

Long Term Financial Plan

2018-2028: **Our place. Our plan.**



PORT STEPHENS
COUNCIL

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Integrated Plans and resourcing strategies



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1. EXECUTIVE SUMMARY

Port Stephens Council's Long Term Financial Plan (LTFP) contains a set of long range financial projections based on a set of assumptions. The LTFP covers a 10 year time period from 2018-2019 to 2027-2028.

1.1 Structure

The Long Term Financial Plan 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 Long Term Financial Plan presents financial forecasts associated with the following scenarios:

INCOME:

	Conservative	Standard	Strategic
Rates			
Pegging factor applied	2.3%	2.3%	2.3%
Ongoing peg factor	2.3%	2.5%	2.7%
New annual rates assessment	100	150	200
User fees and charges			
Annual factor	2.3%	2.5%	2.5%
Operating grants and Contributions			
Annual factor	2.0%	2.2%	2.5%
Other			
Other income	2.0%	2.0%	2.5%
Cash investment returns	2.0%	2.5%	2.5%
Airport dividend	50.0%	50.0%	50.0%

EXPENSES:

	Conservative	Standard	Strategic
Salaries and allowances (*)	2.5%	2.5%	2.5%
Materials and contracts	2.3%	2.5%	2.7%
Increased asset maintenance annual	-	-	\$100k
Capital spend over 10 years	\$200M	\$210M	\$245M
Local Government Cost Index	2.3%	2.5%	2.7%

(*) – Subject to current Enterprise Agreement negotiations

PROJECTED RESULT:



	Conservative	Standard	Strategic
2018-2019	(223,000)	984,000	905,000
2019-2020	(593,000)	638,000	675,000
2020-2021	(481,000)	789,000	708,000
2021-2022	(417,000)	663,000	1,285,000
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2025-2026	(102,000)	1,182,000	1,986,000
2026-2027	(68,000)	1,512,000	1,834,000
2027-2028	(146,000)	1,310,000	1,533,000



2. INTRODUCTION

2.1 Purpose of the Long Term Financial Plan (LTFP)

The Long Term Financial Plan (LTFP) exists primarily to facilitate the delivery of the objectives and strategies expressed in the Community Strategic Plan – Port Stephens 2028. 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 2018-2021 and the Operational Plans 2018-2021 as follows:

Delivery Program 2018-2021

L 2.1 Maintain strong financial sustainability.

Operational Plan 2018-2021

L 2.1.1 Manage Council's financial resources.

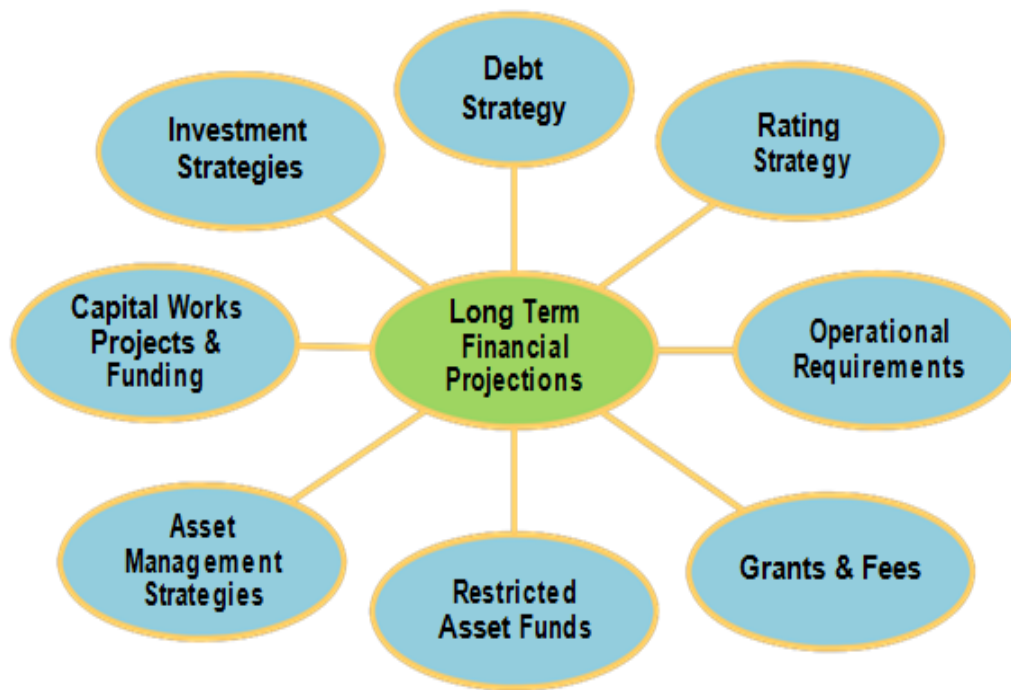
Therefore it is important to acknowledge that any significant changes to the financial strategies expressed in this document will have a consequent impact on Council's ability to deliver the outcomes expressed in the Delivery Program and the Operational Plan.

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

- a) Establish a prudent and sound financial framework, combining and integrating financial strategies to achieve a planned outcome;
- b) Establish a financial framework against which Council's strategies, policies, and financial performance can be measured;
- c) Ensure that Council complies with sound financial management principles and plans for the long term financial sustainability of Council;
- d) 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 in the following diagram:





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

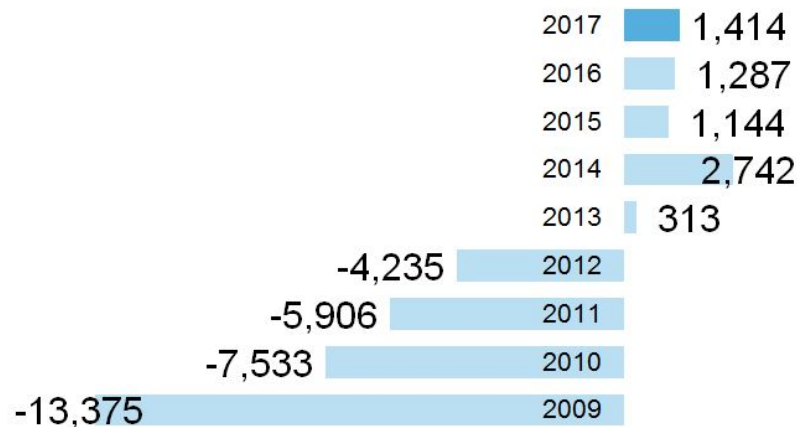
The challenge of financial sustainability is one faced by the majority of NSW councils and Port Stephens Council is certainly not immune from this issue. Council has recently been presented with data on the financial sustainability of this Council that indicates the following:



Graph – Underlying Operating Result



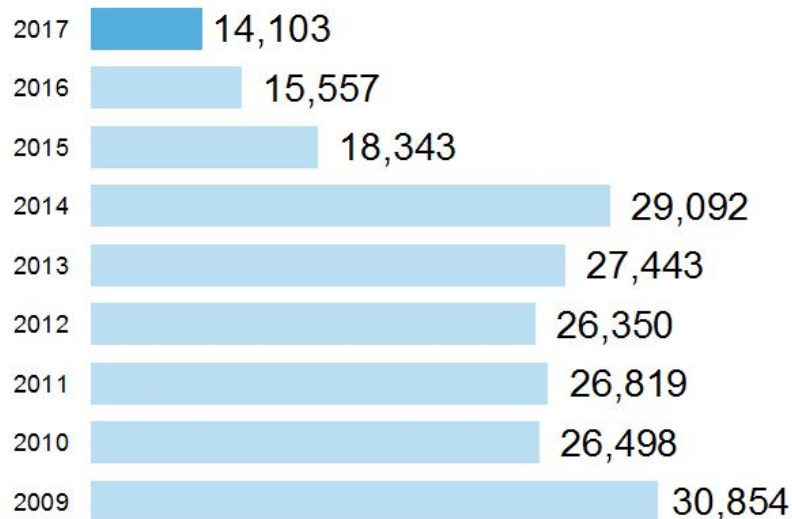
Underlying operating result \$ '000



Graph – Asset Backlog



Asset backlog \$ '000



These graphs highlight the significant changes that have occurred over recent years. Council has moved into a financially sustainable position, as measured by the underlying operating result, and seeks to maintain the position into the future. This is one of the key performance indicators of the organisation.

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 2018-2028 LTFP, each of the above challenges has been addressed. The LTFP is based on achieving the following outcomes:

- Maintaining the underlying operating surplus;
- 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 2018-2028 LTFP presents a responsible financial blueprint for the future of Port Stephens Council.

2.4 Sensitivity analysis

Long term financial plans 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 Long Term Financial Plan 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 Long Term Financial Plan on an annual basis.



3. LINK BETWEEN LTFP AND COUNCIL'S PLANNING FRAMEWORK

3.1 Workforce plan

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:

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



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

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 Council's operations with depreciation alone accounting for around 14-15% of 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
2017-2018	1.53%	33,608	\$40,767,105

**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 2018-2019

Financial Year	Rate Peg*	No. Assessments†	Ordinary Rate Yield†
2018-2019	2.3%	33,748	\$41,806,000

**estimate*

4.1.2 User charges and fees

User charges and fees have been modelled to increase by 2.5% per year for the life of this plan. This has been modelled off the inflation rate forecast by the Reserve Bank of Australia which is expected to be 2.5% by 2020.

4.1.3 Other income

Other income has been modelled to increase by 2.0% per year for the life of this plan. This income stream is less reliant on inflation therefore a more conservative increase has been used in comparison to the User charges and fees.



4.1.4 Grants and contributions

All operating grants and contributions with the exception of the roads to recovery grant have been modelled to increase by 2.2% per year for the life of this plan which is the predicted increase in those grants for 2019.

The financial assistance grant that is received from the State government was paid in advance (50%) prior to the start of the 2018 financial year. It is expected that the payment schedule will revert back to being paid within the financial year that it relates. The roads to recovery grant that is received from the Federal government will revert back to 2013-2014 levels of funding from 2019 and beyond.

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 long term financial plan are those grants confirmed for 2019, 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.

4.1.5 Interest income

The level of interest income is dependent on the forecasted cash levels in conjunction with an estimated rate of return. The rate of return has been linked to the expected rate of inflation set for each scenario.

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 the last three years. This agreement is due to expire by 30 June 2018. Council is currently negotiating a new Enterprise Agreement beyond June 2018. An employee benefit increase factor of 2.5% has been assumed for the life of the plan. Historical increases under the Enterprise Agreement are 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%
July 2018	2.5%

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 Long Term Financial Plan.

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 \$3,204,000 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 \$7.1 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 \$330,000 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 Long Term Financial Plan 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 RBA's National lending average for large business.

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 \$600,000 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 depreciation 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 \$400,000 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 \$2,000,000, in addition to any operating surplus achieved out of the fleet business unit, 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 are 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) Williamstown 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 Long Term Financial Plan.

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 2028. 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 Long Term Financial Plan 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 Long Term Financial Plan presents financial forecasts associated with the following scenarios:

INCOME:	Conservative	Standard	Strategic
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Airport dividend	50.0%	50.0%	50.0%
EXPENSES:	Conservative	Standard	Strategic
Salaries and allowances (*)	2.5%	2.5%	2.5%
Materials and contracts	2.3%	2.5%	2.7%
Increased asset maintenance annual	-	-	\$100k
Capital spend over 10 years	\$200M	\$210M	\$245M
Local Government Cost Index	2.3%	2.5%	2.7%

(*) – Subject to current Enterprise Agreement negotiations



PROJECTED RESULT:

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2021-2022	(417,000)	663,000	1,285,000
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2025-2026	(102,000)	1,182,000	1,986,000
2026-2027	(68,000)	1,512,000	1,834,000

The **Standard Scenario** has been selected as Council's preferred option. This budget has been selected because it will meet the planned infrastructure investment requirements and also provide a financially sustainable operating result. The **Conservative Scenario** is not financially sustainable and will not meet planned infrastructure requirements. Whilst financially sustainable, the **Strategic Scenario** requires an increase in the economy and inflation in order to deliver the infrastructure investment and service goals. 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. As part of the Delivery Program Council will be investigating alternate funding options such as grants, borrowings and increasing rates above the pegged limit to assist increasing infrastructure renewal across the region.

