

# DRAFT

## MINUTES – 12 NOVEMBER 2019



Minutes of Ordinary meeting of the Port Stephens Council held in the Council Chambers, Raymond Terrace on – 12 November 2019, commencing at 5.31pm.

**PRESENT:** Councillors C. Doohan (Chair), J. Abbott, K. Jordan, P. Le Mottee, S. Smith, S. Tucker, Acting General Manager, Corporate Services Group Manager, Facilities and Services Group Manager, Acting Development Services Group Manager and Governance Section Manager.

Cr Doohan read the Ode for Remembrance Day, following Welcome to Country in the Order of Business.

<b>201</b>	<b>Councillor Chris Doohan</b> <b>Councillor Ken Jordan</b>  It was resolved that leave of absence for Cr Glen Dunkley and Cr John Nell be noted, and apologies from Mayor Ryan Palmer and Cr Giacomo Arnott be received and noted.
<b>202</b>	<b>Councillor Jaimie Abbott</b> <b>Councillor Ken Jordan</b>  It was resolved that the Minutes of the Ordinary Meeting of Port Stephens Council held on 22 October 2019 be confirmed.
	There were no Declaration of Interest received.

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# MOTIONS TO CLOSE

**ITEM NO. 1**

**FILE NO: 19/357166  
EDRMS NO: PSC2016-02360**

**MOTION TO CLOSE**

REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE

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**RECOMMENDATION:**

- 1) That pursuant to section 10A(2) (c) of the Local Government Act 1993, the Committee and Council resolve to close to the public that part of its meetings to discuss Confidential Item 1 on the Ordinary agenda namely **SALE OF PART 13 SCHOOL DRIVE, TOMAGO**.
- 2) That the reasons for closing the meeting to the public to consider this item is that the discussion will include information containing:
  - information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.
- 3) That the report remain confidential and the minute be released in accordance with Council's resolution.

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**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>203</b>	<p><b>Councillor Steve Tucker</b> <b>Councillor Ken Jordan</b></p> <p>It was resolved that Council:</p> <ol style="list-style-type: none"><li>1) That pursuant to section 10A(2) (c) of the Local Government Act 1993, the Committee and Council resolve to close to the public that part of its meetings to discuss Confidential Item 1 on the Ordinary agenda namely <b>SALE OF PART 13 SCHOOL DRIVE, TOMAGO</b>.</li><li>2) That the reasons for closing the meeting to the public to consider this item is that the discussion will include information containing:<ul style="list-style-type: none"><li>• information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.</li></ul></li><li>3) That the report remain confidential and the minute be released in accordance with Council's resolution.</li></ol>
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**ITEM NO. 2**

**FILE NO: 19/357171  
EDRMS NO: PSC2016-00955**

**MOTION TO CLOSE**

REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE

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**RECOMMENDATION:**

- 1) That pursuant to section 10A(2) (c) of the Local Government Act 1993, the Committee and Council resolve to close to the public that part of its meetings to discuss Confidential Item 2 on the Ordinary agenda namely **SALE OF PART 9B DIEMARS ROAD, SALAMANDER BAY.**
- 2) That the reasons for closing the meeting to the public to consider this item is that the discussion will include information containing:
  - information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.
- 3) That the report remain confidential and the minute be released in accordance with Council's resolution.

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**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>204</b>	<p><b>Councillor Steve Tucker</b> <b>Councillor Sarah Smith</b></p> <p>It was resolved that Council:</p> <ol style="list-style-type: none"><li>1) That pursuant to section 10A(2) (c) of the Local Government Act 1993, the Committee and Council resolve to close to the public that part of its meetings to discuss Confidential Item 2 on the Ordinary agenda namely <b>SALE OF PART 9B DIEMARS ROAD, SALAMANDER BAY.</b></li><li>2) That the reasons for closing the meeting to the public to consider this item is that the discussion will include information containing:<ul style="list-style-type: none"><li>• information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.</li></ul></li><li>3) That the report remain confidential and the minute be released in accordance with Council's resolution.</li></ol>
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# COUNCIL REPORTS

**ITEM NO. 1**

**FILE NO: 19/333968**  
**EDRMS NO: PSC2019-03593-001**

**PSC2020 PROPOSED COMMUNITY PROJECTS - ANCILLARY MINOR WORKS**

REPORT OF: JOHN MARETICH - ASSET SECTION MANAGER  
GROUP: FACILITIES & SERVICES

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Receive and note the submissions received during the public exhibition period **(ATTACHMENT 1)**.
  - 2) Formally vote budget allocations for the Ancillary Minor Works as detailed in the report.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019**  
**MOTION**

<b>205</b>	<b>Councillor Steve Tucker</b> <b>Councillor Jaimie Abbott</b>  It was resolved that Council:
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| <ol style="list-style-type: none"><li>1) Receive and note the submissions received during the public exhibition period <b>(ATTACHMENT 1)</b>.</li><li>2) Formally vote budget allocations for the Ancillary Minor Works as detailed in the report.</li></ol> |
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**BACKGROUND**

The purpose of this report is to inform Council of the submissions received from the public exhibition of the PSC2020 Proposed Community Projects – Ancillary Minor Works as resolved at the Ordinary Council Meeting held on 27 August 2019 (Minute No 209 **ATTACHMENT 2**) and to seek Council's adoption of the recommendation.

During the public exhibition, two submissions were received relating to the Lemon Tree Passage Road roundabout beautification (Avenue of Allies) and toilet facilities at Salt Ash and Mallabula. **(ATTACHMENT 1)**.

**COMMUNITY STRATEGIC PLAN**

<b>Strategic Direction</b>	<b>Delivery Program 2018-2021</b>
Financial Management	Maintain strong financial sustainability.

**FINANCIAL/RESOURCE IMPLICATIONS**

There are no financial implications as a result of the submissions received.

<b>Source of Funds</b>	<b>Yes/No</b>	<b>Funding (\$)</b>	<b>Comment</b>
Existing budget	No		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	Yes	\$500,000	Bank Loans.

**LEGAL, POLICY AND RISK IMPLICATIONS**

There are no legal, policy or risk implications as a result of the submissions received.

<b>Risk</b>	<b><u>Risk Ranking</u></b>	<b>Proposed Treatments</b>	<b>Within Existing Resources?</b>
There is a risk that submissions received during the public exhibition period are not presented to Council leading to community dissatisfaction.	Low	Adopt the recommendations.	Yes

**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

There are no social, economic and environmental implications as a result of the submissions received.

**CONSULTATION**

In accordance with local government legislation the PSC2020 Proposed Community Projects – Ancillary Minor Works went on public exhibition for 28 days from 9 September 2019 to 6 October 2019.

**OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

**ATTACHMENTS**

- 1) PSC2020 Proposed Community Projects - Ancillary Minor Works submissions.
- 2) Ordinary Council Meeting 27 August 2019 - Minute No 209.

**COUNCILLORS ROOM**

- 1) Copy of un-redacted submissions.

**TABLED DOCUMENTS**

Nil

**ITEM 1 - ATTACHMENT 1 PSC2020 PROPOSED COMMUNITY PROJECTS - ANCILLARY MINOR WORKS SUBMISSIONS.**

PSC2020 – Proposed Community Projects – Ancillary Minor Works Submissions

No.	Author of submission	Comment	Council response
1	Resident	<ul style="list-style-type: none"> <li>Supports the beautifying of the roundabout at Lemon Tree Passage Road, Tanilba Bay.</li> <li>Suggests positioning largish rocks around the roundabout with plants.</li> <li>Suggests a half hidden prow of a small boat as artistic effect and to reflect the tone of the area as a foreshore town. This may also prevent driving across the roundabout.</li> </ul>	<ul style="list-style-type: none"> <li>Positive feedback and ideas gained from the submissions in regards to the Lemon Tree Passage Roundabout Beautification works have been noted. Additional community feedback and ideas will be requested from the wider community upon commencement of the project.</li> </ul>
		<ul style="list-style-type: none"> <li>Request for lighting at the Historic Stone Land Gates.</li> </ul>	<ul style="list-style-type: none"> <li>Lighting at Historic Stone Land Gates, unfortunately there are currently no allocated funds for this project. This project to be placed in Council's Capital Works Plus Plan.</li> </ul>
2	Tilligerry Community Association	<ul style="list-style-type: none"> <li>Questioning the dollar value of the toilet at Salt Ash Hall.</li> </ul>	<ul style="list-style-type: none"> <li>The value is determined based on quotes.</li> </ul>
		<ul style="list-style-type: none"> <li>Request roundabout be finished to prevent cars driving across the roundabout. Suggestions include rocks, plants, pebbles, boat shape or anchor. Requests this to be completed as soon as possible due to safety concerns.</li> </ul>	<ul style="list-style-type: none"> <li>Positive feedback and ideas gained from the submissions in regards to the Lemon Tree Passage Roundabout Beautification works have been noted. Additional community feedback and ideas will be requested from the wider community upon commencement of the project.</li> </ul>
		<ul style="list-style-type: none"> <li>Request for floodlighting at the stonework that would highlight the Land Gate Rocks and refit rigging ropes to rig up flags.</li> </ul>	<ul style="list-style-type: none"> <li>Lighting at Historic Stone Land Gates, unfortunately there are currently no allocated funds for this project. This project to be placed in Council's Capital Works Plus Plan.</li> </ul>

**ITEM 1 - ATTACHMENT 1 PSC2020 PROPOSED COMMUNITY PROJECTS - ANCILLARY MINOR WORKS SUBMISSIONS.**

		<ul style="list-style-type: none"><li>• Suggests the BMX / Skate Park in Michael Drive, Salt Ash should have a toilet.</li></ul>	<ul style="list-style-type: none"><li>• The listed item "Salt Ash Hall Outside Toilet" will be accessible to the BMX / Skate Park users.</li></ul>
		<ul style="list-style-type: none"><li>• Request that the possible relocated Mallabula Skate Park have toilet facilities as is used for major events.</li></ul>	<ul style="list-style-type: none"><li>• This will be addressed as part of the PSC2020 Proposed Community Projects – Amended Central Ward Projects that is currently on Public Exhibition until the 30 October 2019.</li></ul>
		<ul style="list-style-type: none"><li>• Asked other questions such as size of facilities that are outside of these public exhibition projects.</li></ul>	<ul style="list-style-type: none"><li>• Council will respond directly to the submission author.</li></ul>

**ITEM 1 - ATTACHMENT 2      ORDINARY COUNCIL MEETING 27 AUGUST 2019 -  
MINUTE NO 209.****MINUTES ORDINARY COUNCIL - 27 AUGUST 2019**

ITEM NO. 12

FILE NO: 19/211481  
EDRMS NO: A2004-1312**PSC2020 PROPOSED COMMUNITY PROJECTS**REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES**RECOMMENDATION IS THAT COUNCIL:**

- 1) Submit the projects as listed in d) Ancillary Minor Works for public exhibition and invite submissions.
- 2) Should no submissions be received as a result of the public exhibition, the Ancillary Minor Works projects will be endorsed and funding sourced as outlined within the report.
- 3) Formally vote budget allocations and source of funding as included in this report to complete the works listed at a) East Ward, b) Central Ward and c) West Ward.
- 4) Authorises the General Manager to secure loan funding up to \$5 million for the works identified in this report.
- 5) Authorise the Mayor and General Manager to affix the Council Seal and sign all documents necessary to secure the loan.

Crs Arnott/Le Mottee – extension of time granted to Cr Arnott of 3 minutes.

**ORDINARY COUNCIL MEETING - 27 AUGUST 2019  
MOTION**

<b>209</b>	<b>Mayor Ryan Palmer Councillor Giacomo Arnott</b>  It was resolved that Council:  <ol style="list-style-type: none"><li>1) Submit the projects as listed in d) Ancillary Minor Works for public exhibition and invite submissions.</li><li>2) Should no submissions be received as a result of the public exhibition, the Ancillary Minor Works projects will be endorsed and funding sourced as outlined within the report.</li><li>3) Formally vote budget allocations and source of funding as included in this report to complete the works listed at a) East Ward, b) Central Ward and c) West Ward.</li><li>4) Authorises the General Manager to secure loan funding up to \$5 million for the works identified in this report.</li></ol>
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**ITEM 1 - ATTACHMENT 2      ORDINARY COUNCIL MEETING 27 AUGUST 2019 -  
MINUTE NO 209.****MINUTES ORDINARY COUNCIL - 27 AUGUST 2019**

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|--|---|
|  | 5) Authorise the Mayor and General Manager to affix the Council Seal and sign all documents necessary to secure the loan. |
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**BACKGROUND**

The purpose of this report is to request endorsement to complete the works identified.

During the community consultation program in 2018, a number of projects were identified to be added to the Capital Works Plus Program. The Special Rate Variation was identified as a funding source for these projects to proceed, however this application was unsuccessful. Council considered a Notice of Motion at its meeting of 25 June 2019 and the subsequent public engagement and consultation program has reiterated the community desire for these works to be undertaken.

The projects to be completed across Port Stephens are:

**a) East Ward**

- Amenities replacement - George Reserve, Salamander Bay \$150,000.
- Foreshore improvements – Conroy Park, Corlette \$178,000.
- Amenities replacement – Little Beach, Nelson Bay \$180,000.
- Revetment work – Soldiers Point, \$200,000.
- Ancillary works (paths / drainage) – Shoal Bay Foreshore, Shoal Bay \$550,000.
- Road upgrade – Foreshore Drive, Corlette \$400,000.
- Stage 1, East Donald Street Carpark demolition and at grade car parking including amenities replacement – Nelson Bay \$1,400,000.
- Tomaree Sports Complex amenities replacement – Salamander Bay \$2,000,000.

**Sub total: \$5.058m**

**b) Central Ward**

- Town centre improvements – Anna Bay \$350,000.
- Town centre improvements (including amenities) – Medowie \$450,000.
- Shared pathway – Waropara Road, Medowie \$500,000.
- Shared pathway – Avenue of the Allies, Tanilba Bay \$700,000.
- Shared pathway – Gan Gan Road (missing links) Anna Bay \$700,000.
- Shared pathway – Lemon Tree Passage road, Mallabula to Lemon Tree Passage (missing link) \$800,000.
- Shared pathway – Medowie Road (Ferodale Road to South Street) Medowie \$850,000.

**ITEM 1 - ATTACHMENT 2      ORDINARY COUNCIL MEETING 27 AUGUST 2019 -  
MINUTE NO 209.****MINUTES ORDINARY COUNCIL - 27 AUGUST 2019**

- Town Centre works – Lemon Tree Passage / Tanilba Bay \$600,000.

**Sub total: \$4.95m**

**c) West Ward**

- Amenities replacement – Longworth Park, Karuah \$120,000.
- Bus interchange – Seaham \$250,000.
- Shared pathway – Levee bank, Raymond Terrace \$300,000.
- Road upgrade – Mustons Road, Karuah \$500,000.
- Shared paths – Fern Bay \$1,000,000.
- Town Centre improvements (road upgrade and streetscape) – William Street, Raymond Terrace \$1,000,000.
- Road upgrades – Duns Creek Road, Forest Road, Swan Bay Road \$1,000,000.
- Amenities/clubhouse upgrade – Stuart Park, Hinton \$1,200,000.

In addition to the large capital works identified above, a number of smaller maintenance requirements have been identified.

**Sub total: \$5.37m**

**d) Ancillary Minor Works**

- Tree Works Karuah & Raymond Terrace - \$70,000.
- Bill Strong Irrigation - \$70,000.
- Nelson Bay Tennis Club Lighting - \$50,000.
- Supporting Park Infrastructure for Medowie Skate Park - \$30,000.
- Medowie Playground Fencing - \$20,000.
- Raymond Terrace Dog Park - \$40,000.
- Lemon Tree Passage Road Roundabout Beautification (Avenue of Allies) - \$20,000.
- Nelson Bay Road/Port Stephens Drive Roundabout Entrance Beautification - \$50,000.
- Salt Ash Hall Outside Toilet - \$70,000.
- Event Signage Nelson Bay Road, Nelson Bay - \$20,000.
- King Park Irrigation – \$60,000.

**Sub total: \$500,000**

**Grand total: \$15.878m**

**ITEM 1 - ATTACHMENT 2      ORDINARY COUNCIL MEETING 27 AUGUST 2019 -  
MINUTE NO 209.****MINUTES ORDINARY COUNCIL - 27 AUGUST 2019****COMMUNITY STRATEGIC PLAN**

<b>Strategic Direction</b>	<b>Delivery Program 2018-2021</b>
Financial Management	Maintain strong financial sustainability.

**FINANCIAL/RESOURCE IMPLICATIONS**

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	No		
Reserve Funds	Yes	\$2.0m	There is a current allocation in the Councillor ward funds of \$544,000 from the net proceeds of the Salamander Way commercial development. It is appropriate to utilise these funds for this asset renewal program. In addition, it is proposed that funding to be received from the Anna Bay oval sale be allocated to this asset renewal program.
Developer Contributions (\$7.11)	Yes	\$8.9m	Council would be aware of the new Section 7.11 developer contribution plan that is proposed to be formally implemented towards the end of December 2019. This will mean that funds already received under the current plan will be repealed and will need to be allocated. As the majority of works suggested in this latest list of community projects are directly linked to the current Section 7.11 plan it is considered prudent to utilise this source of funding.
External Grants	No		

**ITEM 1 - ATTACHMENT 2      ORDINARY COUNCIL MEETING 27 AUGUST 2019 -  
MINUTE NO 209.****MINUTES ORDINARY COUNCIL - 27 AUGUST 2019**

Source of Funds	Yes/No	Funding (\$)	Comment
Other	Yes	\$5.0m	It is proposed to borrow loan funds up to \$5.0 million over a 15 year period with current indicative interest rate of 3.0% - 4.0%.  In addition, it is proposed to allocate revenue received from the Sand Extraction Project to be set aside to repay the external debt.

**LEGAL, POLICY AND RISK IMPLICATIONS**

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that if Council does not complete these projects then community expectations will not be met.	Medium	That Council applies for loan funding through various sources to obtain the funds required to complete these projects.	Yes
There is a risk that revenue from the sand extraction project may not meet expectations.	Medium	Additional funding sources will need to be identified.	Yes

**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

This asset renewal program will see numerous works completed to meet the expectations of many communities.

**CONSULTATION**Internal

Internal consultation was undertaken at the Councillor Strategy Day in July 2019 and with Executive Team.

**ITEM 1 - ATTACHMENT 2      ORDINARY COUNCIL MEETING 27 AUGUST 2019 -  
MINUTE NO 209.****MINUTES ORDINARY COUNCIL - 27 AUGUST 2019**External

Throughout July 2019 Council ran 6 information and feedback sessions across the LGA with a focus to build community awareness and to gain insights around the priority projects identified in Council's previous resolution of 25 June 2019 (**ATTACHMENT 1**).

A total of 254 residents attended these face to face sessions and provided their priorities. The largest session was at Nelson Bay where 80 people attended. There were a total of 662 visits to the dedicated webpage and 253 people completed an online survey. For further information refer to the Councillor Information Sessions Engagement Report July 2019 (**ATTACHMENT 2**).

Whilst it is acknowledged that the projects included in a), b) and c) have previously been included in Strategic Asset Management Plans and therefore have been publicly exhibited with submissions invited, the maintenance projects listed in d) will need to be submitted for a public exhibition period of 28 days and submissions invited.

**OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

**ATTACHMENTS**

- 1) Notice of Motion - Funding for Proposed Community Projects - Minute No. 136 - 25 June 2019.
- 2) Councillor Information Sessions Engagement Report - July 2019.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

Nil.

**ITEM NO. 2****FILE NO: 19/333522  
EDRMS NO: PSC2017-00180****2018-2019 ANNUAL FINANCIAL STATEMENTS**

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Adopt the 2018-2019 Annual Financial Statements (**ATTACHMENT 1**) and accept the Auditor's reports, as submitted by the Audit Office of New South Wales; and
  - 2) Place the 2018-2019 Annual Financial Statements on public exhibition, with submissions accepted until 5pm on 19 November 2019 in line with legislation.
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**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>206</b>	<p><b>Councillor Ken Jordan</b> <b>Councillor Jaimie Abbott</b></p> <p>It was resolved that Council:</p> <ol style="list-style-type: none"><li>1) Adopt the 2018-2019 Annual Financial Statements (<b>ATTACHMENT 1</b>) and accept the Auditor's reports, as submitted by the Audit Office of New South Wales; and</li><li>2) Place the 2018-2019 Annual Financial Statements on public exhibition, with submissions accepted until 5pm on 19 November 2019 in line with legislation.</li></ol>
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**BACKGROUND**

The purpose of this report is to advise Council that the 2018-2019 Annual Financial reports have been prepared in accordance with Australian Accounting Standards, the Local Government Act 1993 and associated regulations and the Local Government Code of Accounting Practice.

The Annual Financial reports have been reviewed by Council's Auditors (The Audit Office of New South Wales) and the Audit Committee. This report is to formally present Council's Annual Financial reports for the year ended 30 June 2019, together with the Auditor's Report, to the public in accordance with sections 418 and 419 of the Local Government Act 1993.

## MINUTES ORDINARY COUNCIL - 12 NOVEMBER 2019

Included with the Annual Financial reports is a holiday parks and investment property report which shows the financial result for all holiday parks operated by Council, together with the financial result for Council's investment property portfolio and the Newcastle Airport.

A summary of the key points of the 2018-2019 Annual Financial Reports is shown at **(ATTACHMENT 2)** to assist with legibility.

### COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2021
Financial Management	Maintain strong financial sustainability.

### FINANCIAL/RESOURCE IMPLICATIONS

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

### LEGAL, POLICY AND RISK IMPLICATIONS

There are no known legal or policy implications. The risk implications are listed in the table below.

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that the Annual Financial Statements will not be adopted by Council and contravene legislation.	Low	That Council adopt the Annual Financial Statements and submit for public exhibition.	Yes

### SUSTAINABILITY IMPLICATIONS

Includes Social, Economic and Environmental Implications

Completion of the Annual Financial reports provides Council with the information needed to facilitate prudent financial management decision making which will have a positive impact on the community.

## **CONSULTATION**

Consultation with key stakeholders has been undertaken by the Financial Services Section.

The Annual Financial Statements, including the Auditor's reports, have been circulated separately to Councillors for their information and a two way conversation was also held with one of the auditors in attendance to discuss the reports.

### Internal

- Senior Leadership Team.
- Audit Committee.

