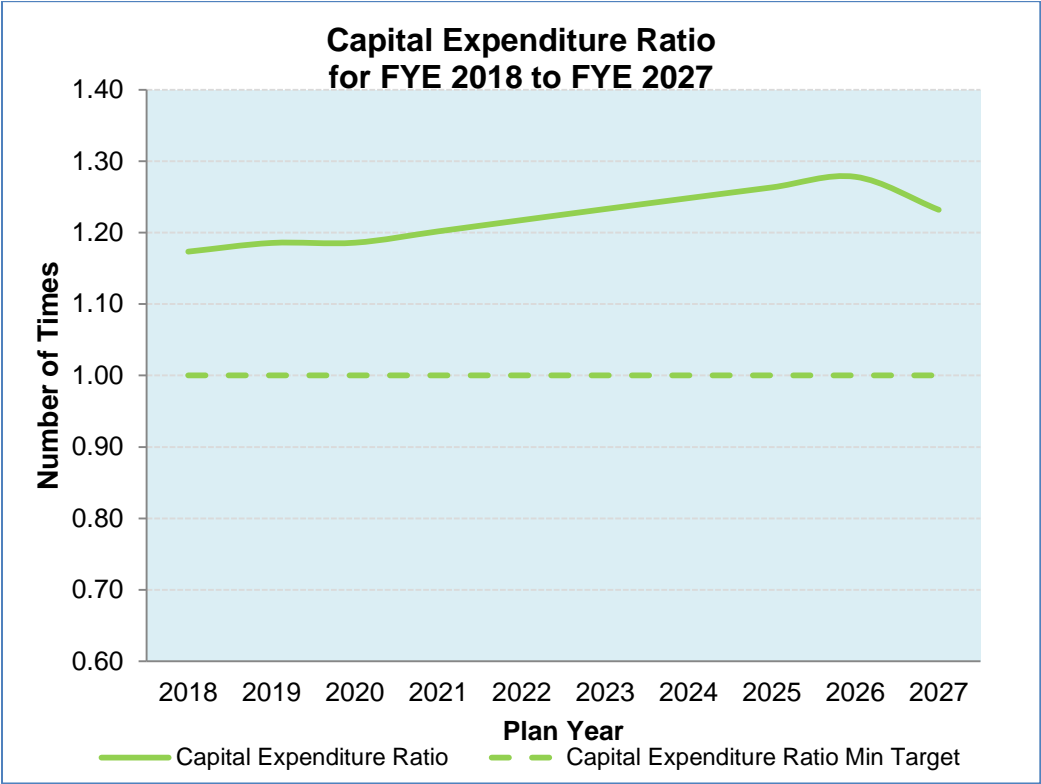
Own source revenue ratio



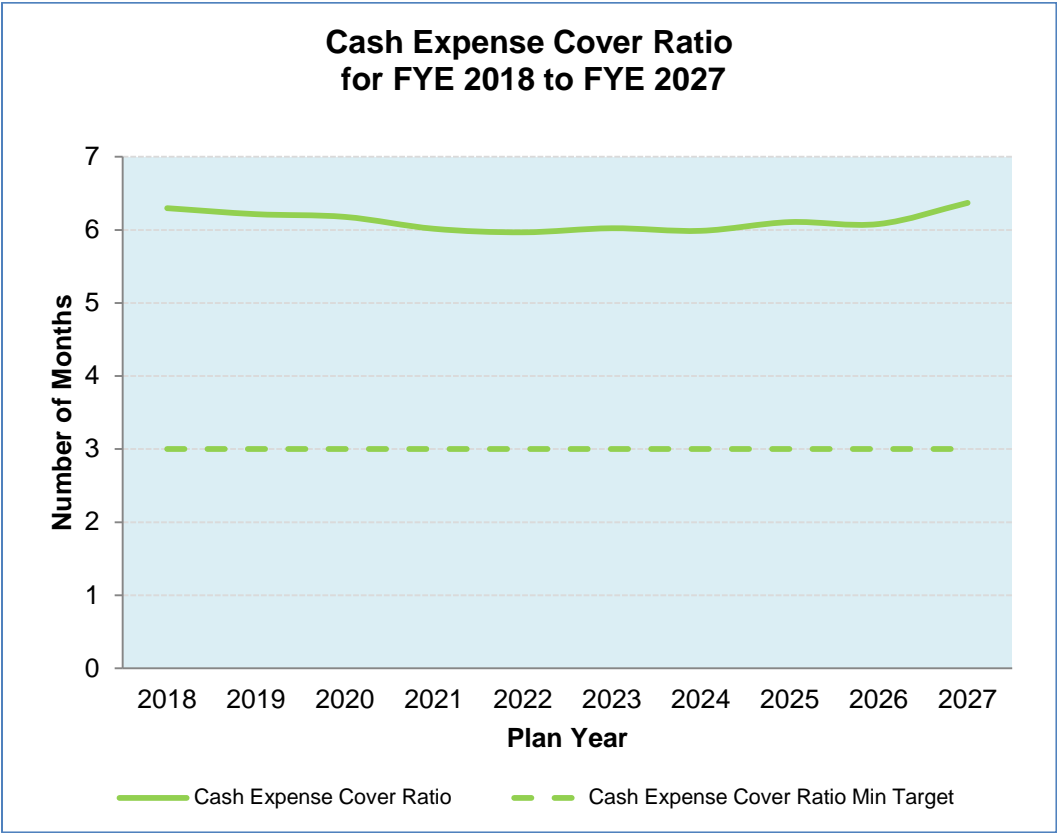
Debt service coverage ratio



Capital expenditure ratio



Cash expense cover ratio



CONTROLLED DOCUMENT INFORMATION:

This is a controlled document. Hardcopies of this document may not be the latest version. Before using this document, check it is the latest version; refer to Council's intranet, MyPort.

RM8 container No.	PSC2016-02892	RM8 record No.	
Audience	General community		
Process owner	Financial Services Section Manager		
Author	Financial Services Section Manager		
Review timeframe	Annually	Next review date	xx/xx/2018
Adoption date	xx/xx/2017		

VERSION HISTORY:

Version	Date	Author	Details
1.0	09/01/2017	Financial Services – Administration Officer	Draft document created.
1.1	10/01/2017	Corporate Strategy and Planning Manager	Feedback from Corporate Strategy and Planning Manager incorporated into document.
1.2	17/02/2017	Financial Services Section Manager	Revisions made factoring in Council resolutions.