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;
- 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 2018.

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:	<p>The Code of Accounting Practice and Financial Reporting uses a benchmark for the operating performance ratio of greater than 0%.</p>

5.1.2 Own source operating revenue ratio

Definition:	<p>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.</p> <p>Ratio = rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions).</p>
Analysis:	<p>NSW Treasury Corporation uses a benchmark for the Own Source Revenue Ratio of greater than 60%.</p>

5.1.3 Unrestricted current ratio

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

5.1.4 Debt service cover ratio

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

5.1.5 Rates and annual charges outstanding

Definition:	<p>Used to assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>
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Analysis:	The Office of Local Government states a maximum of 5% for metropolitan councils and 10% for all other councils.
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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:	NSW Treasury Corporation uses a benchmark for the cash expense ratio of greater than three.



6. FINANCIAL STATEMENTS – STANDARD SCENARIO

6.1 Standard Scenario – Income Statement

Port Stephens Council

Profit & Loss Statement

As at 30 June:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000
Revenue										
Rates & Annual Charges	56,787	58,360	59,973	61,626	63,320	65,057	66,837	68,662	70,532	72,449
User Fees and Charges	39,283	40,266	41,272	42,304	43,362	44,446	45,557	46,696	47,863	49,060
Interest & Investment Revenue	1,353	1,191	1,008	964	985	1,043	1,095	1,173	1,233	1,387
Other Revenues	6,536	6,667	6,800	6,936	7,075	7,216	7,361	7,508	7,658	7,811
Operating Grants and Contributions	11,758	11,993	12,233	12,478	12,727	12,982	13,241	13,506	13,776	14,052
Capital Grants and Contributions	5,811	5,627	5,739	5,854	5,971	6,091	6,212	6,337	6,463	6,593
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	121,778	124,354	127,275	130,412	133,690	137,084	140,553	144,131	147,776	151,601
Operating Expenses										
Employee Benefits & On-Costs	44,902	46,581	47,779	49,244	50,480	51,755	53,328	54,669	56,027	57,714
Borrowing Costs	698	592	497	416	345	280	258	252	245	239
Materials & Contracts	36,972	37,897	39,444	39,815	40,811	41,831	43,477	43,949	45,047	46,174
Depreciation & Amortisation	15,178	15,371	15,520	15,849	15,955	16,269	16,787	17,107	17,331	17,661
Amortisation - intangibles	443	285	308	326	341	353	362	370	376	381
Other	13,948	14,296	14,654	15,020	15,396	15,780	16,175	16,579	16,994	17,419
Total Operating Expenses	112,140	115,021	118,201	120,671	123,327	126,269	130,388	132,925	136,020	139,587
Operating Surplus / (Deficit)	9,637	9,332	9,074	9,741	10,362	10,816	10,166	11,206	11,756	12,014
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	9,637	9,332	9,074	9,741	10,362	10,816	10,166	11,206	11,756	12,014
Net Operating Result before Capital Grants	3,827	3,705	3,334	3,887	4,391	4,725	3,953	4,869	5,293	5,421
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(650)	(823)	(848)	(873)	(899)	(926)	(954)	(983)	(1,012)	(1,042)
NAP Profit	(3,886)	(3,989)	(4,094)	(4,203)	(4,314)	(4,427)	(4,544)	(4,786)	(4,911)	(5,274)
Local election costs	-	-	600	-	-	-	600	-	-	-
NAP dividend	1,943	1,994	2,047	2,101	2,157	2,214	2,272	2,332	2,393	2,456
Underlying result	984	638	789	663	1,085	1,335	1,077	1,182	1,512	1,310



6.2 Standard Scenario – Balance Sheet

Port Stephens Council

Balance Sheet

As at 30 June:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	7,023	675	444	1,259	3,588	5,662	8,771	11,196	17,335	20,452
Investments	40,633	39,633	38,133	38,133	38,133	38,133	38,133	38,133	38,133	38,133
Receivables	10,783	11,062	11,348	11,641	11,941	12,248	12,564	12,886	13,217	13,556
Inventories	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768
Total Financial Assets	66,206	59,137	57,693	58,801	61,430	63,811	67,235	69,983	76,453	79,909
Non Financial Assets										
Infrastructure, Property, Plant & Equipment	879,726	888,145	895,435	901,428	907,861	914,540	921,275	928,279	935,661	943,330
Inventories	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251
Investment Properties	27,430	28,253	29,100	29,974	30,873	31,799	32,753	33,735	34,748	35,790
Intangibles	1,023	1,139	1,231	1,305	1,364	1,411	1,449	1,479	1,503	1,523
Total Non Financial Assets	917,431	926,788	935,017	941,957	949,349	957,001	964,728	972,744	981,162	989,895
Total Assets	983,637	985,925	992,710	1,000,758	1,010,779	1,020,813	1,031,963	1,042,727	1,057,616	1,069,803
LIABILITIES										
Current Liabilities										
Trade & Other Payables	7,394	7,579	7,889	7,963	8,162	8,366	8,695	8,790	9,009	9,235
Borrowings	7,769	2,647	2,033	2,072	1,137	208	215	221	228	0
Provisions	15,001	15,299	15,059	15,025	16,246	16,058	16,567	15,857	18,086	17,338
	30,164	25,525	24,981	25,060	25,544	24,632	25,477	24,868	27,324	26,574
Non Current Liabilities										
Trade & Other Payables	3,801	3,256	2,710	2,165	1,619	1,074	528	0	0	0
Borrowings	15,012	12,365	10,332	8,259	7,123	6,914	6,700	6,478	6,250	6,250
Provisions	799	1,587	2,422	3,266	4,123	5,007	5,908	6,824	7,729	8,653
	19,612	17,207	15,463	13,690	12,864	12,995	13,135	13,302	13,979	14,904
Total Liabilities	49,777	42,732	40,444	38,750	38,409	37,627	38,612	38,170	41,303	41,477
Net Assets	933,860	943,193	952,266	962,008	972,370	983,186	993,351	1,004,557	1,016,313	1,028,326
EQUITY										
Accumulated Surplus	583,105	592,437	601,511	611,253	621,615	632,430	642,596	653,802	665,558	677,571
Asset Revaluation Reserves	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755
Total Equity	933,860	943,192	952,266	962,008	972,370	983,185	993,351	1,004,557	1,016,313	1,028,326



6.3 Standard Scenario – Statement of Cash Flows

Port Stephens Council

Cashflow Statement

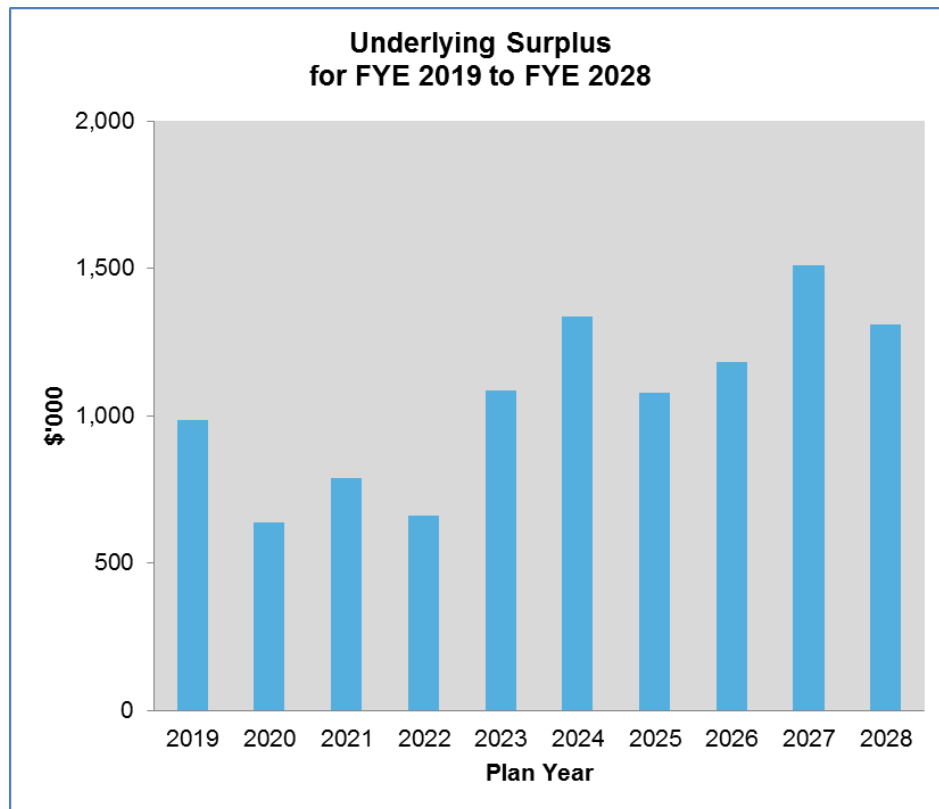
As at 30 June:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	56,226	58,081	59,687	61,333	63,020	64,749	66,522	68,339	70,201	72,109
User Charges & Fees	39,283	40,266	41,272	42,304	43,362	44,446	45,557	46,696	47,863	49,060
Interest & Investment Revenue Received	1,353	1,191	1,008	964	985	1,043	1,095	1,173	1,233	1,387
Grants & Contributions	15,468	15,478	15,787	16,103	16,425	16,754	17,089	17,431	17,779	18,135
Other	5,886	5,844	5,953	6,063	6,176	6,290	6,407	6,525	6,646	6,769
Payments:										
Employee Benefits & On-Costs	(46,193)	(47,666)	(48,373)	(50,055)	(52,557)	(52,452)	(54,737)	(54,876)	(59,161)	(57,890)
Materials & Contracts	(36,049)	(37,536)	(39,208)	(39,344)	(40,464)	(41,489)	(43,260)	(43,515)	(45,267)	(46,400)
Borrowing Costs	(698)	(592)	(497)	(416)	(345)	(280)	(258)	(252)	(245)	(239)
Other	(13,212)	(12,846)	(13,937)	(14,341)	(11,934)	(15,070)	(13,789)	(17,033)	(10,286)	(16,615)
Net Cash provided (or used in) Operating Activities	22,065	22,219	21,692	22,612	24,667	23,990	24,624	24,487	28,763	26,316
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	-	1,000	1,500	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(21,183)	(21,648)	(20,625)	(19,614)	(20,115)	(20,630)	(21,157)	(21,698)	(22,252)	(22,821)
Purchase of Intangible Assets	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Net Cash provided (or used in) Investing Activities	(21,333)	(20,798)	(19,275)	(19,764)	(20,265)	(20,780)	(21,307)	(21,848)	(22,402)	(22,971)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	2,000	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(3,485)	(7,769)	(2,647)	(2,033)	(2,072)	(1,137)	(208)	(215)	(221)	(228)
Net Cash Flow provided (used in) Financing Activities	(1,485)	(7,769)	(2,647)	(2,033)	(2,072)	(1,137)	(208)	(215)	(221)	(228)
Net Increase/(Decrease) in Cash & Cash Equivalents	(753)	(6,348)	(230)	815	2,329	2,074	3,109	2,425	6,139	3,117
plus: Cash - beginning of year	7,775	7,023	675	444	1,259	3,588	5,662	8,771	11,196	17,335
Cash - end of the year	7,023	675	444	1,259	3,588	5,662	8,771	11,196	17,335	20,452
plus: Investments - end of the year	40,633	39,633	38,133	38,133	38,133	38,133	38,133	38,133	38,133	38,133
Total Cash & Investments - end of the year	47,656	40,308	38,577	39,392	41,721	43,795	46,904	49,329	55,468	58,585
Less restricted Cash (NAL)	(11,559)	(13,506)	(15,505)	(17,558)	(19,664)	(21,826)	(24,045)	(26,322)	(28,659)	(31,175)
Cash, Cash Equivalents & Investments - end of the year	36,097	26,801	23,072	21,834	22,057	21,969	22,859	23,007	26,809	27,410