### External

- The Audit Office of New South Wales.

Public notice of the presentation of the audited Annual Financial Statements was advertised in the Port Stephens Examiner from 30 October 2019 and copies of the Annual Financial Statements have been made available at the Council Administration Building, Raymond Terrace Library, Tomaree Library, Mobile Library and on Council's website.

Submissions from the public on the audited Annual Financial Statements will be accepted for 7 days after this Council meeting from 13 November 2019 to 19 November 2019.

## **OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

## **ATTACHMENTS**

- 1) 2018-2019 Annual Financial Statements.
- 2) Key discussion points.

## **COUNCILLORS ROOM**

Nil.

## **TABLED DOCUMENTS**

Nil.



# Port Stephens Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*"A great lifestyle in a treasured environment"*



**Port Stephens Council****General Purpose Financial Statements**

for the year ended 30 June 2019

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**Overview**

Port Stephens Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

116 Adelaide Street  
Raymond Terrace NSW 2324

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.portstephens.nsw.gov.au](http://www.portstephens.nsw.gov.au).

**Port Stephens Council****General Purpose Financial Statements**

for the year ended 30 June 2019

**Understanding Council's Financial Statements**

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**Introduction**

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

**What you will find in the Statements**

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

**About the Councillor/Management Statement**

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

**About the Primary Financial Statements**

The financial statements incorporate five "primary" financial statements:

**1. The Income Statement**

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

**2. The Statement of Comprehensive Income**

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

**3. The Statement of Financial Position**

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

**4. The Statement of Changes in Equity**

The overall change for the year (in dollars) of Council's "net wealth".

**5. The Statement of Cash Flows**

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

**About the Notes to the Financial Statements**

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

**About the Auditor's Reports**

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

continued on next page ...

Page 3

**Port Stephens Council****General Purpose Financial Statements**

for the year ended 30 June 2019

**Understanding Council's Financial Statements (continued)**

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1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

**Who uses the Financial Statements?**

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Port Stephens Council

**General Purpose Financial Statements**

for the year ended 30 June 2019

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Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

**The attached General Purpose Financial Statements have been prepared in accordance with:**

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

**To the best of our knowledge and belief, these statements:**

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 10 September 2019.**



Ryan Palmer  
**Mayor**  
10 September 2019



Sarah Smith  
**Councillor**  
10 September 2019



**General Manager**  
10 September 2019



Tim Hazell  
**Responsible Accounting Officer**  
10 September 2019

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Income Statement**

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1, 2</sup>
	<b>Income from continuing operations</b>			
	<b>Revenue:</b>			
56,787	Rates and annual charges	3a	57,652	56,097
39,367	User charges and fees	3b	44,698	39,752
1,353	Interest and investment revenue	3c	1,451	1,417
6,591	Other revenues	3d	6,596	6,206
11,758	Grants and contributions provided for operating purposes	3e,3f	11,918	12,621
5,811	Grants and contributions provided for capital purposes	3e,3f	21,312	15,125
	<b>Other income:</b>			
250	Net gains from the disposal of assets	5	278	816
–	Fair value increment on investment properties	10	3,592	4,799
121,917	<b>Total income from continuing operations</b>		<b>147,497</b>	<b>136,833</b>
	<b>Expenses from continuing operations</b>			
45,135	Employee benefits and on-costs	4a	48,294	43,104
698	Borrowing costs	4b	705	679
36,830	Materials and contracts	4c	38,120	40,980
15,621	Depreciation and amortisation	4d	14,683	14,522
13,995	Other expenses	4e	17,317	16,901
–	Revaluation decrement / impairment of IPP&E	4d	3,174	573
112,279	<b>Total expenses from continuing operations</b>		<b>122,293</b>	<b>116,759</b>
9,638	<b>Operating result from continuing operations</b>		<b>25,204</b>	<b>20,074</b>
9,638	<b>Net operating result for the year</b>		<b>25,204</b>	<b>20,074</b>
	<b>Attributable to:</b>			
9,638	- Council		25,204	20,074
–	- non-controlling interests		–	–
3,827	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>3,892</b>	<b>4,949</b>

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

<sup>(2)</sup> Restated due to prior period error

The above Income Statement should be read in conjunction with the accompanying notes.

Port Stephens Council

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1, 2</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>25,204</b>	<b>20,074</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	8,951	20,651
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>8,951</b>	<b>20,651</b>
<b>Total other comprehensive income for the year</b>		<b>8,951</b>	<b>20,651</b>
<b>Total comprehensive income for the year</b>		<b>34,155</b>	<b>40,725</b>
<b>Attributable to</b>			
- Council		34,155	40,725
- non-controlling interests		—	—

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

(2) Restated due to prior period error

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Port Stephens Council**
**Statement of Financial Position**

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 <sup>1</sup>	Restated 1 July 2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalent assets	6(a)	13,948	9,828	8,093
Investments	6(b)	35,067	40,209	40,402
Receivables	7	8,914	9,068	9,659
Inventories	8a	5,162	5,849	14,313
Other	8b	610	426	435
<b>Total current assets</b>		<b>63,701</b>	<b>65,380</b>	<b>72,902</b>
<b>Non-current assets</b>				
Investments	6(b)	1,222	1,033	231
Receivables	7	188	190	176
Inventories	8a	10,030	13,102	5,721
Infrastructure, property, plant and equipment	9(a)	960,971	930,630	890,274
Investment property	10a	35,550	31,467	26,000
Intangible assets	11	6,149	4,704	4,716
Other	8b	1,774	8	10
<b>Total non-current assets</b>		<b>1,015,884</b>	<b>981,134</b>	<b>927,128</b>
<b>TOTAL ASSETS</b>		<b>1,079,585</b>	<b>1,046,514</b>	<b>1,000,030</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	12	14,345	11,167	9,322
Income received in advance	12	—	9	431
Borrowings	12	4,464	3,460	2,837
Provisions	13	17,067	17,220	15,409
<b>Total current liabilities</b>		<b>35,876</b>	<b>31,856</b>	<b>27,999</b>
<b>Non-current liabilities</b>				
Payables	12	—	8	8
Borrowings	12	15,064	20,371	18,721
Provisions	13	742	531	532
<b>Total non-current liabilities</b>		<b>15,806</b>	<b>20,910</b>	<b>19,261</b>
<b>TOTAL LIABILITIES</b>		<b>51,682</b>	<b>52,766</b>	<b>47,260</b>
<b>Net assets</b>		<b>1,027,903</b>	<b>993,748</b>	<b>952,770</b>
<b>EQUITY</b>				
Accumulated surplus	14a	618,886	593,330	572,467
Revaluation reserves	14a	409,017	400,418	380,303
<b>Council equity interest</b>		<b>1,027,903</b>	<b>993,748</b>	<b>952,770</b>
<b>Total equity</b>		<b>1,027,903</b>	<b>993,748</b>	<b>952,770</b>

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



**ITEM 2 - ATTACHMENT 1      2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Statement of Changes in Equity**

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		593,330	400,418	993,748	567,409	380,303	947,712
Correction of prior period errors	14b	–	–	–	5,311	–	5,311
<b>Restated opening balance</b>		<b>593,330</b>	<b>400,418</b>	<b>993,748</b>	<b>572,720</b>	<b>380,303</b>	<b>953,023</b>
Net operating result for the year		25,204	–	25,204	20,336	–	20,336
Correction of prior period errors	14b	–	–	–	(262)	–	(262)
<b>Restated net operating result for the period</b>		<b>25,204</b>	<b>–</b>	<b>25,204</b>	<b>20,074</b>	<b>–</b>	<b>20,074</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	8,951	8,951	–	20,651	20,651
<b>Other comprehensive income</b>		<b>–</b>	<b>8,951</b>	<b>8,951</b>	<b>–</b>	<b>20,651</b>	<b>20,651</b>
<b>Total comprehensive income</b>		<b>25,204</b>	<b>8,951</b>	<b>34,155</b>	<b>20,074</b>	<b>20,651</b>	<b>40,725</b>
Transfers between equity items		352	(352)	–	536	(536)	–
<b>Equity – balance at end of the reporting period</b>		<b>618,886</b>	<b>409,017</b>	<b>1,027,903</b>	<b>593,330</b>	<b>400,418</b>	<b>993,748</b>

(<sup>1</sup>) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Port Stephens Council**
**Statement of Cash Flows**

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
56,226	Rates and annual charges		57,360	55,080
39,283	User charges and fees		47,184	40,774
1,353	Investment and interest revenue received		1,284	1,239
15,468	Grants and contributions		23,646	22,779
–	Bonds, deposits and retention amounts received		133	62
5,887	Other		11,774	12,202
<u>Payments</u>				
(46,193)	Employee benefits and on-costs		(47,166)	(44,132)
(36,049)	Materials and contracts		(39,120)	(44,308)
(698)	Borrowing costs		(702)	(674)
(13,212)	Other		(24,151)	(16,045)
22,065	<b>Net cash provided (or used in) operating activities</b>	15b	<b>30,242</b>	<b>26,977</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
–	Sale of investment securities		32,950	70,600
–	Sale of real estate assets		2,255	5,460
250	Sale of infrastructure, property, plant and equipment		1,204	984
–	Deferred debtors receipts		–	14
<u>Payments</u>				
–	Purchase of investment securities		(27,997)	(71,209)
–	Purchase of investment property		(491)	(41)
(21,583)	Purchase of infrastructure, property, plant and equipment		(27,324)	(29,966)
–	Purchase of real estate assets		(263)	(2,957)
–	Purchase of intangible assets		(2,150)	(395)
(21,333)	<b>Net cash provided (or used in) investing activities</b>		<b>(21,816)</b>	<b>(27,510)</b>
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
2,000	Proceeds from borrowings and advances		–	8,000
<u>Payments</u>				
(3,485)	Repayment of borrowings and advances		(4,306)	(5,732)
(1,485)	<b>Net cash flow provided (used in) financing activities</b>		<b>(4,306)</b>	<b>2,268</b>
(753)	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,120</b>	<b>1,735</b>
9,828	Plus: cash and cash equivalents – beginning of year	15a	9,828	8,093
9,075	<b>Cash and cash equivalents – end of the year</b>	15a	<b>13,948</b>	<b>9,828</b>
Additional Information:				
41,242	plus: Investments on hand – end of year	6(b)	36,289	41,242
50,317	<b>Total cash, cash equivalents and investments</b>		<b>50,237</b>	<b>51,070</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Contents of the Notes accompanying the Financial Statements**

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 1. Basis of preparation**

These financial statements were authorised for issue by Council on 10 September 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

**(a) New and amended standards adopted by Council**

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

**(b) Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

**(c) Significant accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties – refer Note 10
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iii) estimated tip remediation provisions – refer Note 13
- (iv) employee benefit provisions – refer Note 13.

continued on next page ...

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 1. Basis of preparation (continued)**

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**Significant judgements in applying the council's accounting policies****(i) Impairment of receivables**

Council has made a judgement about the impairment of a number of its receivables – refer Note 7.

**(ii) Interests in other entities**

Council has made a judgement about the relationship it has with external entities - refer Note 16

**Monies and other assets received by Council****(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

**(b) The Trust Fund**

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

**New accounting standards and interpretations issued not yet effective****New accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

**AASB 16 Leases*****Nature of the change***

continued on next page ...

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 1. Basis of preparation (continued)**

AASB 16 was issued in February 2016.

When applicable AASB 16 will result in almost all leases being recognised on the balance sheet by lessees with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases, which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

**Impact**

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$1,221K - refer Note 18.

Of these commitments, approximately \$14K relate to short-term leases and \$79K to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of \$1,128K, Council anticipates it will recognise lease liabilities (on its balance sheet) and also recognise complimentary right-of-use assets (on its balance sheet) on 1 July 2019.

In addition to this, Council currently has a number of other operating leases not previously reported in Note 18, which are likely to be brought to account. Whilst the impact of this has not yet been full determined, it will result in a non-current right of use asset and recognition of a lease liability which will be separated into a current and non-current component.

**AASB 15 Revenue from Contracts with Customers and associated amending standards.**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Assessment of the financial impact of the standards is in progress.

**AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

continued on next page ...

Page 14

**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 1. Basis of preparation (continued)**

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Council will assess each revenue stream but particular impact is expected for grant income where performance obligations need to be satisfied before income can be recognised.

**AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 2(a). Council functions/activities – financial information**

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
\$ '000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Our Community	3,328	2,927	7,115	6,761	(3,787)	(3,834)	512	588	132,230	124,968
Our Council	86,673	82,993	50,364	46,287	36,309	36,706	5,576	5,448	213,920	210,121
Our Environment	19,040	18,509	17,814	18,229	1,226	280	467	413	4,553	4,748
Our Place	38,456	32,404	47,000	45,482	(8,544)	(13,078)	7,829	7,000	728,882	706,676
Total functions and activities	147,497	136,833	122,293	116,759	25,204	20,074	14,384	13,449	1,079,585	1,046,514



## **Port Stephens Council**

### **Notes to the Financial Statements**

for the year ended 30 June 2019

#### **Note 2(b). Council functions/activities - component descriptions**

---

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

##### **Our Community**

**Port Stephens is a thriving and strong community respecting diversity and heritage**

Children's Services; Community Services; Contract and Services; Library Services.

Community Development and Engagement; Economic Development and Tourism; Strategic Planning; Volunteer Management; Delivery of Council's Financial Assistance Programs.

Management of Aboriginal Places in Port Stephens.

##### **Our Place**

**Port Stephens is a liveable place supporting local economic growth**

Asset Systems; Building and Developer Relations; Building Trades; Civil Assets Planning; Civil Contracts; Civil Projects; Community and Recreation; Community Development and Engagement; Construction; Contract and Services; Design; Emergency Management; Engineering Services; Environmental Health and Compliance; Mechanical and Maintenance Stores; Parks; Planning and Developer Relations; Roads; Roadside and Drainage; Strategic Planning; Survey and Land Information.

Economic Development and Tourism; Development, construction and maintenance of Koala Sanctuary, Hospital and Tourism Facility.

##### **Our Environment**

**Port Stephens' environment is clean, green, protected and enhanced**

Tree Assessment Services; Tree Permit System; Community and Recreation; Rehabilitate, monitor and manage decommissioned landfill sites; Waste Management.

Coastal Management; Community support and advocacy; Deliver Environmental Education and Grant Programs; Develop and implement projects to protect and enhance the local environment; Ecological and Environmental Planning Services; Management and Regulation of Biosecurity Risks; Strategic guidance, current knowledge and best practice advice.

##### **Our Council**

**Port Stephens Council leads, manages and delivers valued community services in a responsible way**

Business Excellence; Citizenship Ceremonies; Commercial Investments; Community Development and Engagement; Corporate Reporting; Corporate Systems and Business Improvement; Customer Relations; Digital and Website; Environmental Management; Facilities Management; Finance; Governance; Holiday Parks; Human Resources; Information and Communication Technologies; Information Services; Liaison with other government agencies; Manage strategic and operational matters; Marketing and Promotions; Public Relations and Marketing; Risk Management; Statutory Property; Support commercial aviation services; Support services for the Mayor, Councillors and senior executive officers; Work Health and Safety.

**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 3. Income from continuing operations**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	33,202	32,292
Farmland	799	795
Business	7,887	7,589
Less: pensioner rebates (mandatory)	(1,061)	(1,033)
<b>Rates levied to ratepayers</b>	<b>40,827</b>	<b>39,643</b>
Pensioner rate subsidies received	581	565
<b>Total ordinary rates</b>	<b>41,408</b>	<b>40,208</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	13,644	13,408
Waste management services (non-domestic)	2,805	2,664
Section 611 charges	—	19
Less: pensioner rebates (mandatory)	(454)	(447)
<b>Annual charges levied</b>	<b>15,995</b>	<b>15,644</b>
Pensioner subsidies received:		
– Domestic waste management	249	245
<b>Total annual charges</b>	<b>16,244</b>	<b>15,889</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>57,652</b>	<b>56,097</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 3. Income from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Waste management services (non-domestic)	1,607	1,474
<b>Total specific user charges</b>	<b>1,607</b>	<b>1,474</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Private works – section 67	137	167
Section 10.7 certificates (EP&A Act)	195	216
Section 603 certificates	138	179
Building inspection fees	266	309
Building services	1,106	1,070
Shop inspection fees	205	176
Subdivision fees	440	247
<b>Total fees and charges – statutory/regulatory</b>	<b>2,487</b>	<b>2,364</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Animal control	12	49
Cemeteries	165	167
Child care	1,859	1,477
Fire and emergency services levy (FESL) implementation	–	4
Holiday parks	11,306	11,075
Leisure centre	100	87
Library	105	118
Newcastle airport	17,045	15,125
Parking meters	651	606
Parks, gardens and other community services	–	1
RMS (formerly RTA) charges (state roads not controlled by Council)	7,187	4,687
Sewerage management fees	588	572
Waste disposal tipping fees	331	424
Other	1,255	1,522
<b>Total fees and charges – other</b>	<b>40,604</b>	<b>35,914</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>44,698</b>	<b>39,752</b>

**Accounting policy for user charges and fees**

User charges and fees are recognised as revenue when the service has been provided.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 3. Income from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	169	162
– Cash and investments	992	924
– Newcastle airport	290	331
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,451</b>	<b>1,417</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	169	162
General Council cash and investments	713	662
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	279	262
Newcastle airport	290	331
<b>Total interest and investment revenue</b>	<b>1,451</b>	<b>1,417</b>

**Accounting policy for interest and investment revenue**

Interest income is recognised using the effective interest rate at the date that interest is earned.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 3. Income from continuing operations (continued)**

<b>\$ '000</b>	<b>Notes</b>	<b>2019</b>	<b>2018</b>
<b>(d) Other revenues</b>			
Rental income – investment property	10	2,989	2,718
Rental income – other council properties		724	490
Ex gratia rates		57	60
Fines – parking		222	224
Fines – other		372	249
Legal fees recovery – rates and charges (extra charges)		68	111
Legal fees recovery – other		6	61
Commissions and agency fees		199	230
Insurance claims recoveries		677	158
Emergency relief		–	699
Events and promotions		91	107
Long service leave receipts		73	134
Private works		356	307
Other		762	658
<b>TOTAL OTHER REVENUE</b>		<b>6,596</b>	<b>6,206</b>

**Accounting policy for other revenue**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

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## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	3,272	3,279	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance	3,393	3,373	–	–
<b>Total general purpose</b>	<b>6,665</b>	<b>6,652</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Bushfire and emergency services	1,132	1,110	67	20
Child care	224	173	–	–
Environmental programs	407	519	–	–
Floodplain management	–	–	53	–
Heritage and cultural	15	–	–	–
Library	188	208	–	89
LIRS subsidy	58	67	–	–
Recreation and culture	–	22	2,271	1,138
Storm/flood damage	–	–	–	567
Street lighting	74	72	–	–
Transport (roads to recovery)	424	1,109	–	–
Transport	13	–	2,283	1,193
Family day care	5	129	–	–
Horticultural heritage trust	–	6	–	–
Newcastle airport <sup>1</sup>	–	–	150	–
Youth development	94	73	–	–
Other	43	20	40	139
Weed control	178	143	–	–
<b>Total specific purpose</b>	<b>2,855</b>	<b>3,651</b>	<b>4,864</b>	<b>3,146</b>
<b>Total grants</b>	<b>9,520</b>	<b>10,303</b>	<b>4,864</b>	<b>3,146</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	7,117	7,904	428	433
– State funding	2,382	2,377	4,436	2,713
– Other funding	21	22	–	–
	<b>9,520</b>	<b>10,303</b>	<b>4,864</b>	<b>3,146</b>

<sup>(1)</sup> 2018 capital grant restated due to prior period error

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Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		398	356	5,108	4,315
S 7.12 – fixed development consent levies		–	–	446	300
Haulage		579	512	–	321
<b>Total developer contributions – cash</b>		<b>977</b>	<b>868</b>	<b>5,554</b>	<b>4,936</b>
<b>Total developer contributions</b>	24	<b>977</b>	<b>868</b>	<b>5,554</b>	<b>4,936</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		28	–	357	329
Kerb and gutter		–	–	33	–
Recreation and culture		2	5	74	25
RMS contributions (regional roads, block grant)		1,008	1,027	–	–
Other		–	3	–	–
Economic development and tourism		32	38	–	–
Environmental projects		86	145	–	–
Parking		–	–	–	46
Risk management		265	232	–	–
<b>Total other contributions – cash</b>		<b>1,421</b>	<b>1,450</b>	<b>464</b>	<b>400</b>
<b>Non-cash contributions</b>					
Bushfire assets		–	–	1,642	–
Dedications – subdivisions (other than by s7.11)		–	–	8,788	6,643
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>10,430</b>	<b>6,643</b>
<b>Total other contributions</b>		<b>1,421</b>	<b>1,450</b>	<b>10,894</b>	<b>7,043</b>
<b>Total contributions</b>		<b>2,398</b>	<b>2,318</b>	<b>16,448</b>	<b>11,979</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS<sup>1</sup></b>		<b>11,918</b>	<b>12,621</b>	<b>21,312</b>	<b>15,125</b>

**Accounting policy for grants and contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 3. Income from continuing operations (continued)**

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Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

<sup>(1)</sup> 2018 capital grants restated due to prior period error

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Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	136	124
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	36
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(89)	(24)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>47</b>	<b>136</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	140	144
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(39)	(4)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>101</b>	<b>140</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	15,487	15,333
<b>Add:</b> contributions recognised in the current period but not yet spent	4,366	154
<b>Less:</b> contributions recognised in a previous reporting period now spent	–	–
<b>Unexpended and held as restricted assets (contributions)</b>	<b>19,853</b>	<b>15,487</b>

**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	32,127	28,950
Salaries and wages – Newcastle airport partnership	3,456	2,798
Travel and other allowances	2,505	2,407
Employee leave entitlements (ELE)	8,591	7,220
Superannuation	4,135	3,772
Workers' compensation insurance	562	672
Fringe benefit tax (FBT)	20	36
Training costs (other than salaries and wages)	574	607
Protective clothing	167	173
Conferences	163	131
Corporate uniform	48	10
Occupational health and safety	28	32
Other	30	22
<b>Total employee costs</b>	<b>52,406</b>	<b>46,830</b>
Less: capitalised costs	(4,112)	(3,726)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>48,294</b>	<b>43,104</b>

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee.