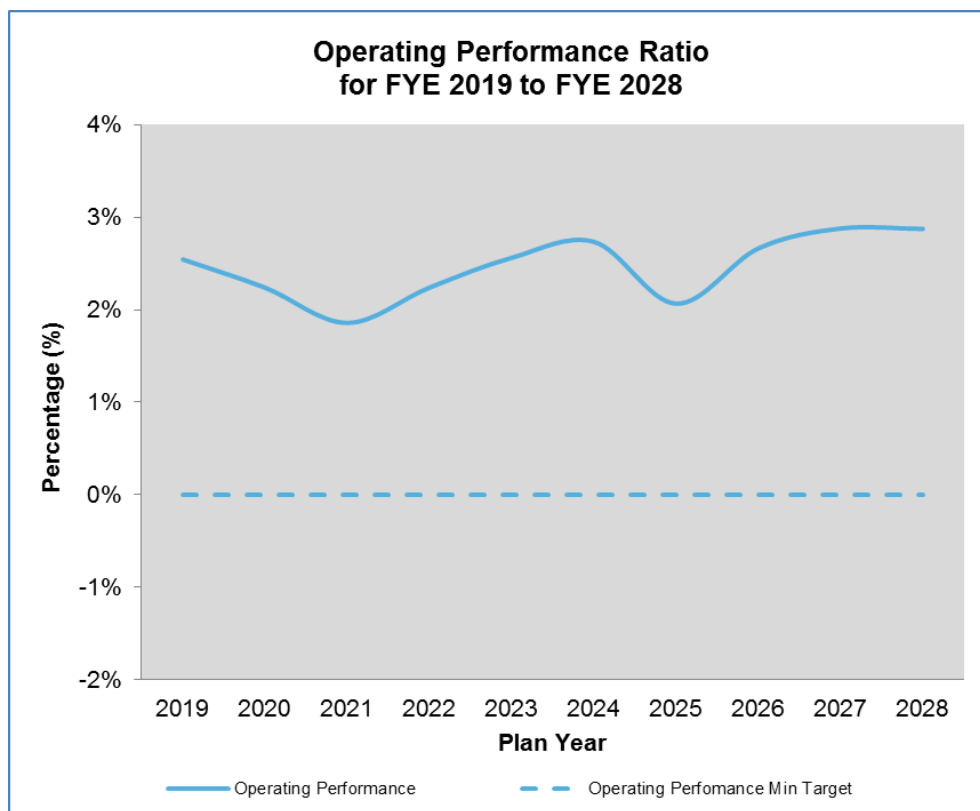


6.4 Standard Scenario – Graphs

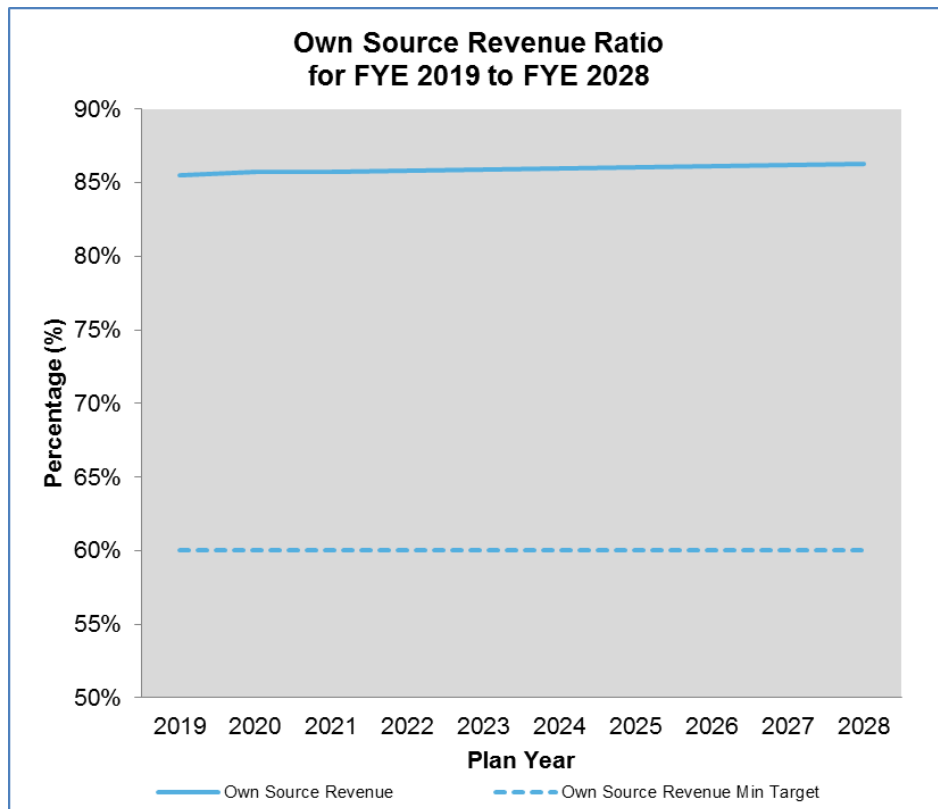
Standard Scenario Graph - Underlying Surplus



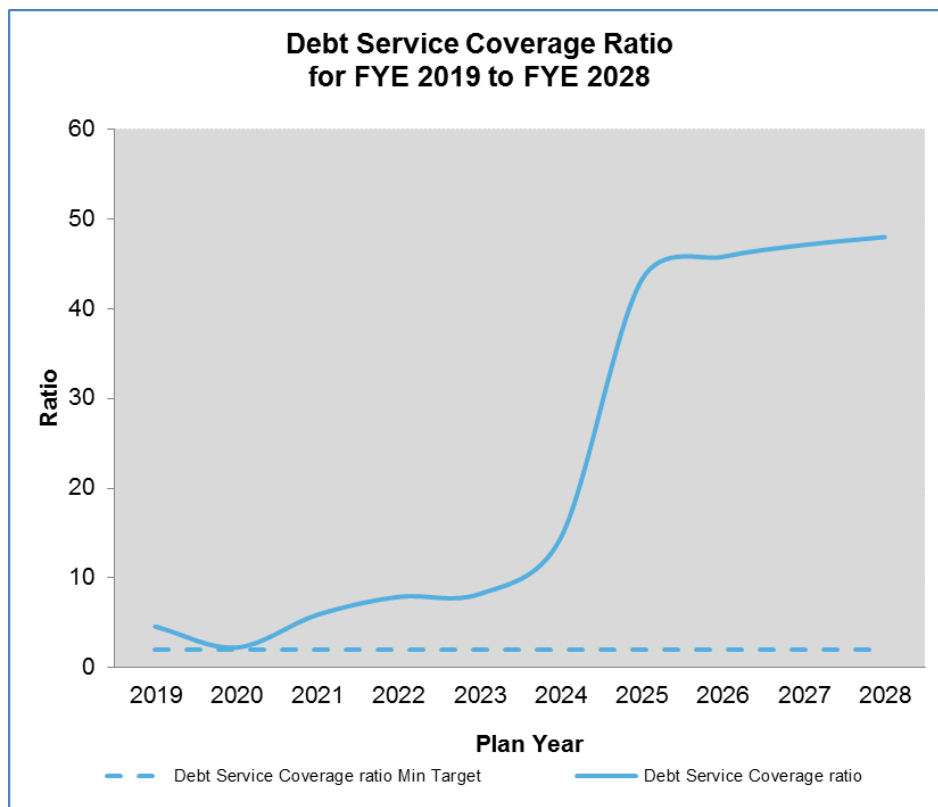
Standard Scenario Graph - Operating Performance Ratio



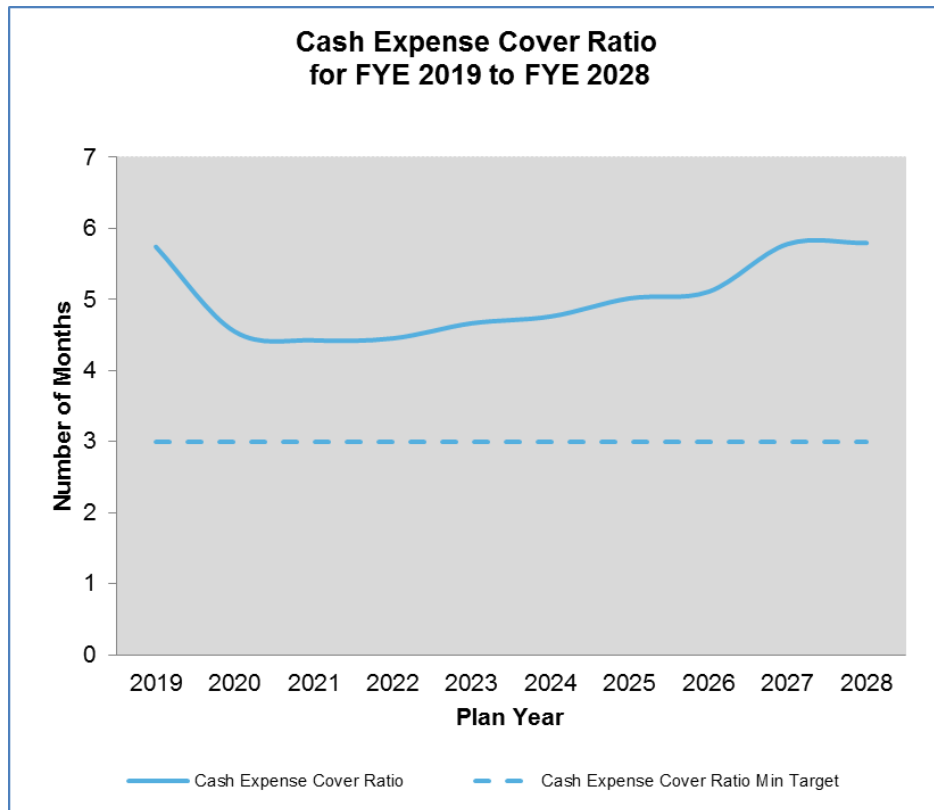
Standard Scenario Graph – Own Source Revenue Ratio