*Retirement benefit obligations*

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

*Superannuation plans*

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on overdraft	4	2
Interest on loans	508	576
Interest – Newcastle airport partnership	209	200
Less: capitalised costs	(19)	(104)
<b>Total interest bearing liability costs expensed</b>	<b>702</b>	<b>674</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors		
Interest applicable on interest free (and favourable) loans to Council	3	5
<b>Total other borrowing costs</b>	<b>3</b>	<b>5</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>705</b>	<b>679</b>

**Accounting policy for borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(c) Materials and contracts</b>		
Raw materials and consumables	7,514	7,634
– Waste collection and disposal contract	12,320	11,100
– Other contractor and consultancy costs	17,763	18,656
Auditors remuneration <sup>2</sup>	129	137
<b>Legal expenses:</b>		
– Legal expenses	727	2,779
– Legal provision write back	(925)	–
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	462	521
Other	130	153
<b>Total materials and contracts</b>	<b>38,120</b>	<b>40,980</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>38,120</b>	<b>40,980</b>

**Accounting policy for operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1. Operating lease payments are attributable to:**

Buildings	114	122
Computers	292	399
Other	56	–
	<b>462</b>	<b>521</b>

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:**

**(i) Audit and other assurance services**

Audit and review of financial statements	82	76
<b>Remuneration for audit and other assurance services</b>	<b>82</b>	<b>76</b>
<b>Total Auditor-General remuneration</b>	<b>82</b>	<b>76</b>

**Non NSW Auditor-General audit firms**

**(i) Audit and other assurance services**

Internal audit services: PKF Lawler	47	61
<b>Remuneration for audit and other assurance services</b>	<b>47</b>	<b>61</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>47</b>	<b>61</b>
<b>Total Auditor remuneration</b>	<b>129</b>	<b>137</b>

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations (continued)**

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,833	1,424
Office equipment		452	277
Furniture and fittings		24	18
Land improvements (depreciable)		77	25
<b>Infrastructure:</b>			
– Buildings – specialised		4,016	4,892
– Other structures		560	317
– Roads		2,500	2,710
– Bridges		13	12
– Footpaths		256	119
– Stormwater drainage		208	191
– Swimming pools		171	309
– Other open space/recreational assets		754	846
– Other infrastructure		352	314
<b>Other assets:</b>			
– Heritage collections		2	2
– Library books		253	127
– Car parks		541	523
– Newcastle airport		1,966	1,824
– Other		–	186
Intangible assets	11	705	406
Total depreciation and amortisation costs		14,683	14,522
<b>Impairment / revaluation decrement</b>			
Land		–	573
Inventory - Real Estate		3,174	–
Total impairment / revaluation decrement costs / (reversals) charged to Income Statement		3,174	573
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT</b>		<b>17,857</b>	<b>15,095</b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**
**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations (continued)**

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Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 4. Expenses from continuing operations (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(e) Other expenses</b>		
Bad and doubtful debts	16	3
Bank charges	265	263
Contributions/levies to other levels of government		
– Lands department levy (holiday parks)	403	514
– NSW rural fire service levy	507	476
– Waste levy	1,742	1,758
Councillor expenses – mayoral fee	61	61
Councillor expenses – councillors' fees	180	173
Councillors' expenses (incl. mayor) – other (excluding fees above)	126	109
Donations, contributions and assistance to other organisations (Section 356)	932	951
Election expenses	–	431
Electricity and heating	1,686	1,616
Insurance	1,598	1,540
Memberships	131	112
Newcastle airport	7,925	7,100
Street lighting	1,083	1,182
Telephone and communications	264	291
Other	398	321
<b>Total other expenses</b>	<b>17,317</b>	<b>16,901</b>
<b>TOTAL OTHER EXPENSES</b>	<b>17,317</b>	<b>16,901</b>

**Accounting policy for other expenses**

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 5. Gains or losses from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		452	300
Less: carrying amount of property assets sold/written off		(803)	(214)
<b>Net gain/(loss) on disposal</b>		<b>(351)</b>	<b>86</b>
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		199	684
Less: carrying amount of plant and equipment assets sold/written off		(836)	(1,980)
<b>Net gain/(loss) on disposal</b>		<b>(637)</b>	<b>(1,296)</b>
<b>Newcastle airport partnership</b>	9(a)		
Proceeds from disposal – infrastructure		553	–
Less: carrying amount of infrastructure assets sold/written off		(553)	(22)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(22)</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		2,255	5,460
Less: carrying amount of real estate assets sold/written off		(989)	(3,412)
<b>Net gain/(loss) on disposal</b>		<b>1,266</b>	<b>2,048</b>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		32,950	70,600
Less: carrying amount of investments sold/redeemed/matured		(32,950)	(70,600)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>278</b>	<b>816</b>

**Accounting policy for disposal of assets**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.



**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 6(a). Cash and cash equivalent assets**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	12,448	9,828
Cash-equivalent assets		
– Deposits at call	1,500	–
<b>Total cash and cash equivalents</b>	<b>13,948</b>	<b>9,828</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

**Note 6(b). Investments**

<b>\$ '000</b>	<b>2019 Current</b>	<b>2019 Non-current</b>	<b>2018 Current</b>	<b>2018 Non-current</b>
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	35,067	1,222	40,209	1,033
<b>Total Investments</b>	<b>35,067</b>	<b>1,222</b>	<b>40,209</b>	<b>1,033</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>49,015</b>	<b>1,222</b>	<b>50,037</b>	<b>1,033</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	35,067	1,222	40,209	1,033
<b>Total</b>	<b>35,067</b>	<b>1,222</b>	<b>40,209</b>	<b>1,033</b>

**Accounting policy for investments**

**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 6(b). Investments (continued)****Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

**Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

**Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only****Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

**(b) Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

**(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised

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## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments (continued)

initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**(d) Available for sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

**Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

**Impairment of financial assets**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**Impairment of available for sale investments**

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 6(c). Restricted cash, cash equivalents and investments – details**

<b>\$ '000</b>	<b>2019 Current</b>	<b>2019 Non-current</b>	<b>2018 Current</b>	<b>2018 Non-current</b>
Total cash, cash equivalents and investments	49,015	1,222	50,037	1,033
<b>attributable to:</b>				
External restrictions	28,770	1,222	25,683	1,033
Internal restrictions	20,245	–	24,353	–
Unrestricted	–	–	1	–
	49,015	1,222	50,037	1,033

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
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**Details of restrictions**

**External restrictions – included in liabilities**

Deposits, retentions and bonds	951	818
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<b>External restrictions – included in liabilities</b>	<b>951</b>	<b>818</b>
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**External restrictions – other**

Developer contributions – general	19,853	15,486
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Specific purpose unexpended grants	148	276
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Domestic waste management	5,880	6,493
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Carparking meters crown lands	65	558
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Crown holiday parks	3,095	3,085
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<b>External restrictions – other</b>	<b>29,041</b>	<b>25,898</b>
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<b>Total external restrictions</b>	<b>29,992</b>	<b>26,716</b>
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**Internal restrictions**

Asset rehabilitation	842	407
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Election reserve	200	100
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Federal assistance grant in advance	3,393	3,373
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Fleet	21	1,095
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Newcastle airport partnership	14,753	15,057
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Other waste services reserve	129	612
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Parking meters	160	407
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Section 355C committees	728	896
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Sustainable energy and water reserve	–	250
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Unexpended loan funds	–	2,000
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Ward funds	19	2
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Community Loans	–	154
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<b>Total internal restrictions</b>	<b>20,245</b>	<b>24,353</b>
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<b>TOTAL RESTRICTIONS</b>	<b>50,237</b>	<b>51,069</b>
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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 7. Receivables**

<b>\$ '000</b>	<b>2019 Current</b>	<b>2019 Non-current</b>	<b>2018 Current</b>	<b>2018 Non-current</b>
<b>Purpose</b>				
Rates and annual charges	2,698	–	2,406	–
Interest and extra charges	229	–	216	–
User charges and fees	606	–	507	–
Miscellaneous debtors	599	–	1,025	–
Contributions to works	27	–	45	–
Accrued revenues				
– Interest on investments	472	–	318	–
– Other income accruals	1,643	–	2,280	–
Government grants and subsidies	99	–	172	–
Net GST receivable	625	–	465	–
Newcastle airport partnership	1,916	–	1,634	–
Other debtors	–	193	–	196
<b>Total</b>	<b>8,914</b>	<b>193</b>	<b>9,068</b>	<b>196</b>
<b>Less: provision of impairment</b>				
Other debtors	–	(5)	–	(6)
<b>Total provision for impairment – receivables</b>	<b>–</b>	<b>(5)</b>	<b>–</b>	<b>(6)</b>
<b>TOTAL NET RECEIVABLES</b>	<b>8,914</b>	<b>188</b>	<b>9,068</b>	<b>190</b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	658	–	705	–
<b>Total external restrictions</b>	<b>658</b>	<b>–</b>	<b>705</b>	<b>–</b>
<b>Internally restricted receivables</b>				
Community Loans	200	–	46	–
Receivables – Newcastle Airport Partnership	1,916	–	1,634	–
Commercial properties	2,735	–	3,171	–
Administration building reserve	764	–	895	–
Sustainable energy and water reserve	125	–	–	–
Other waste services reserve	638	–	–	–
<b>Internally restricted receivables</b>	<b>6,378</b>	<b>–</b>	<b>5,746</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>1,878</b>	<b>188</b>	<b>2,617</b>	<b>190</b>
<b>TOTAL NET RECEIVABLES</b>	<b>8,914</b>	<b>188</b>	<b>9,068</b>	<b>190</b>

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	6	52
+ new provisions recognised during the year	5	–
– amounts already provided for and written off this year	(6)	(42)
– amounts provided for but recovered during the year	–	(4)

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## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

\$ '000	2019	2018
<b>Balance at the end of the period</b>	5	6

**Accounting policy for receivables****Recognition and measurement**

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**Impairment****Accounting policy under AASB 9 applicable from 1 July 2018**

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 12 months past due, whichever occurs first. None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred)

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 7. Receivables (continued)**

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discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.



**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 8. Inventories and other assets**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	5,019	10,030	5,653	13,102
Stores and materials	143	–	196	–
<b>Total inventories at cost</b>	<b>5,162</b>	<b>10,030</b>	<b>5,849</b>	<b>13,102</b>
<b>TOTAL INVENTORIES</b>	<b>5,162</b>	<b>10,030</b>	<b>5,849</b>	<b>13,102</b>

**(b) Other assets**

Prepayments	610	24	426	8
Other	–	1,750	–	–
<b>TOTAL OTHER ASSETS</b>	<b>610</b>	<b>1,774</b>	<b>426</b>	<b>8</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total internally restricted assets</b>	<b>5,019</b>	<b>11,788</b>	<b>5,653</b>	<b>13,110</b>
<b>Total unrestricted assets</b>	<b>753</b>	<b>16</b>	<b>622</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>5,772</b>	<b>11,804</b>	<b>6,275</b>	<b>13,110</b>

**(i) Other disclosures**

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	2,954	–	2,860
Industrial/commercial		5,019	7,076	5,653	10,242
<b>Total real estate for resale</b>		<b>5,019</b>	<b>10,030</b>	<b>5,653</b>	<b>13,102</b>

(Valued at the lower of cost and net realisable value)

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Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Represented by:</b>					
Acquisition costs		773	9,692	773	12,866
Development costs		4,246	338	4,880	236
<b>Total costs</b>		<b>5,019</b>	<b>10,030</b>	<b>5,653</b>	<b>13,102</b>
<b>Total real estate for resale</b>		<b>5,019</b>	<b>10,030</b>	<b>5,653</b>	<b>13,102</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		5,653	13,102	14,116	5,721
– Purchases and other costs		161	102	2,738	219
– Transfers in from (out to) Note 9		194	–	–	–
– WDV of sales (expense)	5	(989)	–	(3,412)	–
– Impairment write down		–	(3,174)	–	–
– Transfer between current/non-current		–	–	(7,162)	7,162
– Transfers in from (out to) Note 10		–	–	(627)	–
<b>Total real estate for resale</b>		<b>5,019</b>	<b>10,030</b>	<b>5,653</b>	<b>13,102</b>

**Accounting policy for inventories and other assets**

**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Inventory held for distribution**

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 9(a). Infrastructure, property, plant and equipment**

	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments / (decrement) to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	4,190	(74)	4,116	3,249	1,092	–	–	763	–	–	9,311	(91)	9,220
Plant and equipment	17,587	(8,859)	8,728	2,852	1,976	(188)	(1,833)	(21)	–	–	25,300	(13,788)	11,512
Office equipment	2,327	(1,129)	1,198	218	505	–	(452)	–	–	–	3,051	(1,580)	1,471
Furniture and fittings	1,171	(1,065)	106	93	–	–	(24)	36	–	–	1,300	(1,089)	211
<b>Land:</b>													
– Operational land	38,407	(572)	37,835	26	1,204	(454)	–	321	–	–	39,505	(573)	38,932
– Community land	42,294	–	42,294	–	597	(24)	–	(321)	–	(26)	42,518	–	42,518
– Crown land	29,548	–	29,548	–	–	(325)	–	–	–	–	29,223	–	29,223
– Land under roads (post 1/7/08)	1,985	–	1,985	–	–	–	–	–	–	–	1,985	–	1,985
Land improvements – depreciable	2,780	(695)	2,085	68	–	–	(77)	4,699	–	–	9,187	(2,412)	6,775
<b>Infrastructure:</b>													
– Buildings – specialised	177,270	(83,610)	93,660	1,774	2,251	(315)	(4,016)	1,640	–	–	183,879	(88,879)	95,000
– Other structures	6,303	(2,181)	4,122	319	131	–	(560)	1,368	–	–	9,700	(4,321)	5,379
– Roads	462,034	(54,941)	407,093	4,859	3,295	–	(2,500)	(22,918)	–	–	443,749	(53,919)	389,830
– Bridges	11,408	(320)	11,088	16	–	–	(13)	(167)	–	–	11,257	(333)	10,924
– Footpaths	32,898	(3,482)	29,416	422	1,365	–	(256)	23,744	–	–	63,126	(8,435)	54,691
– Car parks	11,417	(8,263)	3,154	192	–	–	(541)	–	–	–	11,610	(8,804)	2,806
– Stormwater drainage	197,809	(5,985)	191,824	1,372	2,845	–	(208)	246	–	–	202,514	(6,435)	196,079
– Swimming pools	8,190	(4,710)	3,480	114	–	(57)	(171)	(294)	–	–	7,584	(4,513)	3,071
– Other open space	29,941	(11,998)	17,943	1,092	1,207	(143)	(754)	(6,861)	(180)	8,977	32,237	(10,957)	21,280
– Other infrastructure	9,716	(3,712)	6,004	609	377	(32)	(352)	496	–	–	10,817	(3,715)	7,102
<b>Other assets:</b>													
– Heritage collections	232	(72)	160	6	–	–	(2)	–	–	–	237	(75)	162
– Library books	5,218	(3,117)	2,101	236	–	–	(253)	–	–	–	5,455	(3,370)	2,085
– Newcastle airport	46,068	(16,123)	29,945	3,291	–	(553)	(1,966)	–	–	–	48,806	(18,091)	30,715
– Other	5,527	(2,782)	2,745	–	–	–	–	(2,731)	(14)	–	–	–	–
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,144,320</b>	<b>(213,690)</b>	<b>930,630</b>	<b>20,808</b>	<b>16,845</b>	<b>(2,091)</b>	<b>(13,978)</b>	<b>–</b>	<b>(194)</b>	<b>8,951</b>	<b>1,192,351</b>	<b>(231,380)</b>	<b>960,971</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 9(a). Infrastructure, property, plant and equipment (continued)**

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Tfrs from/to intangible assets (Note 11)	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	959	(1)	958	23	3,406	–	–	–	(272)	–	–	4,190	(74)	4,116
Plant and equipment	17,960	(8,472)	9,488	19	1,415	(770)	(1,424)	–	–	–	–	17,587	(8,859)	8,728
Office equipment	1,626	(878)	748	129	600	(1)	(277)	–	–	–	–	2,327	(1,129)	1,198
Furniture and fittings	1,125	(1,047)	78	–	45	–	(18)	–	–	–	–	1,171	(1,065)	106
<b>Land:</b>														
– Operational land	30,282	–	30,282	2	8	(214)	–	(573)	(354)	–	8,077	38,407	(572)	37,835
– Community land	71,353	–	71,353	–	489	–	–	–	–	–	–	42,294	–	42,294
– Crown land	–	–	–	–	–	–	–	–	–	–	–	29,548	–	29,548
– Land under roads (post 1/7/08)	1,143	–	1,143	–	–	–	–	–	290	–	(827)	1,985	–	1,985
Land improvements – depreciable	1,922	–	1,922	–	–	–	(25)	–	64	–	–	2,780	(695)	2,085
– Land held for bio banking	1,012	(383)	629	–	168	–	–	–	1,314	–	–	–	–	–
<b>Infrastructure:</b>														
– Buildings – specialised	148,890	(65,810)	83,080	304	3,896	(767)	(4,892)	–	–	–	13,385	177,270	(83,610)	93,660
– Other structures	5,295	(1,531)	3,764	27	413	–	(317)	–	(1,346)	–	16	6,303	(2,181)	4,122
– Roads	447,718	(52,231)	395,487	10,793	3,782	(258)	(2,710)	–	220	–	–	462,034	(54,941)	407,093
– Bridges	11,408	(308)	11,100	–	–	–	(12)	–	–	–	–	11,408	(320)	11,088
– Footpaths	31,362	(3,363)	27,999	498	1,038	–	(119)	–	–	–	–	32,898	(3,482)	29,416
– Stormwater drainage	193,759	(5,794)	187,965	2,256	1,813	(19)	(191)	–	–	–	–	197,809	(5,985)	191,824
– Swimming pools	8,151	(4,400)	3,751	38	–	–	(309)	–	–	–	–	8,190	(4,710)	3,480
– Other open space	28,284	(11,124)	17,160	152	1,452	–	(846)	–	24	–	–	29,941	(11,998)	17,943
– Other infrastructure	9,136	(3,399)	5,737	22	608	(165)	(314)	–	116	–	–	9,716	(3,712)	6,004
– Car parks	11,234	(7,739)	3,495	4	180	–	(523)	–	–	–	–	11,417	(8,263)	3,154
<b>Other assets:</b>														
– Heritage collections	230	(70)	160	1	–	–	(2)	–	–	–	–	232	(72)	160
– Library books	4,968	(2,991)	1,977	250	–	–	(127)	–	–	–	–	5,218	(3,117)	2,101
– Other	5,488	(2,726)	2,762	18	205	–	(186)	–	(56)	–	–	5,527	(2,782)	2,745
– Newcastle airport	43,640	(14,406)	29,234	–	2,805	(22)	(1,824)	–	–	(262)	–	46,068	(16,123)	29,945
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,076,945</b>	<b>(186,673)</b>	<b>890,272</b>	<b>14,536</b>	<b>22,323</b>	<b>(2,216)</b>	<b>(14,116)</b>	<b>(573)</b>	<b>–</b>	<b>(262)</b>	<b>20,651</b>	<b>1,144,320</b>	<b>(213,690)</b>	<b>930,630</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 9(a). Infrastructure, property, plant and equipment (continued)**
**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	20
Office furniture	10 to 20	Benches, seats etc.	25
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings	15 to 65
Other plant and equipment	5 to 15		
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads		Drains	80 to 100
- Base	50	Culverts	50 to 80
- Seal	15 to 25	Flood control structures	80 to 100
- Sub-base	100		
Unsealed roads	100	<b>Other infrastructure assets</b>	
Bridge concrete	100	Bulk earthworks	20
Bridge other	60 to 100	Swimming pools	50
Kerb, gutter and footpaths	80	Other open space/recreational assets	20
		Other infrastructure	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**Land under roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 9(a). Infrastructure, property, plant and equipment (continued)**

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

**Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

**Rural Fire Service assets**

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

**Note 9(b). Externally restricted infrastructure, property, plant and equipment**

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
\$ '000						
Land						
Domestic waste management						
Buildings	4,332	1,933	2,399	3,483	1,580	1,903
<b>Total DWM</b>	<b>4,332</b>	<b>1,933</b>	<b>2,399</b>	<b>3,483</b>	<b>1,580</b>	<b>1,903</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>4,332</b>	<b>1,933</b>	<b>2,399</b>	<b>3,483</b>	<b>1,580</b>	<b>1,903</b>

**Note 9(c). Infrastructure, property, plant and equipment – current year impairments**

\$ '000	Notes	2019	2018
(i) Impairment losses recognised in the Income Statement:			
– Change in land usage (road reserve)		–	(573)
<b>Total impairment losses</b>		–	(573)
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4d	–	(573)

**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 10. Investment property**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>35,550</b>	<b>31,467</b>
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	<b>31,467</b>	<b>26,000</b>
– Capitalised expenditure – this year	491	41
– Net gain/(loss) from fair value adjustments	3,592	4,799
– Transfers from/(to) inventories (Note 8)	–	627
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>35,550</b>	<b>31,467</b>

**(b) Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2019 revaluations were based on independent assessments made by:  
Sean Fox who is an employee of Knight Frank and is a Certified Practising Valuer (without limitation). API No 6755.

**(c) Repairs and maintenance - Council as lessor**

Contractual obligations at reporting date for future repairs and maintenance are \$12,875

**(d) Leasing arrangements – Council as lessor**

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	2,457	1,959
Later than 1 year but less than 5 years	6,371	4,120
Later than 5 years	618	2,832
<b>Total minimum lease payments receivable</b>	<b>9,446</b>	<b>8,911</b>

Lease terms vary from 1 to 5 years with options to renew. Rental payments are due monthly in advance and do not include contingent rental adjustments.