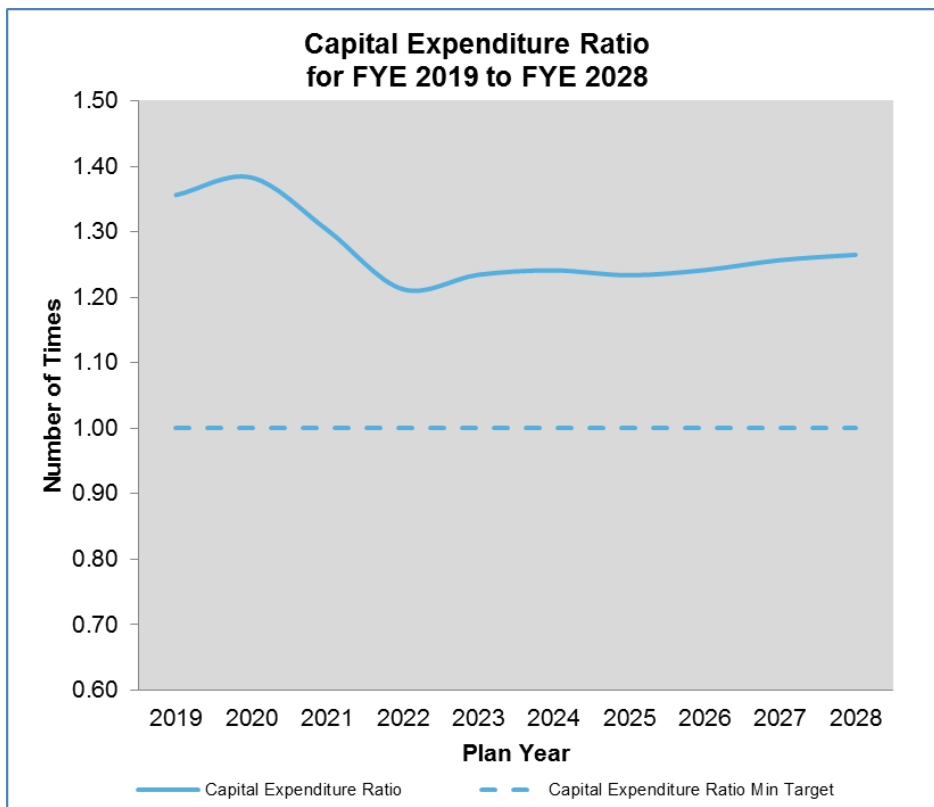
Standard Scenario Graph – Debt Service Coverage Ratio



Standard Scenario Graph - Cash Expense Cover Ratio



Standard Scenario Graph - 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 2011 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2017 \$'000
Loan borrowings	35,987	30,716	26,319	20,497	16,768	13,422	15,308
Other long term debt	2,805	2,173	1,472	6,548	6,365	6,290	6,250
Total	38,792	32,889	27,791	27,045	23,133	19,712	21,558

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.

The cost of borrowing has been decreasing over recent years making the present a favourable time to borrow. Council's fixed weighted average interest rate decreased from 3.61% at 30 June 2016 to 3.31% at 30 June 2017.

In 2017, Council resolved to borrow \$6 million in 2018 to fund and fast track various new capital infrastructure projects which in turn has freed up internal cash reserves to be more focused asset renewal. Council intends to use funds earned from the commercial property portfolio to repay the loan.



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 is expected to be drawn down during the 2019 financial year.

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 Long Term Financial Plan 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.
- 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 Pooling 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 pooling is subject to specific Council approval and must demonstrate that the pooling of monies for the project will not be unreasonably, over a period of time, prejudice to other future projects.

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;
- 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 developers' 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 Parking 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.
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Source of Funds:	Funds provided annually from general revenue.
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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.
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Source of Funds:	General revenue.
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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.

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.

The Community Strategic Plan includes many proposals to build and renew public infrastructure across Port Stephens, however Council's ability to fund these priorities from existing income is limited. Council's income is limited by rate-pegging, which reduces Council's capacity to fund potential infrastructure improvements and means Council needs to investigate other funding options. These funding options include borrowings, grants and increasing rates beyond the pegged limit.

Council does and will continue to apply for government grants where possible to fund new infrastructure and improvements. As grant funding can be unpredictable, for the purposes of this plan, it is not realistic to place reliance on grants as the sole source of funding for infrastructure improvements.

The primary option and Council's main form of income to fund new infrastructure and improvements is a rates increase. Councils are able to apply the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) for what is known as a Special Rate Variation. If approved, a Special Rate Variation overrides the rate-pegging limit that applies to rate increases within a Council area for a year or years, resulting in higher rate income for the Council. The advantage of a Special Rate Variation is that Council can reliably match its income and expenditure needs for the period of time necessary to carry out infrastructure renewal and improvements.

Port Stephens Council has not sought or received a Special Rate Variation to its general rate income since 2009. Council's relatively low rate base and extended period of reliance on rate-pegging indicates that it may be timely to investigate the merits of a Special Rate Variation.

As part of this process, Council would engage extensively with the community to ensure that it has adequately captured the community's priorities and its desire to pay for renewed infrastructure. Council's long term financial plan would also be revised to reflect renewed funding options.



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 Long Term Financial Plan shows the financial results of applying the following assumptions:

INCOME:

	Conservative
Rates	
Pegging factor applied	2.3%
Ongoing peg factor	2.3%
New annual rates assessment	100
User fees and charges	
Annual factor	2.3%
Operating grants and Contributions	
Annual factor	2.0%
Other	
Other income	2.0%
Cash investment returns	2.0%
Airport dividend	50.0%

EXPENSES:

Salaries and allowances (*)	2.5%
Materials and contracts	2.3%
Increased asset maintenance annual	-
Capital spend over 10 years	\$200M
Local Government Cost Index	2.3%

(*) – Subject to current Enterprise Agreement negotiations

1.2 Financial Results

In the Conservative Scenario the forecasted underlying result is regularly in deficit culminating in a combined loss of \$2.7m over 10 years. Although the entire rate peg has been applied this Scenario is not financially sustainable nor does it meet the capital infrastructure goals 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:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000
Revenue										
Rates & Annual Charges	56,737	58,144	59,583	61,056	62,563	64,104	65,681	67,294	68,944	70,632
User Fees and Charges	39,216	40,118	41,040	41,984	42,950	43,938	44,948	45,982	47,040	48,122
Interest & Investment Revenue	1,295	992	866	858	902	962	1,029	1,116	1,201	1,329
Other Revenues	6,536	6,667	6,800	6,936	7,075	7,216	7,361	7,508	7,658	7,811
Operating Grants and Contributions	11,776	12,035	12,299	12,570	12,846	13,129	13,418	13,713	14,015	14,323
Capital Grants and Contributions	5,811	5,638	5,762	5,889	6,019	6,151	6,286	6,425	6,566	6,711
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	121,620	123,843	126,602	129,543	132,604	135,750	138,973	142,287	145,673	149,177
Operating Expenses										
Employee Benefits & On-Costs	44,902	46,581	47,779	48,974	50,413	51,687	52,988	54,320	55,880	57,293
Borrowing Costs	698	592	497	416	345	280	258	252	245	239
Materials & Contracts	37,372	38,232	39,711	40,025	40,945	41,887	43,350	43,747	44,754	45,783
Depreciation & Amortisation	15,515	15,602	15,721	16,019	16,192	16,371	16,855	17,139	17,327	17,620
Amortisation - intangibles	443	285	308	326	341	353	362	370	376	381
Other	13,922	14,242	14,570	14,905	15,248	15,599	15,957	16,324	16,700	17,084
Total Operating Expenses	112,853	115,534	118,586	120,665	123,484	126,176	129,771	132,153	135,281	138,400
Operating Surplus / (Deficit)	8,767	8,310	8,016	8,879	9,120	9,574	9,202	10,134	10,392	10,777
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	8,767	8,310	8,016	8,879	9,120	9,574	9,202	10,134	10,392	10,777
Net Operating Result before Capital Grants	2,957	2,671	2,254	2,989	3,101	3,423	2,915	3,710	3,826	4,066
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(650)	(682)	(700)	(717)	(735)	(753)	(772)	(791)	(811)	(832)
NAP Profit	(3,799)	(3,886)	(3,975)	(4,066)	(4,159)	(4,253)	(4,350)	(4,550)	(4,653)	(4,992)
Local election costs	-	-	600	-	-	-	600	-	-	-
NAP dividend	1,520	1,555	1,590	1,626	1,664	1,701	1,740	1,780	1,820	1,861
Underlying result	(223)	(593)	(481)	(417)	(379)	(133)	(117)	(102)	(68)	(146)



Conservative Scenario – Balance Sheet

Port Stephens Council

Balance Sheet

As at 30 June:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	8,963	2,679	2,244	4,453	7,464	10,812	15,144	19,413	25,805	30,740
Investments	40,633	40,633	40,633	40,633	40,633	40,633	40,633	40,633	40,633	40,633
Receivables	10,773	11,030	11,292	11,561	11,836	12,117	12,405	12,699	13,000	13,308
Inventories	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768
Total Financial Assets	68,137	62,109	61,937	64,415	67,701	71,330	75,950	80,513	87,206	92,449
Non Financial Assets										
Infrastructure, Property, Plant & Equipment	877,884	884,491	889,921	894,006	898,379	903,047	907,715	912,593	917,791	923,212
Inventories	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251
Investment Properties	27,300	27,983	28,682	29,399	30,134	30,887	31,660	32,451	33,262	34,094
Intangibles	1,023	1,139	1,231	1,305	1,364	1,411	1,449	1,479	1,503	1,523
Total Non Financial Assets	915,458	922,863	929,085	933,961	939,128	944,597	950,074	955,775	961,807	968,081
Total Assets	983,594	984,972	991,022	998,376	1,006,829	1,015,927	1,026,024	1,036,288	1,049,013	1,060,529
LIABILITIES										
Current Liabilities										
Trade & Other Payables	8,222	8,411	8,736	8,805	9,008	9,215	9,537	9,624	9,846	10,072
Borrowings	7,769	2,647	2,033	2,072	1,137	208	215	221	228	0
Provisions	15,001	15,407	15,473	15,613	16,505	16,620	17,046	16,915	18,344	18,160
	30,992	26,465	26,243	26,491	26,650	26,043	26,798	26,761	28,418	28,233
Non Current Liabilities										
Trade & Other Payables	3,801	3,256	2,710	2,165	1,619	1,074	528	0	0	0
Borrowings	15,012	12,365	10,332	8,259	7,123	6,914	6,700	6,478	6,250	6,250
Provisions	799	1,587	2,422	3,266	4,123	5,007	5,908	6,824	7,729	8,653
	19,612	17,207	15,463	13,690	12,864	12,995	13,135	13,302	13,979	14,904
Total Liabilities	50,604	43,673	41,706	40,181	39,514	39,038	39,933	40,063	42,397	43,137
Net Assets	932,990	941,300	949,316	958,195	967,315	976,889	986,090	996,225	1,006,617	1,017,393
EQUITY										
Accumulated Surplus	582,235	590,545	598,561	607,440	616,560	626,134	635,336	645,470	655,862	666,638
Asset Revaluation Reserves	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755



Conservative Scenario – Statement of Cash Flows

Port Stephens Council

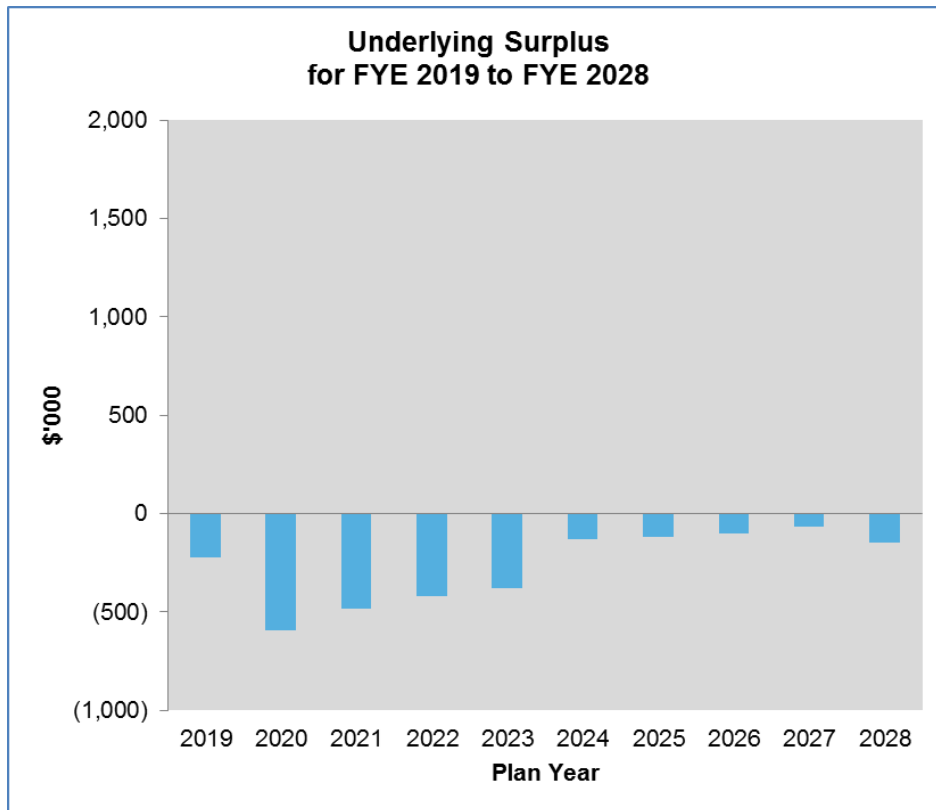
Cashflow Statement

As at 30 June:

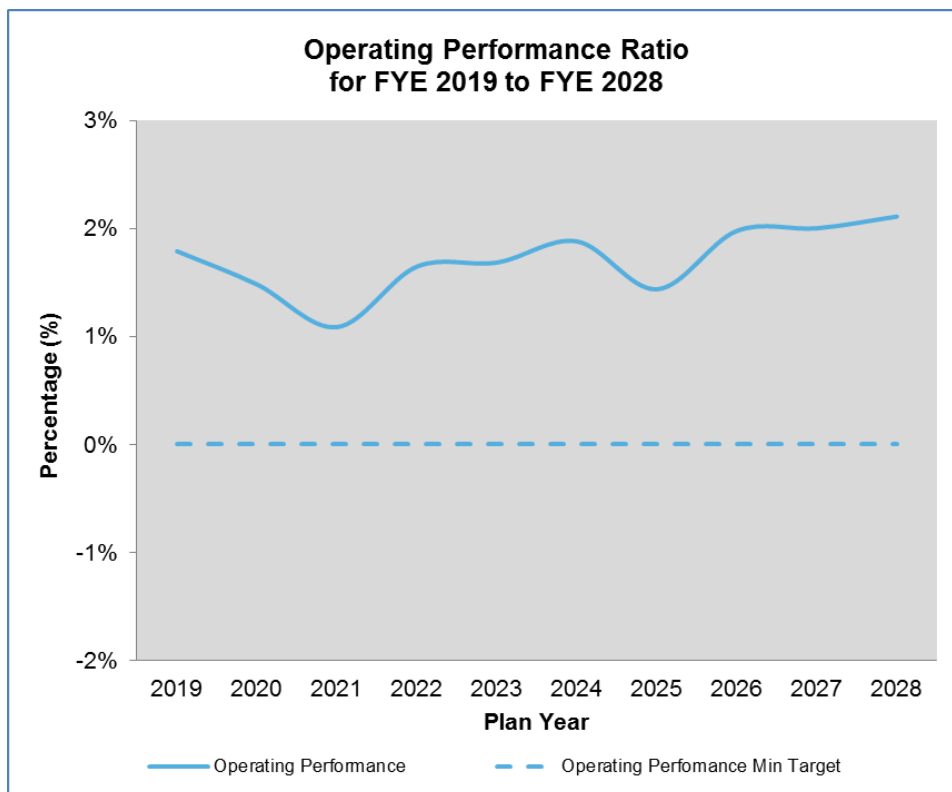
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	56,186	57,887	59,321	60,787	62,288	63,823	65,393	66,999	68,643	70,323
User Charges & Fees	39,216	40,118	41,040	41,984	42,950	43,938	44,948	45,982	47,040	48,122
Interest & Investment Revenue Received	1,295	992	866	858	902	962	1,029	1,116	1,201	1,329
Grants & Contributions	15,486	15,527	15,868	16,217	16,574	16,939	17,311	17,692	18,082	18,479
Other	5,886	5,984	6,101	6,219	6,340	6,463	6,589	6,716	6,847	6,980
Payments:										
Employee Benefits & On-Costs	(46,193)	(47,775)	(48,679)	(49,958)	(52,161)	(52,686)	(54,315)	(55,105)	(58,213)	(58,033)
Materials & Contracts	(36,499)	(37,876)	(39,491)	(39,548)	(40,602)	(41,549)	(43,127)	(43,307)	(44,975)	(46,010)
Borrowing Costs	(698)	(592)	(497)	(416)	(345)	(280)	(258)	(252)	(245)	(239)
Other	(13,086)	(12,567)	(13,209)	(13,889)	(12,437)	(14,277)	(13,750)	(15,635)	(11,590)	(15,149)
Net Cash provided (or used in) Operating Activities	21,593	21,698	21,320	22,254	23,508	23,332	23,820	24,206	26,788	25,800
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities			0							
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(19,678)	(20,063)	(18,958)	(17,862)	(18,275)	(18,697)	(19,130)	(19,572)	(20,025)	(20,488)
Purchase of Intangible Assets	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Net Cash provided (or used in) Investing Activities	(19,828)	(20,213)	(19,108)	(18,012)	(18,425)	(18,847)	(19,280)	(19,722)	(20,175)	(20,638)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	2,000	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(3,485)	(7,769)	(2,647)	(2,033)	(2,072)	(1,137)	(208)	(215)	(221)	(228)
Net Cash Flow provided (used in) Financing Activities	(1,485)	(7,769)	(2,647)	(2,033)	(2,072)	(1,137)	(208)	(215)	(221)	(228)
Net Increase/(Decrease) in Cash & Cash Equivalents	280	(6,284)	(435)	2,209	3,011	3,348	4,332	4,270	6,392	4,935
plus: Cash - beginning of year	8,683	8,963	2,679	2,244	4,453	7,464	10,812	15,144	19,413	25,805
Cash - end of the year	8,963	2,679	2,244	4,453	7,464	10,812	15,144	19,413	25,805	30,740
plus: Investments - end of the year	40,633	40,633	40,633	40,633	40,633	40,633	40,633	40,633	40,633	40,633
Total Cash & Investments - end of the year	49,596	43,312	42,877	45,086	48,097	51,445	55,777	60,046	66,438	71,373
Less restricted Cash (NAL)	(12,581)	(14,880)	(17,234)	(19,647)	(22,119)	(24,651)	(27,245)	(29,903)	(32,626)	(35,555)
Cash, Cash Equivalents & Investments - end of the year	37,014	28,432	25,643	25,439	25,978	26,794	28,532	30,143	33,813	35,818



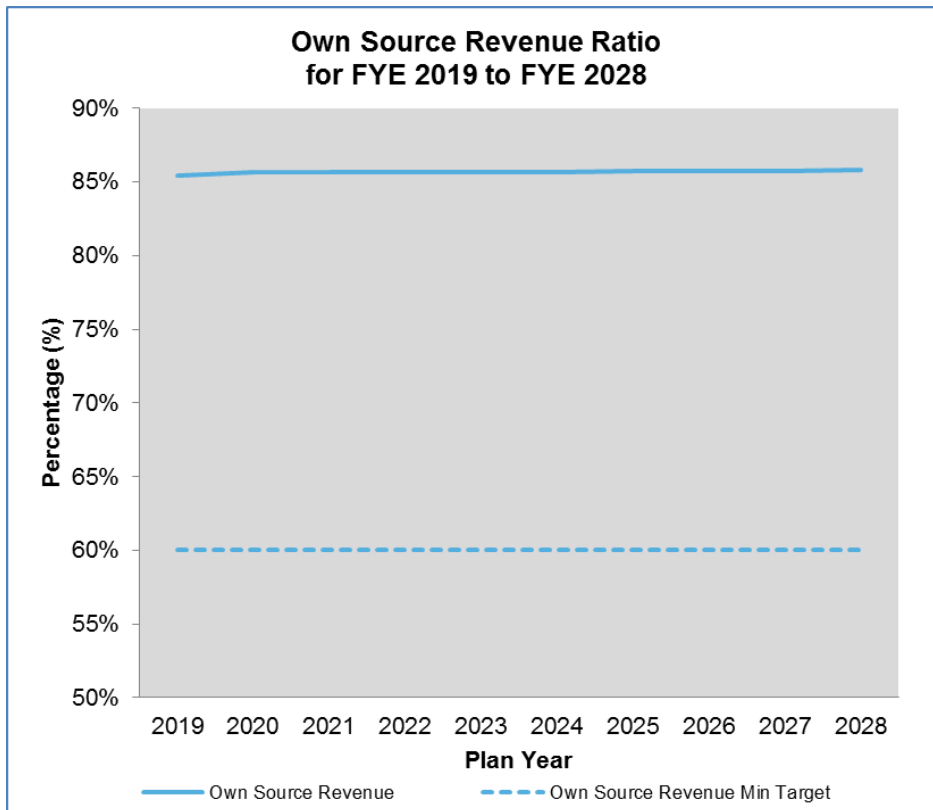
Conservative Scenario Graph - Underlying Surplus



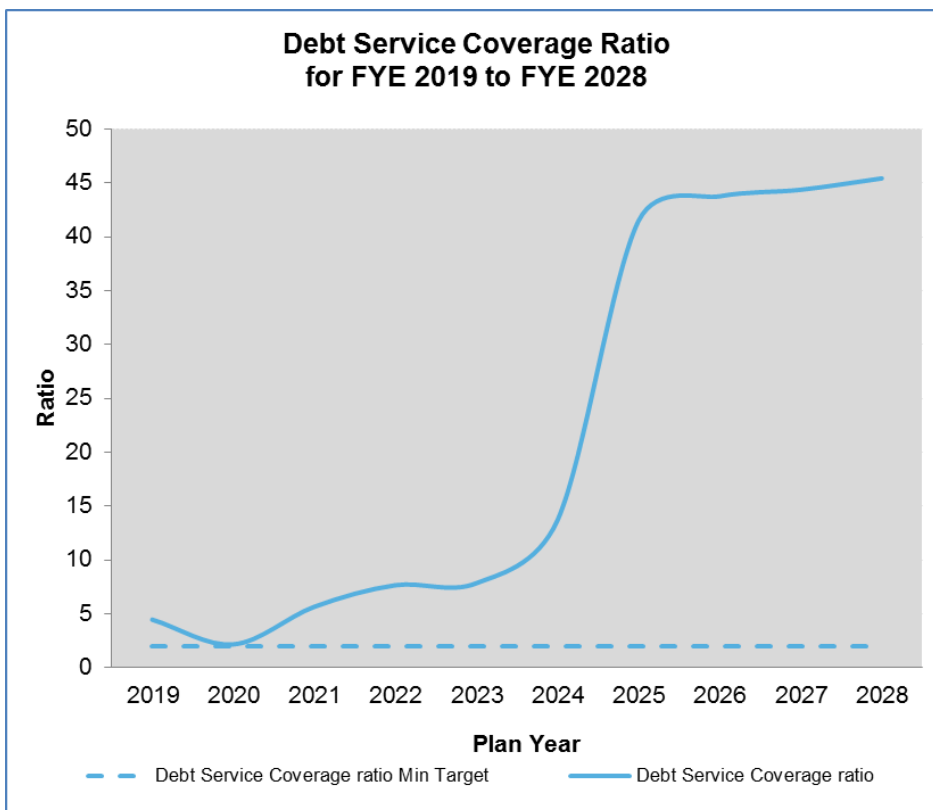
Conservative Scenario Graph - Operating Performance Ratio