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Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property (continued)

\$ '000	2019	2018
(e) Amounts recognised in profit and loss for investment property		
<b>Rental income from investment property:</b>		
– Minimum lease payments	2,989	2,718
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(649)	(532)
<b>Net revenue contribution from investment property</b>	<u>2,340</u>	<u>2,186</u>
plus:		
<b>Fair value movement for year</b>	<u>3,592</u>	<u>4,799</u>
<b>Total income attributable to investment property</b>	<u>5,932</u>	<u>6,985</u>

**Accounting policy for investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.



**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 11. Intangible assets**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
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Intangible assets are as follows:

**Opening values at 1 July**

Gross book value	6,541	6,147
Accumulated amortisation	(1,837)	(1,431)
<b>Net book value – opening balance</b>	<b>4,704</b>	<b>4,716</b>

**Movements for the year**

– Purchases	2,149	133
– Transfers from note 9	–	262
– Amortisation charges	(705)	(406)

**Closing values at 30 June**

Gross book value	8,690	6,541
Accumulated amortisation	(2,541)	(1,837)

<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>6,149</b>	<b>4,704</b>
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The net book value of intangible assets represents:

– Software	1,034	971
– Newcastle Airport (right to operate)	1,595	213
– Biodiversity credits	3,520	3,520
	<b>6,149</b>	<b>4,704</b>

**Accounting policy for intangible assets**

**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

**Biodiversity credits**

Biodiversity credits that are obtained with the intention to sell are recognised as an asset. Where they have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives. Biodiversity credits that have an indefinite useful life are not amortised and are assessed for impairment annually.

When Biodiversity credits is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised within the income statement.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 11. Intangible assets (continued)**

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**Right to Operate**

Fit out costs incurred for the international processing area within the terminal required by the Department of Home Affairs for border security activities required for international flights represents NAP's contractual / legal right to operate international airport services, and is recognised at cost as an intangible asset.

**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 12. Payables and borrowings**

\$ '000	2019 Current	2019 Non-current	2018 <sup>2</sup> Current	2018 <sup>2</sup> Non-current
<b>Payables</b>				
Goods and services	8,744	—	6,002	—
Accrued expenses:				
– Other expenditure accruals	2,536	—	2,494	8
Security bonds, deposits and retentions	951	—	818	—
Unclaimed monies	10	—	8	—
Rates in advance	1,143	—	978	—
Other	961	—	867	—
<b>Total payables</b>	<b>14,345</b>	<b>—</b>	<b>11,167</b>	<b>8</b>
<b>Income received in advance</b>				
Payments received in advance	—	—	9	—
<b>Total income received in advance</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>—</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	4,464	8,814	3,460	14,121
Loans – Newcastle airport	—	6,250	—	6,250
<b>Total borrowings</b>	<b>4,464</b>	<b>15,064</b>	<b>3,460</b>	<b>20,371</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>18,809</b>	<b>15,064</b>	<b>14,636</b>	<b>20,379</b>

<sup>(1)</sup> Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

<sup>(2)</sup> Restated due to prior period error

\$ '000	2019 Current	2019 Non-current	2018 <sup>2</sup> Current	2018 <sup>2</sup> Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	1,797	732	1,825	1,441
Other	951	—	818	—
Crown holiday park reserve	34	—	34	34
<b>Payables and borrowings relating to externally restricted assets</b>	<b>2,782</b>	<b>732</b>	<b>2,677</b>	<b>1,475</b>
<b>Internally restricted assets</b>				
Drainage reserve	—	—	144	—
Newcastle airport	4,162	6,250	2,623	10,898
<b>Payables and borrowings relating to internally restricted assets</b>	<b>4,162</b>	<b>6,250</b>	<b>2,767</b>	<b>10,898</b>
<b>Total payables and borrowings relating to restricted assets</b>	<b>6,944</b>	<b>6,982</b>	<b>5,444</b>	<b>12,373</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>11,865</b>	<b>8,082</b>	<b>9,192</b>	<b>8,006</b>

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 12. Payables and borrowings (continued)**

\$ '000	2019 Current	2019 Non-current	2018 <sup>2</sup> Current	2018 <sup>2</sup> Non-current
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>18,809</b>	<b>15,064</b>	<b>14,636</b>	<b>20,379</b>

(2) Restated due to prior period error

\$ '000	2019	2018
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	396	378
<b>Total payables and borrowings</b>	<b>396</b>	<b>378</b>

**(c) Changes in liabilities arising from financing activities**

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	17,581	(4,306)	–	3	–	13,278
Loans – Newcastle airport	6,250	–	–	–	–	6,250
<b>TOTAL</b>	<b>23,831</b>	<b>(4,306)</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>19,528</b>

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	15,308	2,268	–	5	–	17,581
Loans – Newcastle airport	6,250	–	–	–	–	6,250
<b>TOTAL</b>	<b>21,558</b>	<b>2,268</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>23,831</b>

\$ '000	2019	2018
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**(d) Financing arrangements**
**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	2,500	2,500
Credit cards/purchase cards	500	500
Bank loan facilities - Newcastle Airport	25,000	–
<b>Total financing arrangements</b>	<b>28,000</b>	<b>3,000</b>

Drawn facilities as at balance date:

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 12. Payables and borrowings (continued)**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
– Credit cards/purchase cards	4	4
– Bank loan facilities - Newcastle Airport	6,250	–
<b>Total drawn financing arrangements</b>	<b>6,254</b>	<b>4</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	2,500	2,500
– Credit cards/purchase cards	496	496
– Bank loan facilities - Newcastle Airport	18,750	–
<b>Total undrawn financing arrangements</b>	<b>21,746</b>	<b>2,996</b>

**Additional financing arrangements information**

**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

**Security over loans**

Loans are secured over the general rating income of Council.

<sup>(1)</sup> The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

**Payables**

These amounts represent liabilities for goods and services provided to the council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 13. Provisions**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	4,047	–	3,628	–
Sick leave	2,966	–	3,142	–
Long service leave	7,500	742	6,769	531
Flexi time / RDO leave	299	–	256	–
<b>Sub-total – aggregate employee benefits</b>	<b>14,812</b>	<b>742</b>	<b>13,795</b>	<b>531</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	1,355	–	1,600	–
<b>Sub-total – asset remediation/restoration</b>	<b>1,355</b>	<b>–</b>	<b>1,600</b>	<b>–</b>
<b>Other provisions</b>				
Other	900	–	1,825	–
<b>Sub-total – other provisions</b>	<b>900</b>	<b>–</b>	<b>1,825</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>17,067</b>	<b>742</b>	<b>17,220</b>	<b>531</b>

**(a) Provisions relating to restricted assets**

<b>Externally restricted assets</b>				
Domestic waste management	1,355	–	1,600	–
Provisions relating to externally restricted assets	1,355	–	1,600	–
<b>Internally restricted assets</b>				
Drainage	900	–	1,825	–
Provisions relating to internally restricted assets	900	–	1,825	–
<b>Total provisions relating to restricted assets</b>	<b>2,255</b>	<b>–</b>	<b>3,425</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>14,812</b>	<b>742</b>	<b>13,795</b>	<b>531</b>
<b>TOTAL PROVISIONS</b>	<b>17,067</b>	<b>742</b>	<b>17,220</b>	<b>531</b>

\$ '000	2019	2018
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**(b) Current provisions not anticipated to be settled within the next twelve months**

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	9,776	8,477
	<u>9,776</u>	<u>8,477</u>

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## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions (continued)

## (c) Description of and movements in provisions

\$ '000	Other provisions		
	Legal Costs Provision	Asset Remediation	Total
<b>2019</b>			
At beginning of year	1,825	1,600	3,425
Amounts used (payments)	–	(245)	(245)
Unused amounts reversed	(925)	–	(925)
Total other provisions at end of period	900	1,355	2,255
<b>2018</b>			
At beginning of year	–	1,600	1,600
Additional provisions	1,825	–	1,825
Total other provisions at end of period	1,825	1,600	3,425

**Nature and purpose of non-employee benefit provisions****Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip.

**Legal costs provision**

Council has a legal obligation to pay legal costs as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required when legal proceedings are finalised.

**Accounting policy for provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**Employee benefits****Short-term obligations**

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**Other long-term employee benefit obligations**

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 13. Provisions (continued)**

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**On-costs**

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

**Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries****Restoration**

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

**Rehabilitation**

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 13. Provisions (continued)**

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Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

**Provision for legal costs**

Liabilities for legal costs expected to be wholly settled within 12 months after the end of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date.



## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors****(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

**Fair value through other comprehensive income reserve (FVOCI)**

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

**Available for sale investments revaluation reserve (2018 only)**

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

**(b) Correction of errors relating to a previous reporting period****Nature of prior-period error**

Council is adjusting for the difference in accounting policies with regards to capital government grants that have been accounted for when consolidating its joint operation. Newcastle Airport Partnership has been accounting for government grants under AASB 120 which requires grant income to be accounted for as income over the life of the asset. Council accounts for government grants under AASB 1004 which requires the grant to be accounted as income upon receipt. Under AASB 10, parent entities are to prepare consolidated financial statements which have uniform accounting policies across both entities.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through Accumulated Surplus at that date. Comparatives have been changed to reflect the correction of errors. The impact of each line is shown in the tables below.

**Changes to the opening Statement of Financial Position at 1 July 2017****Statement of Financial Position**

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
<b>Total assets</b>	<b>1,000,030</b>	<b>–</b>	<b>1,000,030</b>
Deferred Income - Newcastle Airport Partnership	5,291	(5,058)	233
Total income received in advance	5,489	(5,058)	431
Total payables and borrowings	36,377	(5,058)	31,319
<b>Total liabilities</b>	<b>52,318</b>	<b>(5,058)</b>	<b>47,260</b>
Accumulated Surplus	567,409	5,058	572,467
Revaluation Reserves	380,303	–	380,303
<b>Total equity</b>	<b>947,712</b>	<b>5,058</b>	<b>952,770</b>

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

Adjustments to the comparative figures for the year ended 30 June 2018

**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Total assets</b>	<b>1,046,514</b>	<b>–</b>	<b>1,046,514</b>
Deferred Income - Newcastle Airport Partnership	5,049	(5,049)	–
Total income received in advance	5,058	(5,049)	9
Total payables and borrowings	40,064	(5,049)	35,015
<b>Total liabilities</b>	<b>57,815</b>	<b>(5,049)</b>	<b>52,766</b>
Accumulated Surplus	588,281	5,311	593,592
Revaluation Reserves	400,418	–	400,418
<b>Total equity</b>	<b>988,699</b>	<b>5,311</b>	<b>993,748</b>

**Income Statement**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Grants & Contributions provided for capital purposes	15,387	(262)	15,125
Total grants	13,711	(262)	13,449
<b>Total income from continuing operations</b>	<b>137,095</b>	<b>(262)</b>	<b>136,833</b>
<b>Total expenses from continuing operations</b>	<b>116,759</b>	<b>–</b>	<b>116,759</b>
<b>Operating result from discontinued operations</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year</b>	<b>20,336</b>	<b>(262)</b>	<b>20,074</b>

**Statement of Comprehensive Income**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Net operating result for the year</b>	<b>20,336</b>	<b>(262)</b>	<b>20,074</b>
<b>Total comprehensive income for the year</b>	<b>20,336</b>	<b>(262)</b>	<b>20,074</b>

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)**

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

**Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

**Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

**Transition adjustments to equity**

Council has assessed the transition to AASB 9 and deemed any impact to be not applicable or immaterial e.g. the increase in expected credit losses for trade receivables.

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Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non- controlling interests	Total
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**Transition adjustments to assets & liabilities**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Trade & other receivables	Loans & receivables	Amortised cost	9,258	–	–	9,258
Cash and cash equivalents	Loans & receivables	Amortised cost	9,828	–	–	9,828
Term Deposits (i)	Held to Maturity	Amortised cost	41,242	–	–	41,242
<b>Total financial assets under AASB 9 at 1 July 2018</b>			60,328	–	–	60,328
<b>Financial liabilities</b>						
Trade Payables	Other financial liabilities	Other financial liabilities	11,175	–	–	11,175
Borrowings (secured & unsecured)	Other financial liabilities	Other financial liabilities	23,831	–	–	23,831
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			35,006	–	–	35,006

**Notes to the table above**

**Reclassification from 'held to maturity' to 'amortised cost'**

(i) Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

**(d) Voluntary changes in accounting policies**

**Nature of changes in accounting policies**

Council has performed an annual review of its accounting policies and changed the classification of its bio banking credits from Non Current Inventory to Non Current Intangible Assets. The initial value recognised and subsequent measurement of the asset remains unchanged upon retrospective adjustment. The change has been made in order to enhance the relevance of information contained in the financial statements.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

The above change in accounting policy has impacted on the Statement of Financial Position at 1 July, 2017.

Comparatives have been changed to reflect the accounting policy changes. The impact on the line items affected within the Statement of Financial Position has been shown in the tables below. There has been no impact on Liabilities and Equity within the Statement of Financial Position or the Income Statement itself.

**Changes to the opening Statement of Financial Position at 1 July 2017**

**Statement of Financial Position**

<b>\$ '000</b>	<b>Original Balance 1 July, 2017</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2017</b>
Inventory	23,554	(3,520)	20,034
Intangible assets	1,196	3,520	4,716
<b>Total assets</b>	<b>1,000,030</b>	<b>–</b>	<b>1,000,030</b>

**Adjustments to the comparative figures for the year ended 30 June 2018**

**Statement of Financial Position**

<b>\$ '000</b>	<b>Original Balance 30 June, 2018</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 30 June, 2018</b>
Inventory	22,471	(3,520)	18,951
Intangible assets	1,184	3,520	4,704
<b>Total assets</b>	<b>1,046,514</b>	<b>–</b>	<b>1,046,514</b>

Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	13,948	9,828
<b>Balance as per the Statement of Cash Flows</b>		<b>13,948</b>	<b>9,828</b>

**(b) Reconciliation of net operating result to cash provided from operating activities**

<b>Net operating result from Income Statement</b>	25,204	20,074
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	14,683	14,522
Net losses/(gains) on disposal of assets	(278)	(816)
Non-cash capital grants and contributions	(10,430)	(6,643)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(3,592)	(4,799)
– Revaluation decrements / impairments of IPP&E direct to P&L	3,174	573
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	3	5
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	157	609
Increase/(decrease) in provision for impairment of receivables	(1)	(46)
Decrease/(increase) in inventories	53	1
Decrease/(increase) in other current assets	(1,950)	11
Increase/(decrease) in payables	2,742	1,769
Increase/(decrease) in other accrued expenses payable	34	(305)
Increase/(decrease) in other liabilities	385	212
Increase/(decrease) in provision for employee benefits	1,228	(15)
Increase/(decrease) in other provisions	(1,170)	1,825
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>30,242</b>	<b>26,977</b>

**(c) Non-cash investing and financing activities**

Dedicated subdivisions	8,788	6,643
RFS assets	1,642	–
<b>Total non-cash investing and financing activities</b>	<b>10,430</b>	<b>6,643</b>

**(d) Net cash flows attributable to discontinued operations**

There are no cash flows that relate to discontinued operations

Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

(a) Joint arrangements

(i) Joint operations

(a) Council is involved in the following joint operations (JO's)

\$ '000			Interest in ownership		Interest in voting	
			2019	2018	2019	2018
Name of joint operation	Principal activity	Place of business				
Newcastle Airport Partnership and Newcastle Airport Pty Ltd	Airport Operation	Williamstown	50%	50%	50%	50%
Greater Newcastle Aerotropolis Partnership & Greater Newcastle Aerotropolis Pty Ltd	Airport Operation	Williamstown	50%	0%	50%	0%

(b) Council assets employed in the joint operations

\$ '000	2019	2018 <sup>1</sup>
<b>Council's share of assets jointly owned with other partners</b>		
Current assets	16,761	16,810
Current liabilities	(4,470)	(2,487)
Non current assets	32,380	30,181
Non-current liabilities	(6,278)	(6,278)
<b>Total net assets employed – Council and jointly owned</b>	<b>38,393</b>	<b>38,226</b>

(1) Restated due to prior period error

(c) Share of joint operations expenditure commitments

\$ '000	2019	2018
<b>Capital commitments</b>		
Payable not later than 1 year	5,395	1,317
<b>Total capital commitments</b>	<b>5,395</b>	<b>1,317</b>

(d) Contingent liabilities of joint operations

\$ '000	2019	2018
Share of contingent liabilities incurred jointly with other participants	100	100
Share of contingent liabilities for which Council is severally liable	100	100

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 16. Interests in other entities (continued)****Accounting policy for joint arrangements:**

The council has determined that it has joint operations.

**Joint operations:**

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

**(b) Subsidiaries, joint arrangements and associates not recognised**

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Aggregate information for joint ventures that are not individually material

Strategic Services Australia Limited (Council Support Services Joint Venture)

Reasons for non recognition

The Joint Venture has not been recognised as part of Council's financial performance or financial position as it has been deemed immaterial for the purposes of consolidation. Council's unconsolidated share of the net assets and net profit of the Joint Venture is as follows:

**2019**

Net Profit	(57)
Net Assets	583

**2018**

Net Profit	352
Net Assets	641



**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 17. Commitments**

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	6,775	238
Plant and equipment	228	659
Newcastle airport	5,395	1,317
Other	1,072	1,622
<b>Total commitments</b>	<b>13,470</b>	<b>3,836</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	13,470	3,836
<b>Total payable</b>	<b>13,470</b>	<b>3,836</b>

**(b) Operating lease commitments (non-cancellable)**

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	421	450
Later than one year and not later than 5 years	538	614
Later than 5 years	262	–
<b>Total non-cancellable operating lease commitments</b>	<b>1,221</b>	<b>1,064</b>

**b. Non-cancellable operating leases include the following assets:**

Computer, Printing Equipment, Land and Car Parks. Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to finance and operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

**(c) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 16 (c)

## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

## LIABILITIES NOT RECOGNISED

## 1. Guarantees

## (i) Defined benefit superannuation contribution plans

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

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

*Description of the funding arrangements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions for non 180 Point Members. Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

*Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active

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## Port Stephens Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$661,972.64. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$337,154.66. Council's expected contribution to the plan for the next annual reporting period is \$638,180.60.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

\* excluding member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$676,000 as at 30 June 2019.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

#### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

#### (iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 18. Contingencies and other assets/liabilities not recognised (continued)**

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

**(iv) Other guarantees**

Council has provided no other guarantees other than those listed above.

**2. Other liabilities****(i) Third party claims**

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

**(ii) Potential land acquisitions due to planning restrictions imposed by Council**

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

**(iii) Legal Matters**

Council is dealing with general matters as part of normal operations. No specific disclosure is made as these matters do not represent a significant and probable outflow of resources other than those already provided for.

**ASSETS NOT RECOGNISED****(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

**(ii) Infringement notices/fines**

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management

## Risk management

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	13,948	9,828	13,948	9,828
Receivables	9,102	9,258	9,102	9,257
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	36,289	41,242	36,289	41,242
<b>Total financial assets</b>	<b>59,339</b>	<b>60,328</b>	<b>59,339</b>	<b>60,327</b>
<b>Financial liabilities</b>				
Payables	14,345	11,175	14,345	11,175
Loans/advances	19,528	23,831	19,528	23,831
<b>Total financial liabilities</b>	<b>33,873</b>	<b>35,006</b>	<b>33,873</b>	<b>35,006</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and financial assets at amortised cost / held-to-maturity (2018) investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's financial services section manages the cash and investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

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## Port Stephens Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

## (a) Market risk – price risk and interest rate risk

The impact on the result for the year of a reasonably possible movement in interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 1% movement in interest rates	412	–	(412)	–
<b>2018</b>				
Possible impact of a 1% movement in interest rates	338	–	(338)	–

## (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to the financial services section manager on a monthly basis and monitoring of acceptable collection performance is carried out.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 19. Financial risk management (continued)**

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

**Credit risk profile**

**Receivables – rates and annual charges**

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	2,184	203	188	123	2,698
<b>2018</b>						
Gross carrying amount	–	1,929	179	177	121	2,406

**Receivables - non-rates and annual charges**

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	5,198	454	100	118	539	6,409
Expected loss rate (%)	0.07%	0.11%	0.38%	1.24%	2.32%	0.29%
<b>ECL provision</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>13</b>	<b>18</b>
<b>2018</b>						
Gross carrying amount	4,929	977	493	63	396	6,858
Expected loss rate (%)	0.07%	0.11%	0.38%	1.24%	2.32%	0.24%
<b>ECL provision</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>16</b>

**(c) Liquidity risk**

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types,

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Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows (i.e. principal and interest) and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	961	13,384	–	–	14,345	14,345
Loans and advances	3.14%	–	11,274	8,553	941	20,768	19,528
<b>Total financial liabilities</b>		<b>961</b>	<b>28,820</b>	<b>8,553</b>	<b>941</b>	<b>39,275</b>	<b>33,873</b>
<b>2018</b>							
Trade/other payables	0.00%	826	10,341	8	–	11,175	11,175
Loans and advances	3.41%	–	4,003	19,297	2,126	25,426	23,831
<b>Total financial liabilities</b>		<b>826</b>	<b>14,344</b>	<b>19,305</b>	<b>2,126</b>	<b>36,601</b>	<b>35,006</b>

Loan agreement breaches

There were no loan agreement breaches recorded during the year.



**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 20. Material budget variations**

Council's original financial budget for 18/19 was adopted by the Council on 26/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10% or more**.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>56,787</b>	<b>57,652</b>	<b>865</b>	<b>2% F</b>
<b>User charges and fees</b>	<b>39,367</b>	<b>44,698</b>	<b>5,331</b>	<b>14% F</b>
User fees and charges increased above budget due to the receipt of additional work from RMS under the State Roads maintenance program.				
<b>Interest and investment revenue</b>	<b>1,353</b>	<b>1,451</b>	<b>98</b>	<b>7% F</b>
<b>Other revenues</b>	<b>6,591</b>	<b>6,596</b>	<b>5</b>	<b>0% F</b>
<b>Operating grants and contributions</b>	<b>11,758</b>	<b>11,918</b>	<b>160</b>	<b>1% F</b>
<b>Capital grants and contributions</b>	<b>5,811</b>	<b>21,312</b>	<b>15,501</b>	<b>267% F</b>
Council was gifted a significant amount of infrastructure from development subdivisions which exceeded the original budgeted amount.				
<b>Net gains from disposal of assets</b>	<b>250</b>	<b>278</b>	<b>28</b>	<b>11% F</b>
Council was able to generate higher then expected disposal gains as a result of property developments				
<b>Fair value increment on investment property</b>	<b>–</b>	<b>3,592</b>	<b>3,592</b>	<b>∞ F</b>
Fair value increases on investment property were higher then expected due to strong growth in commercial assets. Fair value increments are a non cash transaction and do not form part of Council's underlying surplus.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>45,135</b>	<b>48,294</b>	<b>(3,159)</b>	<b>(7)% U</b>
<b>Borrowing costs</b>	<b>698</b>	<b>705</b>	<b>(7)</b>	<b>(1)% U</b>
<b>Materials and contracts</b>	<b>36,830</b>	<b>38,120</b>	<b>(1,290)</b>	<b>(4)% U</b>

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**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 20. Material budget variations (continued)**

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Material and contracts costs increased due to being awarded additional work under the RMS State Roads maintenance program.				
<b>Depreciation and amortisation</b>	<b>15,621</b>	<b>14,683</b>	<b>938</b>	<b>6% F</b>
<b>Other expenses</b>	<b>13,995</b>	<b>17,317</b>	<b>(3,322)</b>	<b>(24)% U</b>
Other expenses exceeded the original budget due to growth at the Newcastle Airport.				
<b>Revaluation decrement / impairment of IPP&amp;E</b>	<b>–</b>	<b>3,174</b>	<b>(3,174)</b>	<b>∞ U</b>

**STATEMENT OF CASH FLOWS**

<b>Net cash provided from (used in) operating activities</b>	<b>22,065</b>	<b>30,242</b>	<b>8,177</b>	<b>37% F</b>
Cashflows from operating activities exceeded the original budget due to the receipt of capital grants for new infrastructure projects.				
<b>Net cash provided from (used in) investing activities</b>	<b>(21,333)</b>	<b>(21,816)</b>	<b>(483)</b>	<b>2% U</b>
<b>Net cash provided from (used in) financing activities</b>	<b>(1,485)</b>	<b>(4,306)</b>	<b>(2,821)</b>	<b>190% U</b>

Cashflows from financing activities varied due to proceeds from loans which were drawn down on in June 2018.