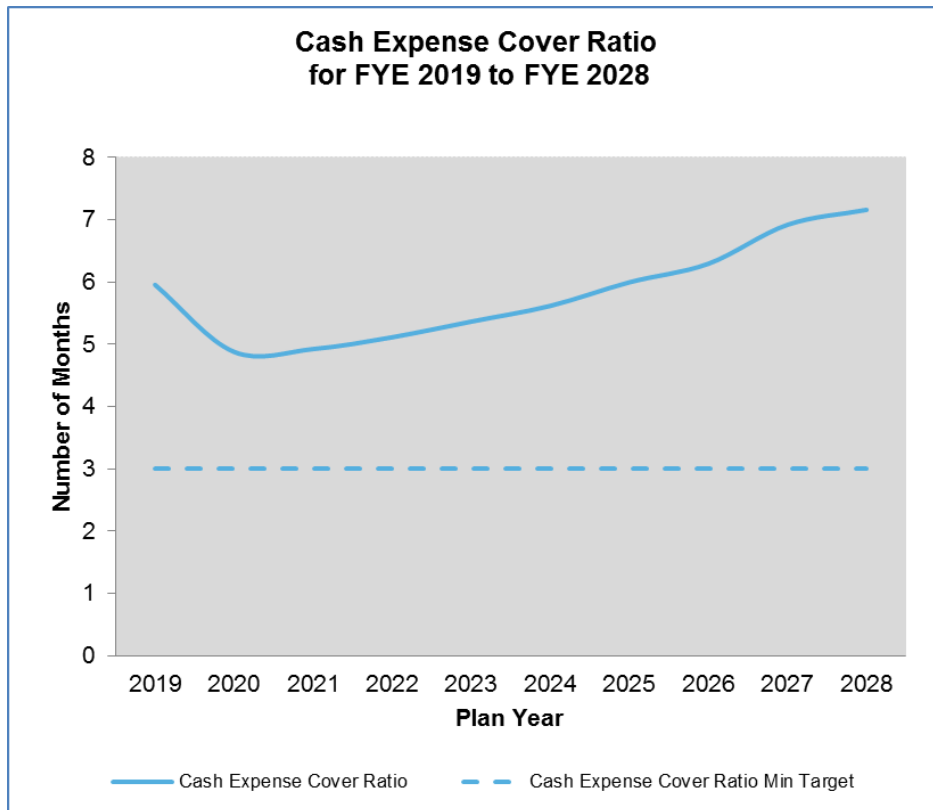
Conservative Scenario Graph - Own Source Revenue Ratio



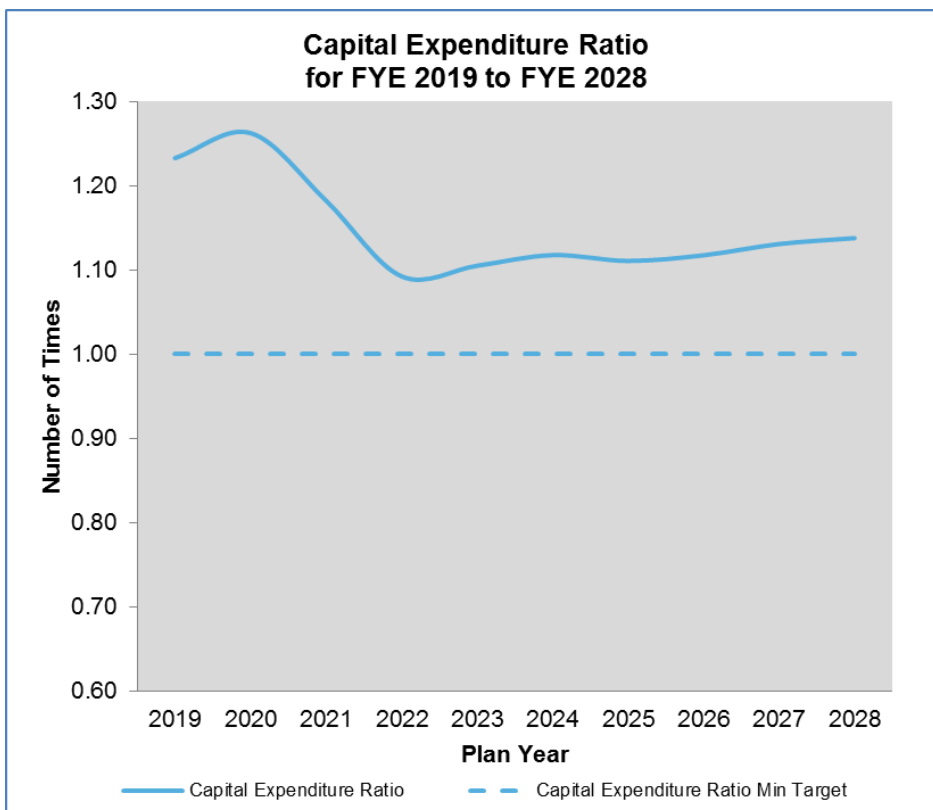
Conservative Scenario Graph - Debt Service Coverage Ratio



Conservative Scenario Graph - Cash Expense Cover Ratio



Conservative Scenario Graph - Capital Expenditure Ratio



Appendix 2: Strategic Scenario

2.1 Introduction

The Strategic Scenario of the Long Term Financial Plan shows the financial results of applying the following assumptions:

INCOME:

	Strategic
Rates	
Pegging factor applied	2.3%
Ongoing peg factor	2.7%
New annual rates assessment	200
User fees and charges	
Annual factor	2.5%
Operating grants and Contributions	
Annual factor	2.5%
Other	
Other income	2.5%
Cash investment returns	2.5%
Airport dividend	50.0%

EXPENSES:

	Strategic
Salaries and allowances (*)	2.5%
Materials and contracts	2.7%
Increased asset maintenance annual	\$100k
Capital spend over 10 years	\$245M
Local Government Cost Index	2.7%

(*) – Subject to current Enterprise Agreement negotiations

2.2 Financial Results

In the Strategic Scenario the underlying operating result is regularly in surplus which is largely due to increased income being derived from strong economic growth and inflationary factors. This increased income has been applied to be spent on growth in service demands via growth in employment numbers, capital infrastructure renewal and asset maintenance. This scenario is financially sustainable and provides a mechanism for Council to increase capital infrastructure investment but has not been chosen as it requires strong economic growth.



2.3 Financial Statements

Strategic Scenario – Income Statement

Port Stephens Council

Profit & Loss Statement

As at 30 June:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000
Revenue										
Rates & Annual Charges	56,837	58,605	60,422	62,289	64,208	66,179	68,204	70,286	72,424	74,621
User Fees and Charges	39,283	40,266	41,272	42,304	43,362	44,446	45,557	46,696	47,863	49,060
Interest & Investment Revenue	1,353	1,212	1,017	957	968	992	1,025	1,075	1,133	1,241
Other Revenues	6,549	6,712	6,880	7,052	7,229	7,409	7,594	7,784	7,979	8,178
Operating Grants and Contributions	11,802	12,097	12,399	12,709	13,027	13,353	13,687	14,029	14,379	14,739
Capital Grants and Contributions	5,811	5,656	5,797	5,942	6,091	6,243	6,399	6,559	6,723	6,891
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250
Total Revenue	121,884	124,797	128,038	131,504	135,133	138,871	142,716	146,678	150,751	154,980
Operating Expenses										
Employee Benefits & On-Costs	44,902	46,581	47,779	49,424	50,664	51,944	53,702	55,052	56,420	58,297
Borrowing Costs	698	592	497	416	345	280	258	252	245	239
Materials & Contracts	36,972	38,071	39,799	39,757	41,547	42,768	44,623	44,712	46,635	47,994
Depreciation & Amortisation	15,352	15,544	15,901	16,036	16,151	16,475	17,004	17,334	17,570	17,914
Amortisation - intangibles	443	285	308	326	341	353	362	370	376	381
Other	13,973	14,350	14,738	15,136	15,544	15,964	16,395	16,838	17,292	17,759
Total Operating Expenses	112,340	115,422	119,021	121,094	124,592	127,784	132,344	134,558	138,539	142,584
Operating Surplus / (Deficit)	9,544	9,375	9,017	10,409	10,541	11,087	10,372	12,120	12,212	12,396
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	9,544	9,375	9,017	10,409	10,541	11,087	10,372	12,120	12,212	12,396
Net Operating Result before Capital Grants	3,733	3,719	3,220	4,467	4,450	4,844	3,973	5,561	5,489	5,505
Adjustments for Underlying Result										
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases	(650)	(823)	(848)	(873)	(899)	(926)	(954)	(983)	(1,012)	(1,042)
NAP Profit	(3,857)	(3,942)	(4,029)	(4,118)	(4,208)	(4,300)	(4,394)	(4,587)	(4,687)	(5,023)
Local election costs	-	-	600	-	-	-	600	-	-	-
NAP dividend	1,928	1,971	2,014	2,059	2,104	2,150	2,197	2,245	2,294	2,343
Underlying result	905	675	708	1,285	1,197	1,518	1,172	1,986	1,834	1,533



Strategic Scenario – Balance Sheet

Port Stephens Council

Balance Sheet

As at 30 June:

	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	7,830	1,552	636	1,072	2,033	3,351	5,356	7,680	12,022	14,696
Investments	40,633	39,133	37,633	37,633	37,633	37,633	37,633	37,633	37,633	37,633
Receivables	10,792	11,097	11,409	11,730	12,060	12,398	12,745	13,101	13,467	13,842
Inventories	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768
Total Financial Assets	67,023	59,550	57,446	58,203	59,493	61,150	63,502	66,182	70,890	73,939
Non Financial Assets										
Infrastructure, Property, Plant & Equipment	879,556	888,347	895,842	902,281	909,199	916,401	923,701	931,313	939,348	947,718
Inventories	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251	9,251
Investment Properties	27,430	28,253	29,100	29,974	30,873	31,799	32,753	33,735	34,748	35,790
Intangibles	1,023	1,139	1,231	1,305	1,364	1,411	1,449	1,479	1,503	1,523
Total Non Financial Assets	917,260	926,989	935,424	942,811	950,686	958,862	967,154	975,778	984,850	994,282
Total Assets	984,283	986,539	992,870	1,001,014	1,010,179	1,020,012	1,030,656	1,041,960	1,055,740	1,068,221
LIABILITIES										
Current Liabilities										
Trade & Other Payables	8,134	8,376	8,756	8,747	9,140	9,409	9,817	9,837	10,260	10,559
Borrowings	7,769	2,647	2,033	2,072	1,137	208	215	221	228	0
Provisions	15,241	16,181	16,294	16,601	17,434	17,579	18,181	18,072	19,421	19,418
	31,144	27,203	27,083	27,419	27,712	27,196	28,213	28,129	29,909	29,977
Non Current Liabilities										
Trade & Other Payables	3,801	3,256	2,710	2,165	1,619	1,074	528	0	0	0
Borrowings	15,012	12,365	10,332	8,259	7,123	6,914	6,700	6,478	6,250	6,250
Provisions	559	573	587	602	617	632	648	664	681	698
	19,372	16,193	13,629	11,026	9,359	8,620	7,876	7,143	6,931	6,949
Total Liabilities	50,516	43,397	40,711	38,445	37,070	35,816	36,088	35,272	36,840	36,926
Net Assets	933,767	943,142	952,159	962,568	973,109	984,196	994,567	1,006,688	1,018,900	1,031,295
EQUITY										
Accumulated Surplus	583,012	592,387	601,404	611,814	622,354	633,441	643,812	655,933	668,144	680,540
Asset Revaluation Reserves	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755	350,755
Total Equity	933,767	943,143	952,159	962,569	973,109	984,196	994,567	1,006,688	1,018,899	1,031,295



Strategic Scenario – Statement of Cash Flows

Port Stephens Council

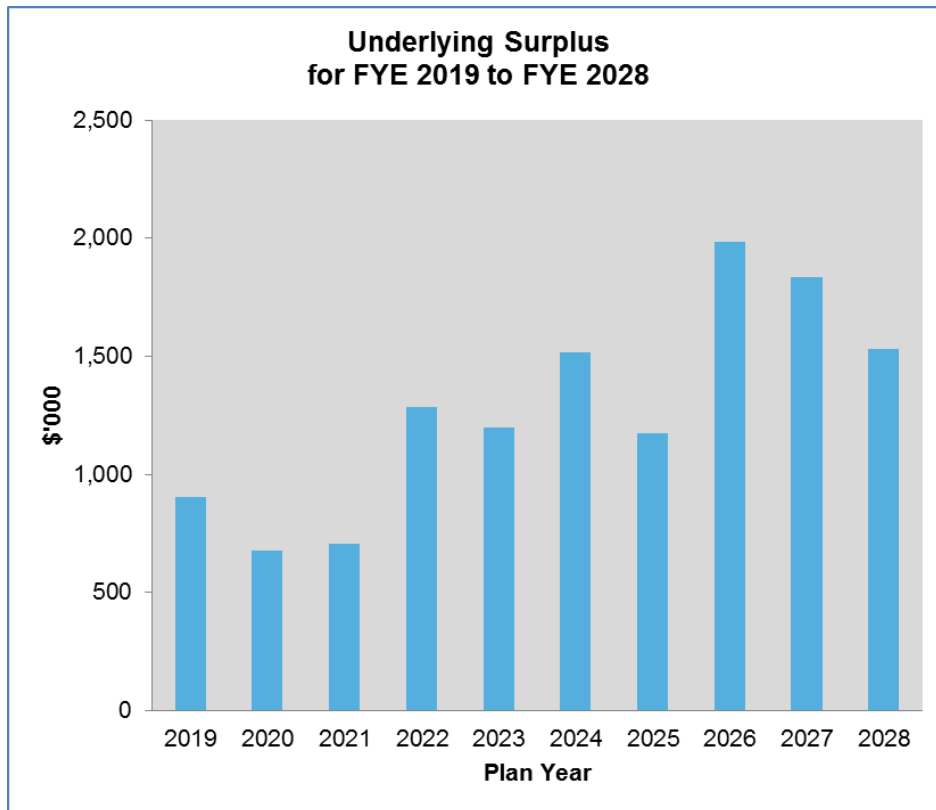
Cashflow Statement

As at 30 June:

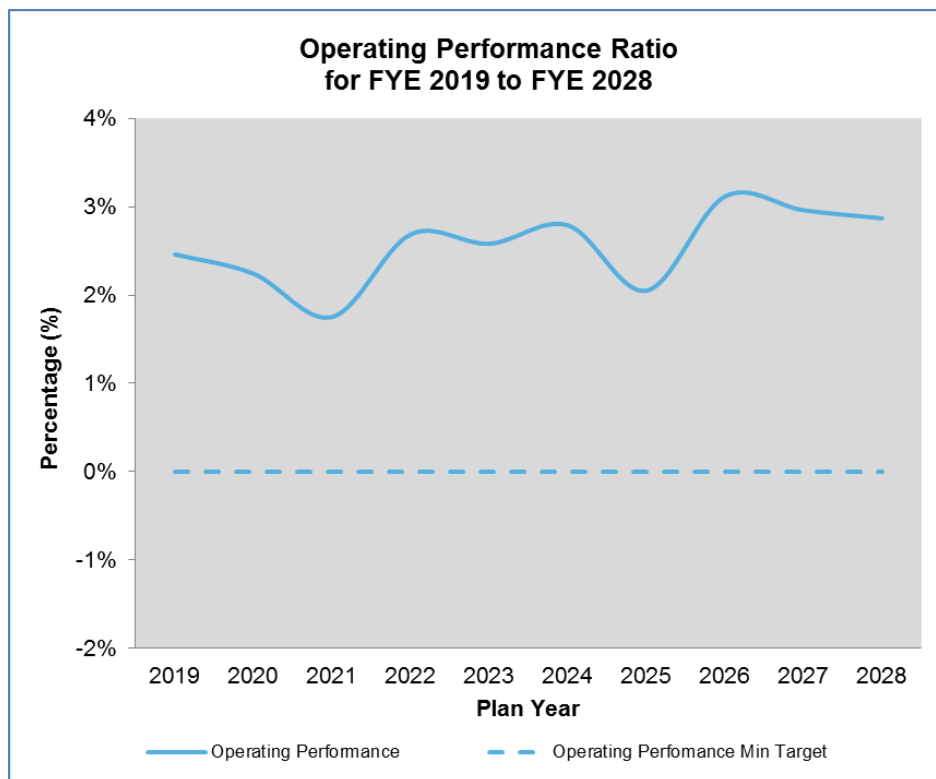
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	53,479	56,266	58,301	60,110	61,968	63,878	65,841	67,857	69,929	72,058	74,245
User Charges & Fees	37,797	39,283	40,266	41,272	42,304	43,362	44,446	45,557	46,696	47,863	49,060
Interest & Investment Revenue Received	1,322	1,353	1,212	1,017	957	968	992	1,025	1,075	1,133	1,241
Grants & Contributions	16,741	15,512	15,600	15,990	16,390	16,800	17,220	17,650	18,091	18,544	19,007
Other	6,316	5,899	5,889	6,033	6,179	6,329	6,483	6,640	6,802	6,967	7,136
Payments:											
Employee Benefits & On-Costs	(48,754)	(46,193)	(47,534)	(47,906)	(49,746)	(51,513)	(52,104)	(54,320)	(54,959)	(57,786)	(58,311)
Materials & Contracts	(37,784)	(36,011)	(37,767)	(39,633)	(39,202)	(41,395)	(42,492)	(44,486)	(44,203)	(47,058)	(48,294)
Borrowing Costs	(903)	(698)	(592)	(497)	(416)	(345)	(280)	(258)	(252)	(245)	(239)
Other	(13,824)	(13,313)	(13,051)	(14,814)	(15,601)	(14,150)	(16,198)	(15,434)	(18,041)	(13,714)	(17,132)
Net Cash provided (or used in) Operating Activities	14,390	22,099	22,324	21,571	22,833	23,933	23,907	24,231	25,138	27,761	26,713
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities			1,500	1,500							
Sale of Real Estate Assets	7,110	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Infrastructure, Property, Plant & Equipment	(23,600)	(21,187)	(22,182)	(21,191)	(20,213)	(20,750)	(21,301)	(21,868)	(22,450)	(23,047)	(23,661)
Purchase of Intangible Assets	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Net Cash provided (or used in) Investing Activities	(16,640)	(21,337)	(20,832)	(19,841)	(20,363)	(20,900)	(21,451)	(22,018)	(22,600)	(23,197)	(23,811)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	6,000	2,000	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	(3,292)	(3,485)	(7,769)	(2,647)	(2,033)	(2,072)	(1,137)	(208)	(215)	(221)	(228)
Net Cash Flow provided (used in) Financing Activities	2,708	(1,485)	(7,769)	(2,647)	(2,033)	(2,072)	(1,137)	(208)	(215)	(221)	(228)
Net Increase/(Decrease) in Cash & Cash Equivalents	458	(723)	(6,278)	(916)	436	961	1,319	2,005	2,323	4,342	2,674
plus: Cash - beginning of year	8,095	8,553	7,830	1,552	636	1,072	2,033	3,351	5,356	7,680	12,022
Cash - end of the year	8,553	7,830	1,552	636	1,072	2,033	3,351	5,356	7,680	12,022	14,696
plus: Investments - end of the year	40,633	40,633	39,133	37,633	37,633	37,633	37,633	37,633	37,633	37,633	37,633
Total Cash & Investments - end of the year	49,186	48,463	40,685	38,269	38,705	39,666	40,984	42,989	45,313	49,655	52,329
Less restricted Cash (NAL)	(11,137)	(11,502)	(13,404)	(15,343)	(17,320)	(19,335)	(21,389)	(23,483)	(25,616)	(27,791)	(30,124)
Cash, Cash Equivalents & Investments - end of the year	38,049	36,961	27,281	22,926	21,385	20,331	19,595	19,507	19,696	21,864	22,205



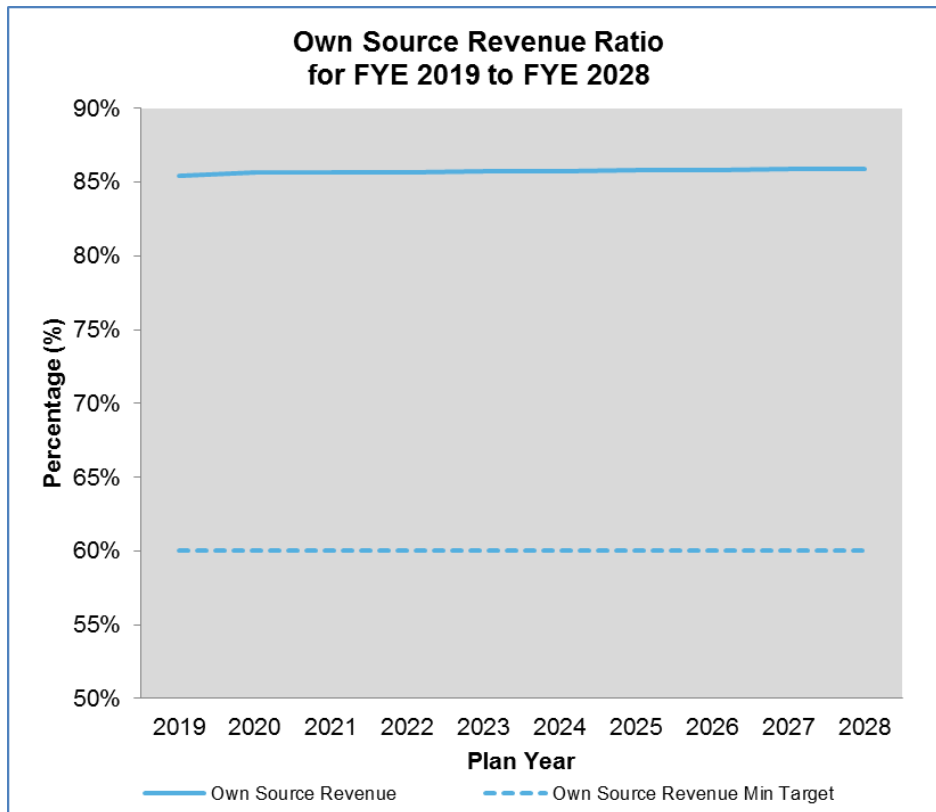
Strategic Scenario Graph - Underlying Surplus