**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement**

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(1) Assets and liabilities that have been measured and recognised at fair values**

		Fair value measurement hierarchy				
	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>2019</b>						
<b>Recurring fair value measurements</b>						
<b>Investment property</b>	10					
Investment properties held			–	35,550	–	35,550
<b>Total investment property</b>			–	35,550	–	35,550
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
Plant and equipment			–	–	11,512	11,512
Office equipment			–	–	1,471	1,471
Furniture and fittings			–	–	211	211
Land			–	38,932	73,726	112,658
Land Improvements			–	–	6,775	6,775
Buildings – specialised			–	–	95,000	95,000
Other Structures			–	–	5,379	5,379
Infrastructure			–	–	682,977	682,977
Other Assets			–	–	5,053	5,053
<b>Total infrastructure, property, plant and equipment</b>			–	38,932	882,104	921,036
<b>2018</b>						
<b>Recurring fair value measurements</b>						
<b>Investment property</b>	10					
Investment properties held			–	31,467	–	31,467
<b>Total investment property</b>			–	31,467	–	31,467

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)**

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>Infrastructure, property, plant and equipment</b>						
Plant and equipment			–	–	8,728	8,728
Office equipment			–	–	1,199	1,199
Furniture and fittings			–	–	106	106
Land			–	37,229	74,434	111,663
Land Improvements			–	–	2,085	2,085
Buildings – specialised			–	–	93,660	93,660
Other Structures			–	–	4,122	4,122
Infrastructure			–	–	666,847	666,847
Other Assets			–	–	8,159	8,159
<b>Total infrastructure, property, plant and equipment</b>			–	37,229	859,340	896,569

Note that capital WIP is not included above since it is carried at cost.

**(2) Transfers between level 1 and level 2 fair value hierarchies**

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Council's policy for determining transfers between fair value hierarchies is:  
- at the date of the event or change in circumstances that caused the transfer.

**(3) Valuation techniques used to derive level 2 and level 3 fair values**

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

**Investment property**

Council obtains valuations of its investment properties every year or when there are indicators of a change in the carrying value of the asset.

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary:

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs namely Level 3 inputs (based on per square metres). The income approach is used to value the investment properties and has not changed from prior years.

**Infrastructure, property, plant and equipment (IPP&E)**

**Plant & Equipment, Office Equipment, Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)**

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

**Land**

The main components of Land include Community Land, Operational Land & Land Under Roads.

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- 1.The land's description and/or dimensions;
- 2.Planning and other constraints on development; and
- 3.The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation techniques during the reporting period.

Land Under Roads was valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, and the Code of Accounting Practice and Financial Reporting.

Values were determined using valuation of Council's total Land under Roads at the average rate unit of land and applying discounting factors which reflects the restrictions placed on land under roads. This asset class is classified as Level 3 asset as significant inputs used in this methodology are unobservable.

There has been no change to the valuation process during the reporting period.

**Buildings - Specialised & Other Structures**

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation

**Infrastructure**

The main components of infrastructure include Roads, Bridges, Footpaths, Stormwater Drainage, Recreational and open areas

Roads bridges and footpaths are valued using the cost replacement approach. Valuations for these asset classes were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. There has been no change to the valuation process during the reporting period.

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required

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**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)**

extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Councils recreational areas and swimming pools have been valued in house by experienced engineering and asset management staff using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

**Other Assets**

Other Assets include Other assets in this class includes heritage collections library books, carparks and joint venture operations.

All other asset classes have also been recorded at replacement cost.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

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**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)**
**(4) Fair value measurements using significant unobservable inputs (level 3)**

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Plant and office equipment	Furniture and fittings	Land and land improvements	Buildings	Other structures	Infrastructure	Other assets	Total
<b>2018</b>								
<b>Opening balance</b>	10,236	78	75,046	83,081	3,764	649,199	8,394	829,798
Transfers from/(to) another asset class	–	–	1,061	(1,346)	220	–	(56)	(121)
Purchases (GBV)	2,204	46	657	4,201	439	22,451	659	30,657
Disposals (WDV)	(771)	(18)	–	(767)	–	(442)	–	(1,998)
Depreciation and impairment	(1,701)	–	(25)	(4,892)	(317)	(4,501)	(838)	(12,274)
Transfer from prior year	(41)	–	–	–	–	–	–	(41)
Revaluation increments/decrements	–	–	(827)	13,383	16	140	–	12,712
Transfers from/(to) Note 8	–	–	–	–	–	–	–	–
<b>Closing balance</b>	<b>9,927</b>	<b>106</b>	<b>75,912</b>	<b>93,660</b>	<b>4,122</b>	<b>666,847</b>	<b>8,159</b>	<b>858,733</b>
<b>2019</b>								
<b>Opening balance</b>	9,927	106	75,912	93,660	4,122	666,847	8,159	858,733
Transfers from/(to) another asset class	(21)	36	4,378	1,640	1,368	–	(2,745)	4,656
Purchases (GBV)	5,551	93	665	4,025	449	(5,754)	435	5,464
Disposals (WDV)	(188)	–	(349)	(315)	–	17,575	(796)	15,927
Depreciation and impairment	(2,285)	(24)	(77)	(4,016)	(560)	(232)	–	(7,194)
Transfer from prior year	–	–	–	–	–	(4,254)	–	(4,254)
Revaluation increments/decrements	–	–	(26)	–	–	8,977	–	8,951
Transfers from/(to) Note 8	–	–	–	–	–	(180)	–	(180)
<b>Closing balance</b>	<b>12,984</b>	<b>211</b>	<b>80,503</b>	<b>94,994</b>	<b>5,379</b>	<b>682,979</b>	<b>5,053</b>	<b>882,103</b>

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**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)**

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
<b>c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>			
<b>Infrastructure, property, plant and equipment</b>			
Plant & Office Equipment	12,984	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Furniture & Fittings	211	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Land & Land Improvements	80,503	Community Land - land values obtained from the NSW Valuer-General. Crown Land - land values based on the NSW Valuer-General where applicable, otherwise compared to similar properties. Any restrictions on land such as zoning, has been taken into consideration.	Land value, land area
Buildings - Specialised	94,994	Cost approach	Unit price
Other Structures	5,379	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Infrastructure	682,979	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Other Assets	5,053	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value

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**Port Stephens Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 21. Fair Value Measurement (continued)**

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**(5) Highest and best use**

All of Council's non-financial assets are considered as being utilised for their highest and best use.

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 22. Related Party Transactions**
**(a) Key management personnel**

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Compensation:</b>		
Short-term benefits	4,146	3,318
Post-employment benefits	360	292
Termination benefits	—	162
<b>Total</b>	<b>4,506</b>	<b>3,772</b>

**(b) Other transactions with KMP and their related parties**

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance (incl. loans and commitments)</b>	<b>Terms and conditions</b>	<b>Provisions for impairment of receivables outstanding</b>	<b>Expense recognised for impairment of receivables</b>
<b>\$ '000</b>	<b>Ref</b>					
<b>2019</b>						
Director remuneration	1	42	—		—	—
Director remuneration	2	9	—		—	—
Payment of contributions	3	399	—		—	—
Legal services	4	240	—		—	—
Training services	5	86	—		—	—
Tourism services	6	3	—		—	—
Rebates	7	1	—		—	—
Surveying services	8	40	—		—	—

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**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 22. Related Party Transactions (continued)**

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref					
Cleaning services	10	24	—		—	—
Sub lease of Council buildings	11	66	—		—	—
Supply of Goods	12	4	4		—	—
<b>2018</b>						
Director remuneration	1	42	—		—	—
Director remuneration	2	—	—		—	—
Payment of contributions	3	398	—		—	—
Legal services	4	321	4		—	—
Training services	5	90	—		—	—
Tourism services	6	32	—		—	—
Rebates	7	19	—		—	—
Surveying services	8	6	—		—	—
Training services	9	38	—		—	—
Cleaning services	10	24	—		—	—
Sub lease of Council buildings	11	66	—		—	—
Supply of Goods	12	—	—		—	—

- 1 Members of Council's KMP is remunerated for the provision of board member services by Newcastle Airport Pty Ltd which Port Stephens Council has a 50% shareholding in
- 2 Members of Council's KMP is remunerated for the provision of board member services by Greater Newcastle Aerotropolis Pty Ltd which Port Stephens Council has a 50% shareholding in.
- 3 A member of Council's KMP is a board member of Destination Port Stephens (a non profit organisation) which receives an annual contribution from Council towards generating economic activity within the LGA. The KMP member is not remunerated by Destination Port Stephens for their Directorship
- 4 Port Stephens Council paid for legal services from Local Government Legal (a division of Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 5 Port Stephens Council paid for training services from Local Government Training Solutions (a division of Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.

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**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 22. Related Party Transactions (continued)**

- 6 Port Stephens Council paid for tourism promotion services from Screen Hunter (a division of Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 7 Port Stephens Council received purchasing rebates from Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 8 Port Stephens Council purchased surveying services from the Le Moltee Group Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 9 Port Stephens Council purchased training services from Noble Works Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 10 Port Stephens Council purchased cleaning services from Crest Birubi Beach Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 11 Crest Birubi Beach Pty Ltd (a company which has a member of Council's KMP as a director) have a sublease with Birubi Point Surf Lifesaving Club in relation to a Council owned building. The rent is based on current market rates and subject to periodic review.
- 12 Port Stephens Council sold road signs to Port Stephens Koalas during the year which has 2 members of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms.

**(c) Other related party transactions**

\$ '000	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2019</b>						
Shareholder dividend	1	1,943	—		—	—
<b>2018</b>						
Shareholder dividend	1	1,905	—		—	—

- 1 Port Stephens Council is a 50% shareholder in the joint operation of Newcastle Airport Pty Ltd for which it receives an annual dividend from.

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**ITEM 2 - ATTACHMENT 1      2018-2019 ANNUAL FINANCIAL STATEMENTS.**

Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

**Note 22. Related Party Transactions (continued)**

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**Note 23. Events occurring after the reporting date**

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Council is aware of the following 'non-adjusting events' that merit disclosure:

– On 27 August 2019 Council resolved to secure loan funding up to \$5 million for proposed community projects and loan funding up to \$4 million for the construction of a Koala Sanctuary at Council's accommodation property Treescape.

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**  
 for the year ended 30 June 2019

**Note 23. Statement of developer contributions**

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	19	19	–	–	–	–	38	–
Roads	1,212	601	–	21	(130)	–	1,704	–
Traffic facilities	28	–	–	1	–	–	29	–
Parking	(8)	–	–	–	–	–	(8)	–
Open space	2,304	839	–	42	(293)	85	2,977	214
Community facilities	2,158	1,026	–	39	(838)	–	2,385	(129)
Recreation	5,571	2,142	–	99	(27)	(84)	7,701	(85)
Fire Fighting Facilities	339	89	–	6	–	–	434	–
Civic Administration	385	398	–	7	(285)	–	505	–
Haulage	2,402	579	20	43	(584)	–	2,460	–
Medowies, Traffic and Transport	201	395	–	4	–	–	600	–
<b>S7.11 contributions – under a plan</b>	<b>14,612</b>	<b>6,088</b>	<b>20</b>	<b>262</b>	<b>(2,157)</b>	<b>1</b>	<b>18,826</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>809</b>	<b>446</b>	<b>65</b>	<b>15</b>	<b>(334)</b>	<b>–</b>	<b>1,001</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>15,421</b>	<b>6,534</b>	<b>85</b>	<b>277</b>	<b>(2,491)</b>	<b>1</b>	<b>19,827</b>	<b>–</b>
S7.11 not under plans	–	–	–	–	–	–	–	–
S7.4 planning agreements	–	–	–	–	–	–	–	–
Repealed funds	66	–	–	1	(41)	–	26	–
S64 contributions	–	–	–	–	–	–	–	–
<b>Total contributions</b>	<b>15,487</b>	<b>6,534</b>	<b>85</b>	<b>278</b>	<b>(2,532)</b>	<b>1</b>	<b>19,853</b>	<b>–</b>

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**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**

Port Stephens Council

Notes to the Financial Statements  
for the year ended 30 June 2019

**Note 23. Statement of developer contributions** (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**

CATCHMENT DISTRICT – WESTERN SHIRE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	24	6	–	–	–	–	30	–
Open space	108	9	–	2	–	–	119	–
Community facilities	160	11	–	3	–	–	174	–
Recreation	242	22	–	4	–	–	268	–
<b>Total</b>	<b>534</b>	<b>48</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>591</b>	<b>–</b>

CATCHMENT DISTRICT – RAYMOND TERRACE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	169	89	–	3	–	–	261	–
Parking	(11)	–	–	–	–	–	(11)	–
Open space	420	136	–	8	–	–	564	–
Community facilities	302	145	–	5	(118)	–	334	–
Recreation	1,249	346	–	22	(27)	–	1,590	–
<b>Total</b>	<b>2,129</b>	<b>716</b>	<b>–</b>	<b>38</b>	<b>(145)</b>	<b>–</b>	<b>2,738</b>	<b>–</b>

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**

Notes to the Financial Statements  
for the year ended 30 June 2019

**Note 23. Statement of developer contributions (continued)**

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**
**CATCHMENT DISTRICT – MEDOWIE**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	399	242	–	7	(22)	–	626	–
Open space	594	287	–	11	(1)	–	891	–
Community facilities	133	425	–	2	(395)	–	165	–
Recreation	1,969	873	–	35	–	–	2,877	–
Medowie, Traffic and Transport	201	395	–	4	–	–	600	–
<b>Total</b>	<b>3,296</b>	<b>2,222</b>	<b>–</b>	<b>59</b>	<b>(418)</b>	<b>–</b>	<b>5,159</b>	<b>–</b>

**CATCHMENT DISTRICT – KARUAH / SWAN BAY**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	38	27	–	1	–	–	66	–
Open space	172	42	–	3	(6)	–	211	–
Community facilities	(46)	49	–	–	–	–	3	–
Recreation	284	101	–	5	–	–	390	–
<b>Total</b>	<b>448</b>	<b>219</b>	<b>–</b>	<b>9</b>	<b>(6)</b>	<b>–</b>	<b>670</b>	<b>–</b>



**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**  
 for the year ended 30 June 2019

**Note 23. Statement of developer contributions (continued)**

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**
**CATCHMENT DISTRICT - TILIGERRY PENINSULA**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	16	12	–	–	–	–	28	–
Open space	(9)	24	–	–	(100)	85	–	85
Community facilities	98	26	–	2	–	–	126	–
Recreation	342	61	–	6	–	(84)	325	(85)
<b>Total</b>	<b>447</b>	<b>123</b>	<b>–</b>	<b>8</b>	<b>(100)</b>	<b>1</b>	<b>479</b>	<b>–</b>

**CATCHMENT DISTRICT – TOMAREE PENINSULA**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	19	19	–	–	–	–	38	–
Roads	9	99	–	–	(108)	–	–	–
Parking	3	–	–	–	–	–	3	–
Open space	–	193	–	–	(181)	–	12	129
Community facilities	715	207	–	13	(318)	–	617	(129)
Recreation	376	469	–	7	–	–	852	–
<b>Total</b>	<b>1,122</b>	<b>987</b>	<b>–</b>	<b>20</b>	<b>(607)</b>	<b>–</b>	<b>1,522</b>	<b>–</b>

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**
**Port Stephens Council**
**Notes to the Financial Statements**  
 for the year ended 30 June 2019

**Note 23. Statement of developer contributions (continued)**

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**
**CATCHMENT DISTRICT – RURAL BALANCE**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	29	2	–	1	–	–	32	–
Open space	22	3	–	–	–	–	25	–
Community facilities	1	3	–	–	–	–	4	–
Recreation	37	7	–	1	–	–	45	–
<b>Total</b>	<b>89</b>	<b>15</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>106</b>	<b>–</b>

**CATCHMENT DISTRICT – FERN BAY**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	528	124	–	9	–	–	661	–
Traffic facilities	28	–	–	1	–	–	29	–
Open space	997	145	–	18	(5)	–	1,155	–
Community facilities	795	160	–	14	(7)	–	962	–
Recreation	1,072	263	–	19	–	–	1,354	–
<b>Total</b>	<b>3,420</b>	<b>692</b>	<b>–</b>	<b>61</b>	<b>(12)</b>	<b>–</b>	<b>4,161</b>	<b>–</b>

**ITEM 2 - ATTACHMENT 1 2018-2019 ANNUAL FINANCIAL STATEMENTS.**

Port Stephens Council

Notes to the Financial Statements  
for the year ended 30 June 2019

**Note 23. Statement of developer contributions** (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**

CATCHMENT DISTRICT – SHIRE WIDE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Haulage	2,402	579	20	43	(584)	–	2,460	–
Fire Fighting Facilities	339	89	–	6	–	–	434	–
Civic Administration	385	398	–	7	(285)	–	505	–
<b>Total</b>	<b>3,126</b>	<b>1,066</b>	<b>20</b>	<b>56</b>	<b>(869)</b>	<b>–</b>	<b>3,399</b>	<b>–</b>

**S7.12 LEVIES – UNDER A PLAN**

S7.12 LEVIES – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 7.12	809	446	65	15	(334)	–	1,001	–
<b>Total</b>	<b>809</b>	<b>446</b>	<b>65</b>	<b>15</b>	<b>(334)</b>	<b>–</b>	<b>1,001</b>	<b>–</b>

Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

**Note 25. Financial result and financial position by fund**

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Council utilises only a general fund for its operations.

Port Stephens Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>3,196</b>	<b>2.61%</b>	(0.08)%	7.10%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>122,315</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>109,567</b>	<b>76.29%</b>	78.24%	76.57%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>143,627</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>34,273</b>	<b>1.59x</b>	2.08x	3.18x	>1.50x
Current liabilities less specific purpose liabilities	<b>21,567</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>18,584</b>	<b>3.71x</b>	2.36x	6.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>5,011</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,784</b>	<b>2.99%</b>	2.84%	2.80%	<10.00%
Rates, annual and extra charges collectible	<b>59,681</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>50,237</b>	<b>5.22</b>	5.53	5.81	>3.00
Monthly payments from cash flow of operating and financing activities	<b>9,620</b>	<b>mths</b>	mths	mths	mths

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

**Port Stephens Council****Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 27. Council information and contact details**

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**Principal place of business:**116 Adelaide Street  
Raymond Terrace NSW 2324**Contact details****Mailing Address:**PO Box 42  
Raymond Terrace NSW 2324**Telephone:** 02 4988 0255**Facsimile:** 02 4988 0130**Opening hours:**8:30am - 5:00pm  
Monday to Friday**Internet:** [www.portstephens.nsw.gov.au](http://www.portstephens.nsw.gov.au)**Email:** [council@portstephens.nsw.gov.au](mailto:council@portstephens.nsw.gov.au)**Officers****General Manager**

Wayne Wallis

**Responsible Accounting Officer**

Tim Hazell

**Public Officer**

Tony Wickham

**Auditors**The Audit Office of New South Wales  
Level 19, Tower 2 Darling Park, 201 Sussex St,  
Sydney NSW 2000**Elected members****Mayor**

Ryan Palmer

**Councillors**Cr John Nell  
Cr Glen Dunkley  
Cr Jaimie Abbott  
Cr Chris Doohan  
Cr Steve Tucker  
Cr Sarah Smith  
Cr Paul Le Mottee  
Cr Ken Jordan  
Cr Giacomo Arnott**Other information****ABN:** 16 744 377 876



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Port Stephens Council

To the Councillors of the Port Stephens Council

#### Opinion

I have audited the accompanying financial statements of Port Stephens Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

#### **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

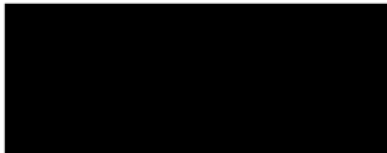
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.



My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



Cr Ryan Palmer  
Mayor  
Port Stephens Council  
PO Box 42  
RAYMOND TERRACE NSW 2324

Contact: Furqan Yousuf  
Phone no: 02 9275 7470  
Our ref: D1924473/1779

29 October 2019

Dear Cr Palmer

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
Port Stephens Council**

I have audited the general purpose financial statements (GPFS) of the Port Stephens Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	57.7	56.1	↑ 2.9
Grants and contributions revenue	33.2	27.7	↑ 19.9
Operating result for the year	25.2	20.1	↑ 25.4
Net operating result before capital grants and contributions	3.9	5.0	↓ 22.0

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000  
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

The Council's operating result for the year was a surplus of \$25.2 million, which was \$5.1 million higher than the 2017–18 operating result. The improved operating result was mainly due to an increase in revenue from grants and contributions by \$5.5 million. The Council budgeted for an operating surplus of \$9.6 million.

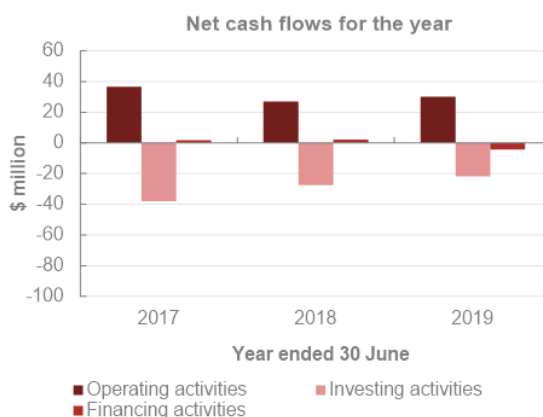
The Council's net operating result before capital grants and contributions was \$3.9 million, which was \$1.1 million lower than the 2017–18 net operating result before capital grants and contributions. The movement is mainly attributable to the following factors:

- impairment loss of real estate assets held as inventory by \$3.1 million
- increase in employee benefits and on-costs by \$5.2 million or 12.0 per cent, mainly as a result of increase in number of full-time equivalent employees from 483 to 503 and increase in award rates and leave entitlement expense as a result from an increase from award changes of \$1.5 million
- increase of \$1.6 million or 2.9 per cent in revenue from rates and annual charges, consistent with the 2.3 per cent rate peg increase and rise in the total number of rateable properties
- increase of \$4.9 million or 12.4 per cent in revenue from user charges and fees, represented by \$1.9 million from Newcastle Airport and \$2.5 million from RMS charges.

Grants and contributions revenue increased by \$5.5 million (19.9 per cent) to \$33.2 million in 2018–19 mainly due to an increase in the amount recognised for bushfire assets and assets dedicated in lieu of cash contributions by \$3.8 million.

## STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$13.9 million (\$9.8 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents of \$4.1 million at 30 June 2019.
- Net cash inflows from the operating activities increased by \$3.2 million mainly due to increased RMS charges received during the year.
- Net cash outflows from the investing activities decreased by \$5.7 million mainly due to lower net movement in investment securities.
- Net cash outflows from financing activities increased by \$6.6 million due to increase in repayment of borrowings.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	30.0	26.7	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$3.3 million primarily due to an increase in available cash balance relating to the developer contributions.</li> </ul>
Internal restrictions	20.2	24.3	
Unrestricted	--	--	
<b>Cash and investments</b>	<b>50.2</b>	<b>51.0</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease in the internal restrictions of \$4.1 million is mainly due to expended special purpose loan funds of \$2.0 million.</li> </ul>

### Debt

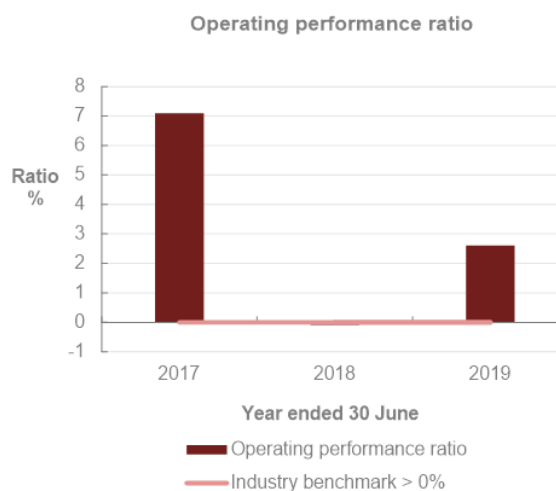
The Council has \$19.5 million of borrowings as at 30 June 2019 (2018: \$23.8 million)

The Council has an accumulated drawdown facility limit of \$28.0 million as at 30 June 2019 (2018: \$3.0 million), of which \$25.0 million pertains to the Newcastle Airport Partnership joint venture. As at 30 June 2019, \$21.7 million of the facility remains unutilised.

## PERFORMANCE

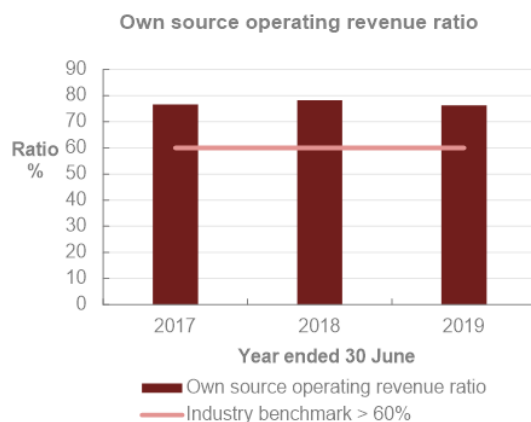
### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The Council's operating performance ratio of 2.61 per cent is above the industry benchmark of zero per cent.
- The operating performance ratio has improved from prior year ratio of negative 0.08 per cent mainly due to increase in Council's operational revenues in 2018-19.



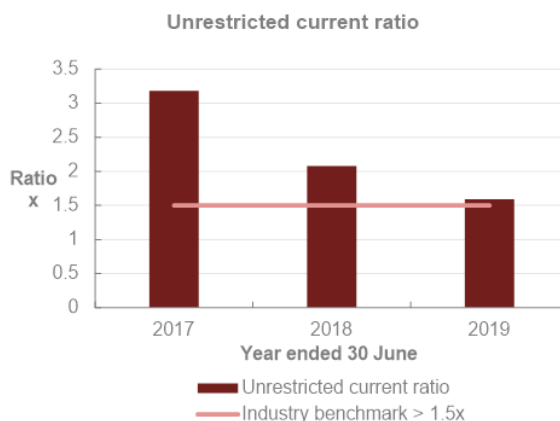
### Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 76.29 per cent is above the industry benchmark of 60 per cent. This indicates that the Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The Council's own source operating revenue ratio has remained steady over the past three years.



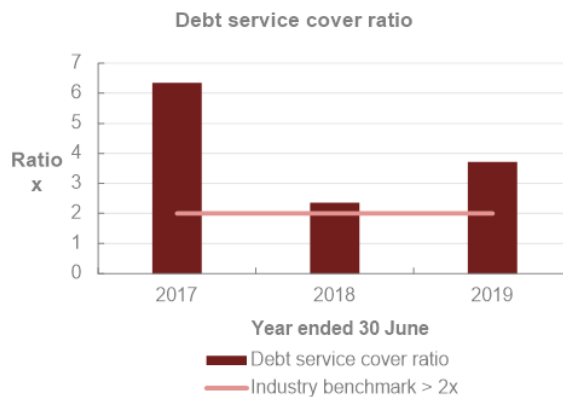
### Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 1.59 is above the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has decreased from prior year mainly due to an increase in externally restricted cash.



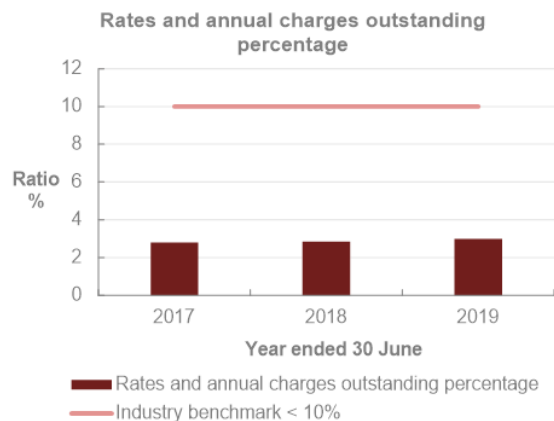
### Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 3.71 times is above the industry benchmark of greater than 2 times.
- The Council's debt service cover ratio has increased from the prior year mainly due to the improved net operating result in 2018-19.



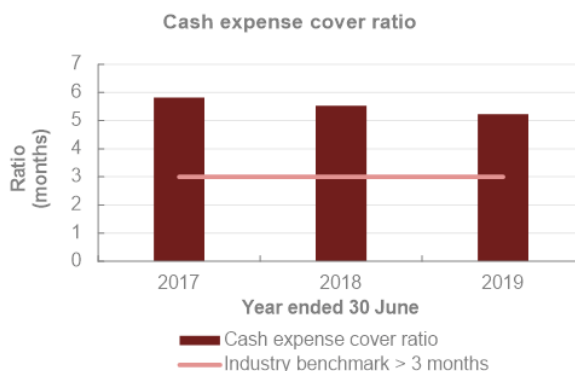
### Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional councils.
- The Council's rates and annual charges outstanding percentage of 2.99 per cent is within the benchmark of less than 10 per cent for regional councils.
- The Council's rates and annual charges outstanding percentage remained consistent over the past three years. The collection procedures of the Council operated effectively to collect more than 90 per cent of the rates and annual charges revenue within the receivable due dates.



### Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio was 5.2 months, which is above the industry benchmark of greater than 3 months. This indicates that the Council had the capacity to cover 5.2 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The cash expense cover ratio decreased compared with prior year due to increased cash outflows from repayment of borrowings and increased payroll costs in 2018–19.



### Infrastructure, property, plant and equipment renewals

The Council has renewed \$10.8 million of assets in 2018–19 financial year, compared to \$12.0 million of assets in the prior year.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>• a simplified model for classifying and measuring financial assets</li> <li>• a new method for calculating impairment</li> <li>• a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

**Legislative compliance**

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

cc: Mr Wayne Wallis, General Manager  
Mr Frank Cordingley, Chair of the Audit and Risk Committee  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment



# Port Stephens Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*"A great lifestyle in a treasured environment"*



Port Stephens

Special Schedules  
for the year ended 30 June 2019

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Independent Auditors Report  
Report on Infrastructure Assets

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**Port Stephens Council**
**Permissible income for general rates**

for the year ended 30 June 2019

<b>\$ '000</b>		<b>Calculation 2019/20</b>	<b>Calculation 2018/19</b>
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	42,049	40,767
Plus or minus adjustments <sup>2</sup>	b	372	364
<b>Notional general income</b>	<b>c = a + b</b>	<b>42,421</b>	<b>41,131</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	2.32%
Or plus rate peg amount	i = e x (c + g)	1,145	—
Or plus Crown land adjustment and rate peg amount	j = f x (c + g)	—	954
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>43,566</b>	<b>42,085</b>
Plus (or minus) last year's carry forward total	l	15	—
Less valuation objections claimed in the previous year	m	—	(21)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>15</b>	<b>(21)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>43,581</b>	<b>42,064</b>
Less notional general income yield	p	43,572	42,049
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>10</b>	<b>15</b>
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r + s</b>	<b>10</b>	<b>15</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

**INDEPENDENT AUDITOR'S REPORT****Special Schedule - Permissible income for general rates****Port Stephens Council**

To the Councillors of Port Stephens Council

**Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Port Stephens Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

**Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

**Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

**The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

**Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

**Port Stephens Council**  
**Report on Infrastructure Assets**  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring the service set by Council maintenance					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	1,715	1,715	2,682	2,578	95,000	171,650	20.8%	33.1%	36.4%	8.6%	1.2%
	Sub-total	1,715	1,715	2,682	2,578	95,000	171,650	20.8%	33.1%	36.4%	8.6%	1.1%
Other structures	Other structures	-	-	123	173	5,379	8,172	11.8%	72.7%	15.5%	0.0%	0.0%
	Sub-total	-	-	123	173	5,379	8,172	11.8%	72.7%	15.5%	0.0%	0.0%
Roads	Sealed roads	10,767	10,767	4,063	4,038	335,367	380,248	23.6%	45.0%	20.7%	7.1%	3.7%
	Unsealed roads	-	-	729	732	8,097	10,503	6.2%	0.4%	93.4%	0.0%	0.0%
	Bridges	-	-	5	10	10,924	11,432	21.0%	79.0%	0.0%	0.0%	0.0%
	Footpaths	169	169	345	434	54,691	61,005	14.4%	25.5%	55.0%	5.1%	0.0%
	Other road assets	301	301	2,102	2,026	49,172	61,827	19.9%	12.7%	66.6%	0.9%	0.1%
	Sub-total	11,237	11,237	7,244	7,240	458,251	525,015	21.7%	38.7%	31.1%	5.8%	2.7%
Stormwater drainage	Stormwater drainage	588	588	1,060	1,036	196,079	198,795	25.0%	72.9%	1.5%	0.6%	0.0%
	Sub-total	588	588	1,060	1,036	196,079	198,795	25.0%	72.9%	1.5%	0.6%	0.0%
Open space /recreational assets	Swimming pools	-	-	125	137	3,071	6,838	0.0%	15.0%	85.0%	0.0%	0.0%
	Open space	321	321	3,496	3,359	21,280	32,327	11.6%	52.0%	28.5%	5.8%	2.1%
	Sub-total	321	321	3,621	3,496	24,351	39,165	9.5%	45.6%	38.4%	4.8%	1.7%
Other infrastructure assets	Other	300	300	264	328	7,102	13,207	15.0%	46.0%	29.0%	10.0%	0.0%
	Sub-total	300	300	264	328	7,102	13,207	15.0%	46.0%	29.0%	10.0%	0.0%
TOTAL - ALL ASSETS		14,161	14,161	14,994	14,851	786,162	956,004	21.5%	45.5%	26.0%	5.2%	1.8%

(a) Required maintenance is the amount identified in Council's asset management plans.

**Infrastructure asset condition assessment 'key'**

- |   |                     |                                       |
|---|---------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good                | Only minor maintenance work required  |
| 3 | Satisfactory        | Maintenance work required             |

continued on next page ...

Port Stephens Council  
Report on Infrastructure Assets - Values (continued)  
as at 30 June 2019

4   Poor                      Renewal required  
5   Very poor              Urgent renewal/upgrading required



**Port Stephens Council**
**Report on Infrastructure Assets (continued)**

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	10,769	114.92%	123.14%	99.97%	>=100.00%
Depreciation, amortisation and impairment	9,371				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	14,161	1.80%	1.83%	1.91%	<2.00%
Net carrying amount of infrastructure assets	786,162				
Asset maintenance ratio					
Actual asset maintenance	14,851	99.05%	104.10%	93.34%	>100.00%
Required asset maintenance	14,994				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	14,161	1.48%	1.57%	1.59%	
Gross replacement cost	956,004				

(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

**Port Stephens Council**  
**Holiday Parks & Investment Property Report**  
**Financial Year 2018/2019**

Holiday Parks		Operating Income	Operating Expenditure	EBITDA (3)	Net Yield % (1)	Notes
Fingal Bay	Crown	4,186,818	2,664,234	1,522,584	13%	
Halifax	Crown	2,785,830	2,005,231	780,599	11%	
Shoal Bay	Crown	1,012,399	620,330	392,069		
	Council	<u>1,880,170</u>	<u>1,152,042</u>	<u>728,129</u>		
		2,892,570	1,772,372	1,120,198	9%	
Thou Walla	Council	928,591	872,778	55,813	1%	
TreEscape	Council	633,930	658,021	(24,091)	0%	

Investment Property		Operating Income	Operating Expenditure	EBITDA (3)	Net Yield % (1)	
	Total	2,994,239	650,484	2,343,756	7%	2

Newcastle Airport		Operating Income	Operating Expenditure	Net Profit	Net Yield % (4)
	Total	17,585,206	13,623,931	3,961,275	13%

**Notes**

- 1 Net Yield = EBITDA / capital
- 2 Council's policy on the required return on capital in commercial property investments is between 7-9%
- 3 EBITDA used as the numerator for Return on Investment calculation in accordance with Crown Lands reporting
- 4 Net Yield = Net Profit / capital

**PORT STEPHENS**  
COUNCIL**KEY DISCUSSION POINTS**  
17 October 2019

**TITLE:** Annual Financial Statements  
**PRESENTER:** Tim Hazell – Financial Services Section Manager

**PURPOSE**

To provide the Audit Committee with a summary of the Annual Financial Statements and the key issues.

**BACKGROUND**

Each year, individual local governments across NSW are required to present a set of audited financial statements. The statements set out the financial performance, financial position, and cash flows of the council for the financial year ending 30 June 2019.

The annual financial statements comprise:

1. General purpose financial statements
2. Special schedules

The statements comply with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government. They were audited by the Audit Office of NSW.

**KEY POINTS****Audit Process**

1. RSM were engaged by the Audit Office of NSW to perform the audit of PSC for the first time
2. The audit process has followed the agreed timetable and been on budget
3. Expectation that an unqualified audit opinion of the financial statements will be forthcoming
4. There were no audit adjustments processed or proposed to the financial statements that were originally presented
5. Immaterial differences were noted by the auditors and related to prior year issues which were known to the Finance team. These differences are decreasing overtime
6. The general ledger was converted to a new structure prior to the end of financial year. During the audit no significant issues were identified with the new GL structure.

**Income Statement**

1. The underlying operating result for Council was \$1,003,927 which is in line with the budgeted result
2. Total income grew by \$10.7M or 8%. Key movements include:
  - i. User Fees & Charges (up by \$5M) – Growth is due to revenue consolidated from Newcastle Airport Partnership (\$2M) and contracts awarded to Council by RMS under the State Roads maintenance program (up \$2.5M).
  - ii. Capital Contributions (up by \$4M) - Growth is due to donated assets from Property Developers and Rural Fire Service (Red Fleet)
  - iii. Fair Value increment – This relates to the increase in Councils commercial property portfolio which was independently valued.

**ITEM 2 - ATTACHMENT 2 KEY DISCUSSION POINTS.**

3. Total expenditure grew by \$5.5M or 5%. Key movement include:
- i. Employee benefits (up \$5.2M) – The growth is due to the following factors
    - a. EA increase 2.75%
    - b. Decreased use of external contractors
    - c. Increase in NAP operations
    - d. Inflationary effects from leave discounting
  - ii. Materials and contractors (down \$2.9M) – The decrease is due to
    - a. More use of internal labour
    - b. Write back in the legal provision
    - c. Offset by an increase in RMS state roads work (contractor used)
  - iii. Impairment Decrement (value of \$3.2M) – The impairment related to a parcel of being held within Councils land bank portfolio. (independently valued)

**Statement of Financial Position (Balance Sheet)**Assets

- 1. Total Cash & investments remained comparable
- 2. Receivables remain at an acceptable level
- 3. Inventories declined in value due to the impairment of 1 land parcel being held within held within the land bank portfolio
- 4. IPPPE increased in value. The main drivers were:
  - a. Open space assets revaluation – \$8.9M
  - b. RFS fleet recognised for the first time – \$1.6M
  - c. Property development dedications - \$8.8M (mainly roads & drains)
- 5. Intangibles increased in value. The main drivers were
  - a. Newcastle Airport (right to operate internationally)
  - b. Bio banking credits were reclassified as an intangible asset (preference from Audit Office)
- 6. Investment Property increased in value. The main drivers were:
  - a. 437 Hunter increased in value mainly due to a new lease (independently valued)
- 7. Other Assets increased in value – The main drivers were:
  - a. Land deposit on behalf of NAP in relation to expansion plans

Liabilities

- 1. Payables increased in value. The main drivers were
  - a. Trade creditors for NAP increased due to the current capital works program
  - b. Trade creditors for PSC increased due to the current capital works program
- 2. Provisions remained consistent. Notable movements include:
  - a. Tip remediation provision decreased due to works being in progress
  - b. Legal provision decreased due to final settlement being agreed to
  - c. Employee provisions increased due to discounting factors in a low inflationary environment (LSL).
- 3. Borrowings decreased in value due to normal repayment schedules. An after balance date event has been noted in relation to \$9M in new loans being raised for various infrastructure projects.

**Performance Indicators**

- 1. All financial indicators have exceeded the industry benchmark
- 2. All asset management indicators have met industry benchmarks.

**ITEM NO. 3****FILE NO: 19/336880  
EDRMS NO: PSC2017-00180****QUARTERLY BUDGET REVIEW AS AT 30 SEPTEMBER 2019**

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Approve the discretionary changes to the adopted budget as detailed in **(ATTACHMENT 1)**, presented as the 2019-2020 Quarterly Budget Review Statement – September 2019.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>207</b>	<b>Councillor Ken Jordan</b> <b>Councillor Sarah Smith</b>  It was resolved that Council approve the discretionary changes to the adopted budget as detailed in <b>(ATTACHMENT 1)</b> , presented as the 2019-2020 Quarterly Budget Review Statement – September 2019.
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**BACKGROUND**

The purpose of this report is to amend the budget by bringing to Council's attention the proposals and issues that have an impact on the 2019-2020 budget that are detailed in the Quarterly Budget Review Statement – September 2019. This statement sets out the details of variations between Council's original budget and the proposed budget as part of the September 2019 Quarterly Budget Review.

**COMMUNITY STRATEGIC PLAN**

<b>Strategic Direction</b>	<b>Delivery Program 2018-2021</b>
Financial Management	Maintain strong financial sustainability.

**FINANCIAL/RESOURCE IMPLICATIONS**

Council's anticipated underlying result is as follows:

	Surplus (\$)	Deficit (\$)
Budget 2019 - 2020	674,000	

**MINUTES ORDINARY COUNCIL - 12 NOVEMBER 2019**

September review	673,000	
December review		
March review		

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

**LEGAL, POLICY AND RISK IMPLICATIONS**

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that the underlying operating result may return to a deficit.	Medium	The Long Term Financial Plan is monitored regularly to ensure expenditure and revenue is in line with targets.	Yes

**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

Council's budget is fundamental for operational sustainability and to the provision of facilities and services to the community.

**CONSULTATION**

Consultation with key stakeholders has been undertaken by the Financial Services Section to discuss the overall financial result for the quarter.

Internal

- General Manager and group managers via email/meetings during October 2019 to provide an update on the overall financial result for the quarter.

Formal communication and meetings have been held and the recommendation to submit the Quarterly Budget Review for September 2019 to Council for formal adoption was recommended.

**OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

**ATTACHMENTS**

- 1) 2019-2020 Quarterly Budget Review Statement - September 2019.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

- 1) 2019-2020 Quarterly Budget Review Statement – September 2019.



**"A great lifestyle in a treasured environment"**

**2019 – 2020  
Quarterly Budget Review Statement  
September 2019**



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**1) Executive Summary**

Categorising the changes by Group:

**Corporate Services:** The operating budget change in this Group was \$852k (favourable). The operating budget changes predominately relate to the impact from the temporary closure of Treescape due to capital works which has been offset by the recognition of land sales and income from royalties.

Capital budget changes were \$5.7m (Unfavourable) and mainly relate to the inclusion of the Koala Sanctuary, land development projects and investment property refurbishments.

**Development Services:** Operating budget changes for this Group were \$414k (Favourable). The operating budget changes predominately relate to the increase in haulage contributions.

There were no capital budget changes for the quarter.

**Facilities & Services:** The operating budget change in this Group was \$218k (Favourable). This is mainly due to the establishment of new childcare sites.