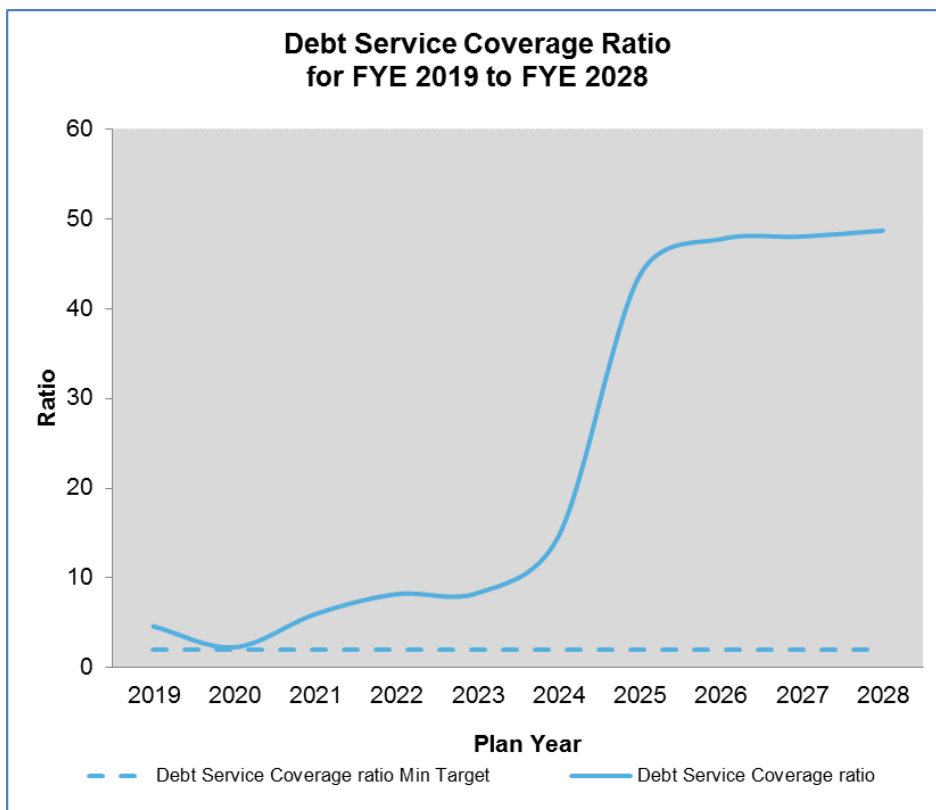
Strategic Scenario Graph - Operating Performance Ratio



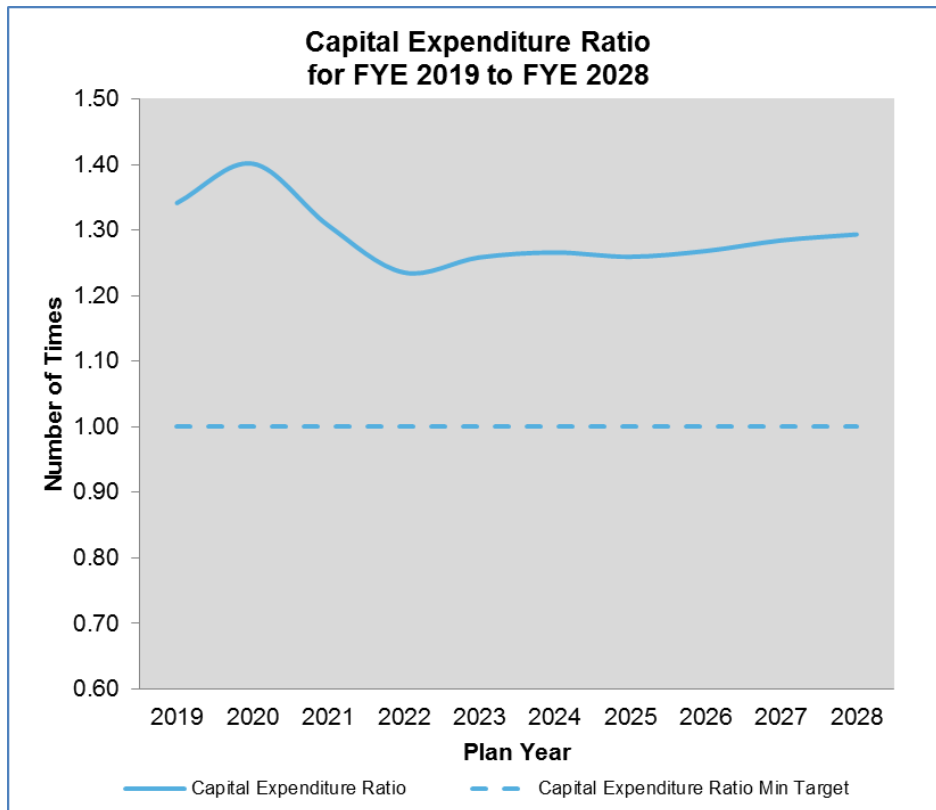
Strategic Scenario Graph - Own Source Revenue Ratio



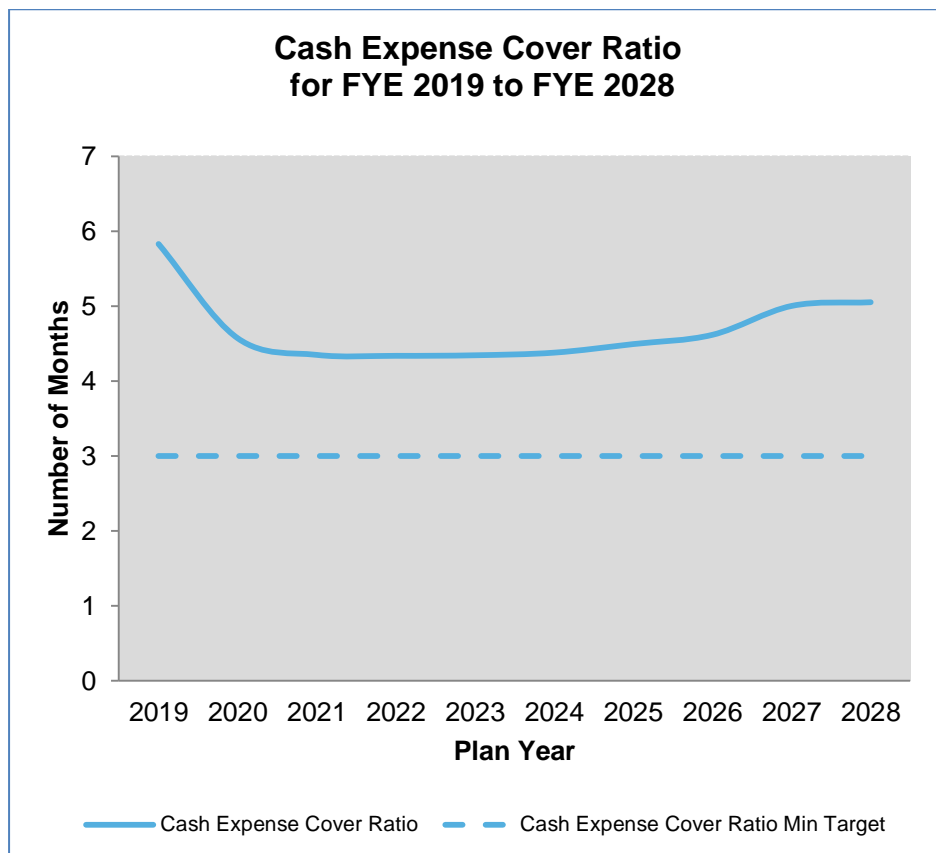
Strategic Scenario Graph - Debt Service Coverage Ratio



Strategic Scenario Graph - Capital Expenditure Ratio



Strategic Scenario Graph - Cash Expense Cover Ratio



CONTROLLED DOCUMENT INFORMATION:

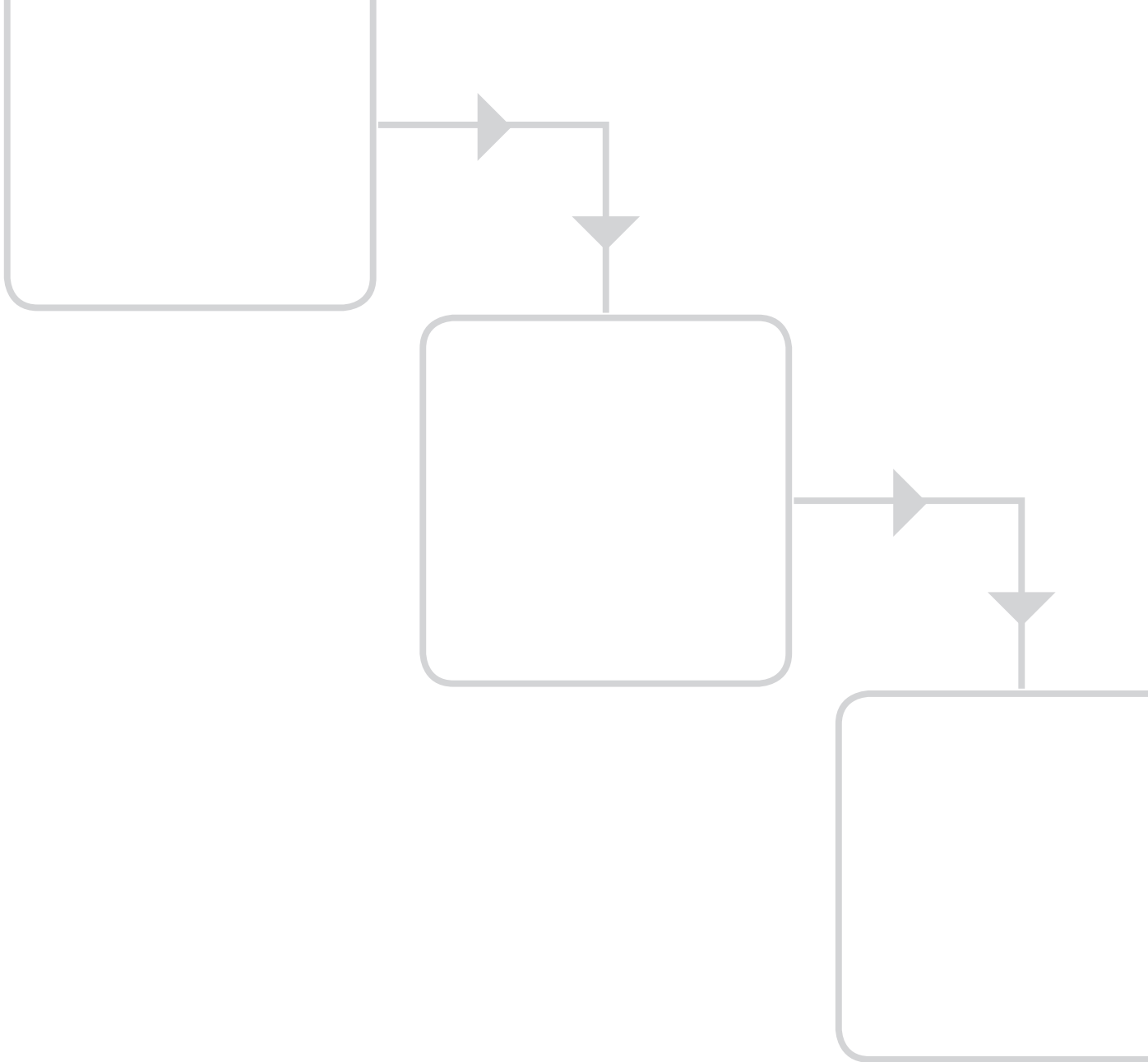
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RM8 container No.	PSC2017-03014	RM8 record No.	
Audience	General community		
Process owner	Financial Services Section Manager		
Author	Financial Services Section Manager		
Review timeframe	Annually	Next review date	xx/xx/2018
Adoption date	xx/xx/2017		

VERSION HISTORY:

Version	Date	Author	Details
1.0	01/12/2017	Financial Services Section Manager	First draft.
2.0	12/02/2018	Financial Services Section Manager	Second draft.
3.0	07/03/2018	Financial Services Section Manager	Third draft.
4.0	13/03/2018	Financial Services Section Manager	Fourth draft.
5.0	20/03/2018	Financial Services Section Manager	Fifth draft.
6.0	20/03/2018	Financial Services Section Manager	Sixth draft.
7.0	21/03/2018	Financial Services Section Manager	Seventh draft.
8.0	20/06/2018	Financial Services Section Manager	Final draft.





Long Term Financial Plan

2018-2028: **Our place. Our plan.**

p (02) 4988 0255 | **e** council@portstephens.nsw.gov.au
116 Adelaide Street | PO Box 42 Raymond Terrace NSW 2324

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