Changes in the capital budget were \$16.3m (Unfavourable) which is mainly due to the inclusion of the 2020 Community Projects program recently exhibited.

**General Manager's Office:** Operating budget changes for this Group were even. Donation income was increased by \$24k, which was offset, by an increase in mayoral donations expense.

The expected dividend from Newcastle Airport was increased.

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

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**ITEM 3 - ATTACHMENT 1 2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

Operating Budget	2020 Original Budget	Budget revotes & carry forwards	Budget Revision Sept Qtr	Budget Revision Dec Qtr	Budget Revision Mar Qtr	2020 Revised Budget	2020 YTD Actuals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate Services	40,711	-	852	-	-	41,563	38,442
Development Services	(7,852)	-	414	-	-	(7,438)	(2,043)
General Manager's Office	(2,510)	-	-	-	-	(2,510)	(675)
Facilities & Services	(30,623)	-	218	-	-	(30,405)	4,326
Newcastle Airport	4,092	-	-	-	-	4,092	1,023
<b>Operating Surplus/(Deficit) before capital grants</b>	<b>3,817</b>	<b>-</b>	<b>1,484</b>	<b>-</b>	<b>-</b>	<b>5,301</b>	<b>41,073</b>
Less: Gain on sale	(250)	-	(1,500)	-	-	(1,750)	-
Less: Fair value (gains) / losses	(787)	-	-	-	-	(787)	-
Less: Newcastle Airport	(4,092)	-	-	-	-	(4,092)	(1,023)
Add: NAP Dividend	1,985	-	15	-	-	2,000	-
<b>Underlying Operating Surplus/(Deficit)</b>	<b>674</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>673</b>	<b>40,050</b>

Capital Budget	2020 Original Budget	Budget revotes & carry forwards	Budget Revision Sept Qtr	Budget Revision Dec Qtr	Budget Revision Mar Qtr	2020 Revised Budget	2020 YTD Actuals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate Services	(6,512)	(491)	(5,777)	-	-	(12,779)	(2,796)
Development Services	3,162	-	-	-	-	3,162	1,044
Facilities & Services	(6,420)	(10,639)	(16,325)	-	-	(33,384)	(5,711)
Newcastle Airport	(5,503)	-	-	-	-	(5,503)	-
<b>Total</b>	<b>(15,273)</b>	<b>(11,129)</b>	<b>(22,102)</b>	<b>-</b>	<b>-</b>	<b>(48,504)</b>	<b>(7,463)</b>

Note - + = inflow ( ) = outflow

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRs.

## **2) Introduction**

Clause 203(1) of the *Local Government (General) Regulation 2005* requires Council's responsible accounting officer to prepare and submit a Quarterly Budget Review Statement (QBRS) to Council. The QBRS must show, by reference to the estimated income & expenditure that is set out in the operational plan, a revised estimate of income and expenditure for the year.

It also requires the QBRS to include a report by the responsible accounting officer as to whether or not the statement indicates Council to be in a satisfactory financial position, with regard to Council's original budget.

Council's operational plan sets out the achievements, goals and revenue policy, including estimates of income and expenditure. The QBRS plays an important role in monitoring Council's progress against the plan and ongoing management of the annual budget.

The QBRS is the mechanism whereby Councillors and the community are informed of Council's progress against the operational plan (original budget) and the recommended changes and reasons for major variances.

The QBRS is composed of the following components:

- Responsible Accounting Officer Statement.
- Income & Expenses Budget Review Statement.
- Capital Budget Review Statement.
- Cash Flow Statement Review.
- Budget Review Contracts and Other Expenses.

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

### **3) Responsible Accounting Officer's Statement**

The Regulations require that a budget review statement must include or be accompanied by a report as to whether or not the Responsible Accounting Officer (RAO) believes that the QBRS indicates that Council's financial position is satisfactory, having regard to the original estimate of income and expenditure. If Council's financial position is considered by the RAO to be unsatisfactory, then recommendations for remedial action must be included.

The following statement is made in accordance with clause 203(2) of the *Local Government (General) Regulations 2005*.

It is my opinion that the Quarterly Budget Review Statement for Port Stephens Council for the quarter end 30/09/2019 indicates that Council's projected financial position will be satisfactory at year-end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Name: Tim Hazell

Responsible Accounting Officer, Port Stephens Council

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

**ITEM 3 - ATTACHMENT 1 2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**
**4) Income & Expenses Budget Review Statement**

Consolidated Income Statement	2020 Original Budget	Budget revotes & carry forwards	Budget Revision Sept Qtr	Budget Revision Dec Qtr	Budget Revision Mar Qtr	2020 Revised Budget	2020 YTD Actuals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rates and Annual Charges	59,087	-	852	-	-	59,939	62,587
User Charges & Fees Income	41,675	-	(695)	-	-	40,980	4,675
Interest & Investment Income	1,421	-	(80)	-	-	1,341	314
Other Income	6,287	-	606	-	-	6,893	1,532
Grants and Cont.	12,356	-	(251)	-	-	12,105	1,725
Grants and Cont.(Capital)	5,866	7,656	7,874	-	-	21,395	2,238
Fair value gains	787	-	-	-	-	787	-
Net Gain on Sale	250	-	1,500	-	-	1,750	-
<b>Total Revenue</b>	<b>127,729</b>	<b>7,656</b>	<b>9,806</b>	<b>-</b>	<b>-</b>	<b>145,190</b>	<b>73,070</b>
Employee Costs	46,786	-	703	-	-	47,489	12,815
Borrowing Costs	767	-	1	-	-	769	135
Materials & Contracts	40,103	-	(50)	-	-	40,053	7,839
Other Expenses	14,387	-	(206)	-	-	14,181	4,962
Depreciation & Impairment	16,003	-	-	-	-	16,003	4,008
<b>Total Expenditure</b>	<b>118,046</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>118,494</b>	<b>29,759</b>
<b>Operating Surplus/(Deficit) after capital grants</b>	<b>9,682</b>	<b>7,656</b>	<b>9,358</b>	<b>-</b>	<b>-</b>	<b>26,696</b>	<b>43,311</b>
<b>Operating Surplus/(Deficit) before capital grants</b>	<b>3,817</b>	<b>-</b>	<b>1,484</b>	<b>-</b>	<b>-</b>	<b>5,301</b>	<b>41,073</b>
Less: Net Gain on sale	(250)	-	(1,500)	-	-	(1,750)	-
Less: Fair value (gains) / losses	(787)	-	-	-	-	(787)	-
Less: Newcastle Airport	(4,092)	-	-	-	-	(4,092)	(1,023)
Add: NAP Dividend	1,985	-	15	-	-	2,000	-
<b>Underlying Operating Surplus/(Deficit)</b>	<b>674</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>673</b>	<b>40,050</b>

**Notes:**

1. Revised Budget = Original Budget +/- approved budget changes in previous quarters.

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRs.

**ITEM 3 - ATTACHMENT 1 2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

Council's original operating budget for 2019-2020 was incorporated as part of the Integrated Plans and was adopted by Council on 26 June 2019.

This statement sets out the details of variations between Council's original operating budget and the revised budget as part of the September Quarterly Budget Review. This has altered from an original projected underlying surplus of \$673,000 to a revised surplus of \$672,000.

Note that for budgetary changes: **F** = favourable budget change, **U** = unfavourable budget change.

<b>REVENUE</b>	<b>Budget Change \$'000</b>	<b>F/U</b>
<b>Rates and Annual Charges</b>	<b>852</b>	<b>F</b>
The pensioner rate subsidy which is \$852k has been reclassified from operating grants and contributions to rates and annual charges.		
<b>User Charges and Fees</b>	<b>695</b>	<b>U</b>
User charges and fees have decreased due to the reforecasting of holiday park revenue as a result of temporary closure for capital works (\$1.3m), this has been offset by an increase in child care revenue as result of new sites being established (\$613k).		
<b>Grants and Contributions provided for Operating Purposes</b>	<b>251</b>	<b>U</b>
Income has increased due to the successful application for various weed and environmental grants which has been offset by a reclassification of the pensioner rate subsidy to rates and annual charges.		
<b>Interest and Investment Revenue</b>	<b>80</b>	<b>U</b>
Interest income has been decreased due to the Reserve Bank's decision to lower the cash rate.		

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRs.

**ITEM 3 - ATTACHMENT 1      2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

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<b>Other Revenues</b>	<b>606</b>	<b>F</b>
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Other revenue has increased primarily due to expected royalties and donation income.

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<b>Grants and Contributions provided for Capital Purposes</b>	<b>7,874</b>	<b>F</b>
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Capital grants & contributions have increased primarily due to the following projects:

- Karuah RFS building - \$800k
- Koala Sanctuary – \$2.8m (a portion of the grant was received last year)
- Road Blackspot and Safer Roads grants - \$4m
- Green Wattle Creek road sealing contribution - \$400k

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<b>Net Gains from the Disposal of Assets</b>	<b>1,500</b>	<b>F</b>
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Net gain from the sale of Anna Bay oval and other various parcels

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**\$'000      Budget Change**

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

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**ITEM 3 - ATTACHMENT 1      2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

<b>EXPENDITURE</b>		<b>F/U</b>
<b>Borrowing Costs</b>	<b>2</b>	<b>U</b>
Costs have been revised due to new bank loans		
<b>Depreciation, Amortisation and Impairment</b>	<b>-</b>	<b>-</b>
No Change		
<b>Employee Benefits and On-Costs</b>	<b>703</b>	<b>U</b>
Employee benefits and on-costs have increased primarily due to workers compensation insurance (\$300k) and the employment of additional childcare workers as a result of new sites coming online (\$400k).		
<b>Materials and Contracts</b>	<b>50</b>	<b>F</b>
Materials and contracts have been reduced due to the temporary closure of Treescape for capital works.		
<b>Other Expenses</b>	<b>206</b>	<b>F</b>
Other expenses have been reduced due the temporary closure of Treescape for capital works.		

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

**ITEM 3 - ATTACHMENT 1 2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**
**5) Capital Budget Review Statement**

Consolidated - Summary	2020 Original Budget	Budget revotes & carry forwards	Budget Revision Sept Qtr	Budget Revision Dec Qtr	Budget Revision Mar Qtr	2020 Revised Budget	2020 YTD Actuals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grants and Cont.(Capital)	5,866	7,656	7,874	-	-	21,395	2,238
<b>Total Receipts</b>	<b>5,866</b>	<b>7,656</b>	<b>7,874</b>	<b>-</b>	<b>-</b>	<b>21,395</b>	<b>2,238</b>
Capital Equipment & Contracts	21,138	18,785	29,476	-	-	69,399	9,516
Property Acquisition & Development	-	-	500	-	-	500	185
<b>Total Payments</b>	<b>21,138</b>	<b>18,785</b>	<b>29,976</b>	<b>-</b>	<b>-</b>	<b>69,899</b>	<b>9,701</b>
<b>Capital Surplus/(Deficit)</b>	<b>(15,273)</b>	<b>(11,129)</b>	<b>(22,102)</b>	<b>-</b>	<b>-</b>	<b>(48,504)</b>	<b>(7,463)</b>

This statement sets out the details of variations between Council's original capital budget and revised capital budget. There are budgetary changes proposed which result in a net increase in the capital program to the value of \$23m.

Note that for budgetary changes: **F** = favourable budget change, **U** = unfavourable budget change.

<b>INCOME</b>	<b>\$'000</b>	<b>Budget Change F/U</b>
<b>Capital Grants &amp; Contributions</b>	<b>7,874</b>	<b>F</b>

Capital grants & contributions have increased primarily due to the following projects:

- Karuah RFS building - \$800k
- Koala Sanctuary – \$2.3m (a portion of the grant was received last year)
- Road Blackspot and Safer Roads grants - \$4m
- Green Wattle Creek road sealing contribution - \$400k

<b>EXPENDITURE</b>	<b>\$'000</b>	<b>Budget Change</b>
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This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

**ITEM 3 - ATTACHMENT 1      2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

F/U		
<b>Property Acquisition and Development</b>	<b>500</b>	<b>U</b>
Property development costs have increased primarily due to Squire Street, Bagnall Avenue and Medowie Road		
<b>Capital Materials and Contracts</b>	<b>29,476</b>	<b>U</b>
Capital materials and contracts have increased primarily due to the following projects:		
<ul style="list-style-type: none"><li>• 2020 Community Projects Program - \$15.9m</li><li>• Koala Sanctuary Project - \$7.6m</li><li>• Road Blackspot and Safer Roads grants - \$4m</li><li>• Karuah RFS building - \$1.1m</li><li>• Investment Property refurbishment - \$1.5m</li></ul>		

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRs.

**ITEM 3 - ATTACHMENT 1 2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

The capital works program by section is as follows:

Consolidated - Detailed	2020 Original Budget	Budget revotes & carry forwards	Budget Revision Sept Qtr	Budget Revision Dec Qtr	Budget Revision Mar Qtr	2020 Revised Budget	2020 YTD Actuals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Capital Funding</b>							
Capital Grants & Contributions	5,866	7,656	7,874	-	-	21,395	2,238
<b>Total Capital Funding</b>	<b>5,866</b>	<b>7,656</b>	<b>7,874</b>	<b>-</b>	<b>-</b>	<b>21,395</b>	<b>2,238</b>
<b>Capital Expenditure</b>							
<b>Corporate Services Group</b>							
<b>Commercial Property Reserve &amp; Cluster Plan</b>							
Fingal Bay Holiday Park	519	-	295	-	-	814	75
Halifax Holiday Park	2,705	-	(634)	-	-	2,071	1,356
Shoal Bay Holiday park	2,243	-	(118)	-	-	2,125	1,154
Thou Walla Sunset Retreat	-	-	348	-	-	348	1
TreEscape	395	-	6,249	-	-	6,644	263
Office and Chambers	-	-	-	-	-	-	-
Property Development	-	-	500	-	-	500	185
Property Section Manager	-	-	-	-	-	-	-
Property Investments	-	-	1,921	-	-	1,921	56
<b>Commercial Property Total</b>	<b>5,862</b>	<b>-</b>	<b>8,560</b>	<b>-</b>	<b>-</b>	<b>14,422</b>	<b>3,090</b>
Business Improvement Technology	650	491	-	-	-	1,141	56
<b>Corporate Services Group Total</b>	<b>6,512</b>	<b>491</b>	<b>8,560</b>	<b>-</b>	<b>-</b>	<b>15,563</b>	<b>3,146</b>

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

**ITEM 3 - ATTACHMENT 1      2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

Consolidated - Detailed	2020 Original Budget	Budget revotes & carry forwards	Budget Revision Sept Qtr	Budget Revision Dec Qtr	Budget Revision Mar Qtr	2020 Revised Budget	2020 YTD Actuals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Facilities and Services</b>							
<b>Assets</b>							
Fleet Maintenance	1,394	-	486	-	-	1,880	256
Drainage and Flooding	1,330	320	(1,030)	-	-	620	527
<b>Assets Total</b>	<b>2,724</b>	<b>320</b>	<b>(544)</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>783</b>
<b>Community Services</b>							
Domestic Waste Management	-	377	-	-	-	377	-
Library Services	250	-	-	-	-	250	69
<b>Community Services</b>	<b>250</b>	<b>377</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>627</b>	<b>69</b>
<b>Capital Works</b>							
Capital Works Construction	6,149	17,597	21,960	-	-	45,706	5,703
<b>Capital Works Total</b>	<b>6,149</b>	<b>17,597</b>	<b>21,960</b>	<b>-</b>	<b>-</b>	<b>45,706</b>	<b>5,703</b>
<b>Facilities and Services Total</b>	<b>9,123</b>	<b>18,294</b>	<b>21,415</b>	<b>-</b>	<b>-</b>	<b>48,833</b>	<b>6,555</b>
Newcastle Airport	5,503	-	-	-	-	5,503	-
<b>Total Capital Expenditure</b>	<b>21,138</b>	<b>18,785</b>	<b>29,976</b>	<b>-</b>	<b>-</b>	<b>69,899</b>	<b>9,701</b>
<b>Net Outlay</b>	<b>15,273</b>	<b>11,129</b>	<b>22,102</b>	<b>-</b>	<b>-</b>	<b>48,504</b>	<b>7,463</b>

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRS.

**ITEM 3 - ATTACHMENT 1      2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**

6) Cash Flow Statement (Consolidated)	Original Budget	Revotes & Carried Forward	Budget Revision Sept	Budget Revision Dec	Budget Revision Mar	Revised Budget
Cash Flows from Operating Activities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Receipts:</b>						
Rates and Annual Charges	58,559	-	852	-	-	59,411
User Charges & Fees Income	41,682	-	(695)	-	-	40,987
Interest & Investment Revenue Received	1,421	-	(80)	-	-	1,341
Other	6,297	-	621	-	-	6,918
Grants and Contributions	16,063	7,656	7,623	-	-	31,341
<b>Payments:</b>						
Employee Benefits & On-Costs	(48,815)	-	(703)	-	-	(49,518)
Borrowing Costs	(767)	-	(1)	-	-	(768)
Materials & Contracts	(40,133)	-	50	-	-	(40,083)
Other	(10,255)	-	206	-	-	(10,049)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>24,052</b>	<b>7,656</b>	<b>7,873</b>	<b>-</b>	<b>-</b>	<b>39,581</b>
<b>Cash Flows from Investing Activities</b>						
<b>Receipts:</b>						
Proceeds from disposal of Property Plant & Equipment	250	-	-	-	-	250
Proceeds from development & land sales	-	-	1,800	-	-	1,800
<b>Payments:</b>						
Purchase of Infrastructure, Property Plant & Equipment	(21,138)	(18,785)	(29,976)	-	-	(69,899)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(20,888)</b>	<b>(18,785)</b>	<b>(28,176)</b>	<b>-</b>	<b>-</b>	<b>(67,849)</b>
<b>Cash Flows from Financing Activities</b>						
<b>Receipts:</b>						
Proceeds from borrowings	6,500	-	4,500	-	-	11,000
<b>Payments:</b>						
Repayment of Borrowings & Advances	(3,302)	-	(1,428)	-	-	(4,730)
<b>Net Cash provided (or used in) Financing Activities</b>	<b>3,198</b>	<b>-</b>	<b>3,072</b>	<b>-</b>	<b>-</b>	<b>6,270</b>
Net Increase/(Decrease) in Cash & Cash Equivalents	6,362	(11,129)	(17,231)	-	-	(21,998)
plus: Cash & Investments - beginning of year (*)	50,237	-	-	-	-	50,237
<b>Cash &amp; Investments - end of the year</b>	<b>56,599</b>	<b>(11,129)</b>	<b>(17,231)</b>	<b>-</b>	<b>-</b>	<b>28,239</b>

\* - opening balance adjustment made to reflect 30 June 2019 actual closing balance

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRs.

**Cash Flow Statement Funding Reconciliation**

The 'Recommended Changes to Budget' in the September QBR constitute an overall decrease in Council's Cash Flow position by \$17m (Unfavourable) after the use of internal reserves and external funding sources are factored in.

PSC is clearly solvent based on the current and estimated cash position from the review changes. PSC's current cash position as per the September investment report was \$29.5m.

**7) Budget Review Contracts and Other Expenses**

Councillors are currently made aware of tenders of \$150,000 or more in accordance with legislation. However, Councillors should be made aware of other material contracts entered into by Council and details of other expenses that are of particular interest. To this end, a contract listing and details of legal fees and consultancy expenses are included in the QBRs.

Part A lists contracts (other than employment contracts and contracts entered into from Council's preferred suppliers list) that:

- Were entered into during the quarter ending 30/09/2019; and
- Have a value equal to or more than \$50,000.

Part B of the report shows expenditure as at 30/09/2019 for:

- Consultancies
- Legal fees

For the purposes of this report, a consultancy is defined as a person or organisation engaged under contract on a temporary basis to provide recommendation or high level specialist or professional advice to assist decision making by management.

**ITEM 3 - ATTACHMENT 1 2019-2020 QUARTERLY BUDGET REVIEW STATEMENT - SEPTEMBER 2019.**
**Part A  
Contracts Listing**

Contractor	Contract Details and Purpose	Contract Value Inc GST	Commencement date	Contract end date	Budgeted (Y/N)
Giant Electrical Pty Ltd	Sub Board Upgrade - 795 Medowie Road, Medowie	\$ 126,500.00	24/09/2019	15/12/2019	Y
Valley Engineering Services Pty Ltd	Shoal Bay Holiday Park - Civil Works	\$ 121,544.50	1/07/2019	31/08/2019	Y
Creative Recreation Solutions Pty	Fern Bay Sports Court Construction	\$ 116,877.34	9/07/2019	30/11/2019	Y
Turspec Pty Ltd	Sports Field Drainage - Yulong Oval Medowie	\$ 94,765.00	1/08/2019	30/09/2019	Y
Valley Engineering Services Pty Ltd	Halifax Holiday Park - Civil Works associated, etc	\$ 89,254.00	1/07/2019	31/08/2019	Y
Fenworx Pty Ltd	RMS Works - MR302 Heavy Patching & Overlay Works	\$ 89,204.50	23/09/2019	31/10/2019	Y
Anna Bay Sand & Earthmoving	Raymond Terrace Tennis Club Disabled Amenities	\$ 76,670.00	5/07/2019	31/08/2019	Y
Fenworx Pty Ltd	RMS Works - MR104 William Bailey Rd Raymond Terrace	\$ 61,176.50	23/09/2019	31/10/2019	Y
Comserv Industries Pty Ltd	Boomerang Park Shared Path - Supply and Install	\$ 53,621.15	1/07/2019	31/10/2019	Y
Douglas Partners Pty Ltd	Medowie Landfill Remediation - Stage 1	\$ 51,760.50	6/09/2019	31/10/2019	Y
Hay Enterprises (NSW) Pty Ltd	Halifax HP - Variation - Asbesto, etc	\$ 14,303.96	23/09/2019	30/09/2019	Y

**Part B  
Consultancy & Legal Expenses**

Expense	Expenditure YTD (\$)	Budgeted (Y/N)
Consultancies	357,288	Y
Legal Fees	93,072	Y

This document forms part of Port Stephens Council's Quarterly Budget Review Statement for the quarter ended 30/9/2019 and should be read in conjunction with other documents in the QBRs.



**ITEM NO. 4**

**FILE NO: 19/331752**  
**EDRMS NO: PSC2017-00180**

**POLICY REVIEW: ASSET DISPOSAL (OTHER THAN PROPERTY)**

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Endorse the revised Asset Disposal (other than property) Policy shown at **(ATTACHMENT 1)**.
- 2) Place the Asset Disposal (other than property) Policy, as amended on public exhibition for a period of 28 days and should no submissions be received, the policy be adopted as amended, without a further report to Council.
- 3) Revoke the Asset Disposal (other than property) Policy dated 12 December 2017, Minute No. 317 should no submissions be received.

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**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019**  
**MOTION**

<b>208</b>	<p><b>Councillor Paul Le Mottee</b> <b>Councillor Ken Jordan</b></p> <p>It was resolved that Council:</p> <ol style="list-style-type: none"><li>1) Endorse the revised Asset Disposal (other than property) Policy shown at <b>(ATTACHMENT 1)</b>.</li><li>2) Place the Asset Disposal (other than property) Policy, as amended on public exhibition for a period of 28 days and should no submissions be received, the policy be adopted as amended, without a further report to Council.</li><li>3) Revoke the Asset Disposal (other than property) Policy dated 12 December 2017, Minute No. 317 should no submissions be received.</li></ol>
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**BACKGROUND**

The purpose of this report is to seek Council's endorsement of the revised Asset Disposal (other than property) Policy.

The policy is required to ensure the disposal of assets is ethical, transparent and accountable. The policy is supported by the Asset Disposal (other than property) Management Directive that prescribes the considerations and processes to be applied in the disposal of Council owned assets.

## **COMMUNITY STRATEGIC PLAN**

<b>Strategic Direction</b>	<b>Delivery Program 2018-2021</b>
Financial Management	Maintain strong financial sustainability.

## **FINANCIAL/RESOURCE IMPLICATIONS**

The principles of the Asset Disposal (other than property) Policy require Council officials (Mayor and Councillors) to dispose of assets in a suitable public marketplace that maximises Council's financial returns.

<b>Source of Funds</b>	<b>Yes/No</b>	<b>Funding (\$)</b>	<b>Comment</b>
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

## **LEGAL, POLICY AND RISK IMPLICATIONS**

Council's asset disposal principles are to achieve the best value for money whilst being ethical, transparent and accountable. They promote fairness and competition. The policy mirrors Council's principles and by adopting the recommendations will thereby reduce potential legal ramifications.

<b>Risk</b>	<b><u>Risk Ranking</u></b>	<b>Proposed Treatments</b>	<b>Within Existing Resources?</b>
There is a risk that fraud and corruption will occur, leading to financial and reputational loss.	Low	Adopt the recommendations.	Yes
There is a risk that Council will fail to maximise its return from asset sales.	Low	Adopt the recommendations.	Yes

## **SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

The disposal of assets by resale supports Council's environmental sustainability principles.

## **CONSULTATION**

Consultation with key stakeholders has been undertaken by the Financial Services Section.

### Internal

- Executive Team.

### External

In accordance with local government legislation the draft Asset Disposal (other than property) Policy will go on public exhibition for 28 days.

## **OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

## **ATTACHMENTS**

- 1) Asset Disposal (other than property) Policy.

## **COUNCILLORS ROOM**

Nil.

## **TABLED DOCUMENTS**

Nil.

**ITEM 4 - ATTACHMENT 1 ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY.**

Policy

**FILE NO: PSC2009-02488****TITLE: ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY****POLICY OWNER: FINANCIAL SERVICES SECTION MANAGER****1. PURPOSE:**

- 1.1 The purpose of this policy is to provide a systematic and accountable method to Council officials (Councillors, staff and delegates of Council) for the disposal of surplus assets, excluding real property, and to ensure the process is transparent and complies with Council's Code of Conduct, Statement of Business Ethics and Financial Business Rules.
- 1.2 Environmentally sustainable asset disposal results in minimisation of unnecessary purchasing, waste minimisation, water and energy saving, pollution minimisation, avoidance of toxic chemicals, reduction in greenhouse gases and decision making that incorporates biodiversity and conservation objectives.

**2. CONTEXT/BACKGROUND:**

- 2.1 The Asset Disposal (other than property) Policy is required to ensure that the disposal of Council assets is ethical, transparent and accountable. The policy is supported by the Asset Disposal (other than property) Management Directive that prescribes the considerations and processes to be applied in the disposal of Council owned assets.

**3. SCOPE:**

- 3.1 This policy has been written considering the following principles:
- a) High standards of behaviour and ethics are required of all parties to asset disposal activities.
  - b) Asset disposal activities aim to be efficient, effective and balance risk and total cost.
  - c) Due economy shall be exercised in all asset disposal decisions.
  - d) Asset disposal decisions shall consider relevant evaluation criteria including environmental sustainability, the support of registered disability employers and the support of local industry.

**4. DEFINITIONS:**

- 4.1 An outline of the key definitions of terms included in the policy.

Asset	A resource with economic value that an individual, corporation or country owns or controls with the exception that it will
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Policy

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**ITEM 4 - ATTACHMENT 1 ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY.**

Policy



provide future benefit.

**5. POLICY STATEMENT:**

5.1 Surplus assets will be disposed of in a cost effective manner that complies with relevant regulations in a fair, transparent, environmentally sustainable manner to maximise financial return to Council. Prior to the disposal, assets will be reviewed in order to ascertain whether they have alternative uses within Council, contain hazardous materials or identifying marks. Council has adopted a Statement of Business Ethics that sets out the high ethical standards expected of Council officials and delegates, contractors and business associates.

**6. POLICY RESPONSIBILITIES:**

6.1 Section Managers Financial Services Section Manager, Financial Expenditure Coordinator and Procurement and Contract Management Specialist are responsible for the implementation, compliance of, monitoring, evaluating, reviewing and providing advice on this policy.

6.2 Section Managers, Civil Assets Planning Manager and all relevant employees are responsible for complying with this policy.

~~6.2 Expenditure Coordinator.~~

~~6.3 Procurement and Contractor Contract Management Specialist.~~

~~6.4 Asset Section Manager.~~

~~6.5 Civil Assets Planning Manager.~~

**7. RELATED DOCUMENTS:**

- 7.1. Local Government Act 1993 (NSW).
- 7.2. Local Government (General) Regulation 2005 (NSW).
- 7.3. Competition and Consumer Act 2010 (Cth).
- 7.4. Code of Conduct.
- 7.5. Statement of Business Ethics.
- 7.6. Procurement Policy.
- 7.7. Fraud and Corruption Control Policy.
- 7.8. Procurement Management Directive.
- 7.9. Asset Disposal Management Directive.
- 7.10. Financial Business Rules.
- 7.11. Environment Policy.
- 7.12. Asset Management Policy.
- 7.13. NSW Government Sustainability Policy.
- 7.14. NSW Government Code of Practice.

Policy

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## ITEM 4 - ATTACHMENT 1 ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY.

## Policy



## 7.15. NSW Government Procurement Policy framework.

## CONTROLLED DOCUMENT INFORMATION:

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<b>EDRMS container No</b>	PSC2009-02488	<b>EDRMS record No</b>	17/198654 19/321865
<b>Audience</b>	Council staff		
<b>Process owner</b>	Financial Services Section Manager		
<b>Author</b>	Financial Services Section Manager		
<b>Review timeframe</b>	2 years	<b>Next review date</b>	
<b>Adoption date</b>	25/03/2014		

## VERSION HISTORY:

Version	Date	Author	Details	Minute No.
1.0	25/03/14	Financial Services Section Manager	Policy adopted.	63
2.0	27/11/15	Financial Services Section Manager	This policy has been reviewed and formatted into the new template.	
3.0	09/02/2016	Financial Services Section Manager	Policy adopted.	019

## Policy

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ITEM 4 - ATTACHMENT 1 ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY.

Policy



4.0	12/12/2017	Financial Services Section Manager	Updated references from TRIM to RM8. Updated RM8 record number from PSC2009-02488/486 to 17/198654. Added Financial Business Rules to the Purpose. Added Procurement Management Directive, Asset Disposal Management Directive, and Financial Business Rules to the Related Documents.	317
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Policy

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**ITEM 4 - ATTACHMENT 1 ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY.**

Policy



5.0		Financial Services Section Manager	<p>Updated policy into the current format.</p> <p>6.0 – Updated Policy Responsibilities as follows:</p> <p>Removed – 6.1 Section Managers</p> <p>Added - 6.1 Financial Services Section Manager, Financial Expenditure Coordinator and Procurement and Contract Management Specialist are responsible for the implementation, compliance of, monitoring, evaluating, reviewing and providing advice on this policy.</p> <p>Removed - 6.2 Expenditure Coordinator</p> <p>Added - 6.2 Section Managers, Civil Assets Planning Manager and all relevant employees are responsible for complying with this policy.</p> <p>6.3 – Removed ‘Contractor’</p> <p>6.3 – Added ‘Contract’</p> <p>Removed - 6.3 Procurement and Contractor Contract Management Specialist.</p> <p>6.4 Asset Section Manager.</p> <p>6.5 Civil Assets Planning Manager.</p> <p>Added ‘6.4 Asset Section Manager’</p> <p>Added ‘6.5 Civil Assets Planning Manager’</p> <p>Added ‘7.11 Environment Policy.’</p> <p>Added ‘7.12 Asset Management Policy.’</p> <p>Added ‘7.13 NSW Government Sustainability Policy.’</p>	
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Policy

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**ITEM 4 - ATTACHMENT 1 ASSET DISPOSAL (OTHER THAN PROPERTY) POLICY.**

Policy



			Added '7.14 NSW Government Code of Practice.' Added '7.15 NSW Government Procurement Policy framework.' Updated EDRMS record number in version history.	
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Policy

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**ITEM NO. 5****FILE NO: 19/336538  
EDRMS NO: PSC2017-00180****POLICY REVIEW: COMMUNITY GROUPS LOANS POLICY - OUTCOME OF PUBLIC EXHIBITION**

REPORT OF: TIM HAZELL - FINANCIAL SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Receive and note that 1 submission was received (**ATTACHMENT 1**).
  - 2) Adopt the Community Groups Loans Policy as revised (**ATTACHMENT 2**).
  - 3) Revoke the Community Groups Loans Policy dated 14 July 2015, Minute No. 196.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>209</b>	<b>Councillor Ken Jordan Councillor Jaimie Abbott</b>  It was resolved that Council:  <ol style="list-style-type: none"><li>1) Receive and note that 1 submission was received (<b>ATTACHMENT 1</b>).</li><li>2) Adopt the Community Groups Loans Policy as revised (<b>ATTACHMENT 2</b>).</li><li>3) Revoke the Community Groups Loans Policy dated 14 July 2015, Minute No. 196.</li></ol>
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**BACKGROUND**

The purpose of this report is for Council to consider a submission received during the public exhibition period of the Community Groups Loans Policy (**ATTACHMENT 2**).

Council resolved at its meeting of 10 September 2019 to place the revised Community Groups Loans Policy on public exhibition for a period of 28 days, as required under the Local Government Act (1993).

Subsequently, a public notice was placed in the Port Stephens Examiner on 19 September 2019 inviting submissions up until 17 October 2019, with copies of the revised policy available to view on Council's website, the Council Administration Building and Council libraries.

## MINUTES ORDINARY COUNCIL - 12 NOVEMBER 2019

As part of the public exhibition, 1 submission (**ATTACHMENT 1**) was received from a Port Stephens Council employee. The key issues raised in this submission were:

- The lack of eligibility for 355c Committees of Council to apply for a loan.

The employee has suggested that 355c Committees of Council be eligible to apply and has suggested this wording for the clause:

A 355c Committee of Council:

- a) must be a current Committee of Council.
- b) must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan.
- c) must be up to date with financial accounts and record keeping requirements.

Port Stephens Council acknowledges this submission as valid and wishes to include 355c Committees of Council in the eligible groups. This clause has been added to section 5.6.3 of the policy.

### COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2021
Financial Management	Maintain strong financial sustainability.

### FINANCIAL/RESOURCE IMPLICATIONS

Adoption of the revised policy is within budget allocations.

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

### LEGAL, POLICY AND RISK IMPLICATIONS

There are no adverse legal, policy or risk implications.

<b>Risk</b>	<b><u>Risk Ranking</u></b>	<b>Proposed Treatments</b>	<b>Within Existing Resources?</b>
There is a risk that 355c Committees of Council will not be eligible to apply for a community group loan from Port Stephens Council.	Medium	Accept 355c Committees of Council as eligible entities for community group loan applications.	Yes

**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

By Council facilitating reasonable loans as a responsible lender to approved community groups, valuable facilities and services will be provided on a sustainable basis.

**CONSULTATION**

Consultation with key stakeholders has been undertaken by the Financial Services Section.

**Internal**

- Executive Team.
- Assets Section.

**External**

- Policy submitted for public exhibition in accordance with Council process.
- Public submissions requested and now presented for Council consideration.

**OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

**ATTACHMENTS**

- 1) Summary of submission received.
- 2) Community Groups Loans Policy - as amended.

**COUNCILLORS ROOM**

- 1) Un-redacted submission.

**TABLED DOCUMENTS**

Nil.

**Submission Summary**

## Draft Community Groups Loans Policy

<b>Received from</b>	<b>Issues raised</b>	<b>Response</b>
Port Stephens Council employee.	<p>Under Section 5.6 Eligibility I would like to include the following group as eligible to apply:</p> <p>5.6.3 355c Committee of Council</p> <p>a) Must be a current Committee of Council</p> <p>b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan</p> <p>c) Must be up to date with financial accounts and record keeping requirements</p>	Port Stephens Council wishes to adopt this submission and include in the Community Groups Loans Policy.

ITEM 5 - ATTACHMENT 2 COMMUNITY GROUPS LOANS POLICY - AS AMENDED.

Policy



**FILE NO:** PSC2011-02343  
**TITLE:** COMMUNITY GROUP LOANS POLICY  
**POLICY OWNER:** ~~COMMUNITY & RECREATION COORDINATOR~~  
**FINANCIAL SERVICES SECTION MANAGER**

**1. PURPOSE:**

- 1.1 To provide access to funding through the provision of available loans for improvements to community, cultural, sport and recreation facilities in the Port Stephens Local Government Area **in an effective and equitable manner.**

**2. CONTEXT/BACKGROUND:**

- 2.1 This policy applies to groups seeking to develop buildings or facilities that are Council owned; under Council's Care, Control or Management; under Council's Trusteeship, provides services to the local community or responsibility has been devolved to Council by some form of legislation.

**3. SCOPE:**

- 3.1 The Community and Recreation Loans Reserve will be self-supporting over time with repayments to the reserve used to fund further allocation. The Reserves upper limit will be \$200,000.
- 3.2 This policy assists community groups that are operating and providing services in the Port Stephens Local Government Area and enables Council's assets to be enhanced, improved and maintained in a good state of repair.

**4. DEFINITIONS:**

- 4.1 An outline of the key definitions of terms included in the policy.

Loan	The act of giving money, property or other material goods to a another party in exchange for future repayment of the principal amount along with interest or other finance charges.
Interest	The charge for the privilege of borrowing money, typically expressed as an annual percentage rate.

Policy

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ITEM 5 - ATTACHMENT 2 COMMUNITY GROUPS LOANS POLICY - AS AMENDED.

Policy



5. POLICY STATEMENT:

5.1 The Community Group Loans is to provide an accessible fund where groups and clubs can borrow funds at low interest rates for approved projects. This will assist community groups to improve and develop Council's facilities to support community activities in the Local Government Area. program will provide funding through the provision of available loans for improvements to the community , cultural, sport and recreation facilities in the Port Stephens Local Government Area (LGA).

5.2 This policy is made possible by a reserve of \$200,000 so loan funds can be drawn upon and Councils financial position managed appropriately.

5.2.1 Interest rates are to be set at Indicative Borrowing Rate for Local Government Authorities (IBRLGA) applicable on the day of approval of recommendation by the Group Manager of the respective Group.

5.2.2 For projects that are Asset Rehabilitation and are in Port Stephens Council's Asset Management Plans, the interest rate will be 50% of the IBRLGA.

5.2.3 The interest from Community and Recreation Loans Vote, being equal to Indicative Borrowing Rates for Local Government Authorities, is paid to Council on a quarterly basis (except for Asset Rehabilitation Projects).

5.3 Interest to be fixed for the term of the loan. This loan is available to groups seeking to develop buildings or facilities that are Council owned, under Council's care, control or management, or under Council's Trusteeship.

5.4 Loans to be for a maximum of 84 months. Applicants must be providing services to the local community or responsibility has been devolved to Council by some form of legislation.

5.5 Loans have a minimum of \$2,000 and an upper limit of \$75,000. Any increase of this amount will require a formal resolution of Council.

5.5 Transparency and Equity

5.5.1 The Community Loans Program will be administered in a transparent and equitable manner and be promoted across the district in a manner that will allow maximum opportunity for community groups to apply.

5.5.2 Each funding program has a process for the assessment of applications with Council making the final decision.

5.6 Should a club or group default on loan payments, Council has the right to take whatever

Policy

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ITEM 5 - ATTACHMENT 2 COMMUNITY GROUPS LOANS POLICY - AS AMENDED.

Policy



~~— action it considers necessary to recover the funds. In extreme cases, Council may~~  
~~— consider closing the use of the facilities to the club or community group in default and~~  
~~— taking legal action to recover funds.~~

**5.6 Eligibility**

**5.6.1 Local Sports Club:**

- a) Must be a current financial member of a Port Stephens Council Sports Council.
- b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan.
- c) Must be up to date with any Council/Sports Council/Committee accounts.
- d) Have appropriate Public Liability insurance cover.

**5.6.2 Community/Cultural Groups:**

- a) Must be a properly constituted, incorporated not-for-profit association operating and providing services in the Port Stephens LGA.
- b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan.
- c) Have appropriate Public Liability insurance cover.

**5.6.3 355c Committee of Council**

- a) Must be a current Committee of Council
- b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan
- c) Must be up to date with financial accounts and record keeping requirements

**5.6.4 The following groups are ineligible to apply:**

- a) Groups which do not meet the above requirements.
- b) Groups which already have an outstanding community group loan.
- c) Commercial organisations.
- d) Projects which will be carried out on private land or outside the Port Stephens LGA.

**5.7 Assessment**

**5.7.1 Priority will be given to loans for projects that:**

- a) will benefit a wide range of people in the community
- b) have a long term benefit for the community
- c) have a clearly defined plan and budget.

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ITEM 5 - ATTACHMENT 2 COMMUNITY GROUPS LOANS POLICY - AS AMENDED.

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5.7.2 The application must clearly demonstrate the capacity to repay the loan including:

- a) detailed expenditure and revenue forecast budget for term of loan
- b) forecast repayment schedule for term of loan
- c) additional fundraising and income generating activities
- d) evidence of sound governance procedures

5.7.3 Applications made by sporting clubs must be for projects included on the relevant Sports Council's Sports Development Strategy. The relevant Sports Council must be supportive of the project and agree to:

- a) Be a signatory to the application; and
- b) Meet the repayments for the loan in the instance where the applicant fails to meet two (2) successive payments

5.7.4 Applications will be prioritised and assessed on:

- a) Financial ability to repay loan; and
- b) Having particular regard to projects identified as a part of the 10 year Capital Works Plan or Sports Development Strategy.

5.8 Terms of Loan

5.8.1 Loans to be a maximum of 84 months.

5.9 Value of Loan

- a) Loans provided to be a minimum of \$20,000 and a maximum of \$75,000
- b) Loan funds cannot exceed more than 75% of the overall project value excluding in kind support, i.e. expected cash value of the project x 75% = maximum loan value.

6. POLICY RESPONSIBILITIES:

6.1 ~~Community & Recreation Co-ordinator~~ — ~~Responsible for the overall implementation of the policy.~~ The Financial Services Section Manager has overall responsibility for the implementation of this policy in consultation with the Assets Section Manager.

6.2 ~~Management Accounting Co-ordinator~~ — ~~Responsible for monitoring the Community and~~

Policy

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## ITEM 5 - ATTACHMENT 2 COMMUNITY GROUPS LOANS POLICY - AS AMENDED.

## Policy



~~Recreation Loans Reserve and ensuring payments are received.~~ Applications for Community Group Loans may be received and coordinated at coordinator level, if relevant to their role at Council. In all cases, consultation with the relevant section and group manager must occur prior to agreement being entered into.

6.3 The Financial Services Section Manager is responsible for reporting Community Group Loan requests over \$20,000 to a maximum of \$75,000 to Council for endorsement.

## 7. RELATED DOCUMENTS:

7.1 LGA Act 1993

7.1 Suitable documents, records and evidence of review will be maintained in support of application, approval and management of loans.

7.2 Code of Conduct

7.3 PSC Financial Assistance Policy

## CONTROLLED DOCUMENT INFORMATION:

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<b>EDRMS container No</b>	PSC2015-01000 PSC2009-02488	<b>EDRMS record No</b>	293
<b>Audience</b>	Financial Services Section, PSC staff, local Community Groups and Sporting Clubs		
<b>Process owner</b>	<del>Community &amp; Recreation Co-ordinator</del> Financial Services Section Manager		
<b>Author</b>	<del>Brendan Callander</del> Financial Services Section Manager.		
<b>Review timeframe</b>	Every 4 Years Two years	<b>Next review date</b>	11/8/2019
<b>Adoption date</b>	14/7/15		

## VERSION HISTORY:

Version	Date	Author	Details	Minute No.
1	26/06/2007	Jason Linnane		158

## Policy

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**ITEM 5 - ATTACHMENT 2 COMMUNITY GROUPS LOANS POLICY - AS AMENDED.**

Policy



2	14/07/2015	John Maretich	Updated Community Group Loans Policy does not change the existing policy's intent and only updates the format of the policy	196
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Policy

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ITEM 5 - ATTACHMENT 2  
AMENDED.

COMMUNITY GROUPS LOANS POLICY - AS

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>Updated policy into new template.</p> <p>Changed Policy Owner from Community &amp; Recreation Coordinator to Financial Services Section Manager.</p> <p>1.1 – Added “in an effective and equitable manner.”</p> <p>5.1 – Removed “is to provide an accessible fund where groups and clubs can borrow funds at low interest rates for approved projects. This will assist community groups to improve and develop Council's facilities to support community activities in the Local Government Area.”</p> <p>5.1 – Added “program will provide funding through the provision of available loans for improvements to the community , cultural, sport and recreation facilities in the Port Stephens Local Government Area (LGA).”</p> <p>5.2.1 - Removed “Interest rates are to be set at Indicative Borrowing Rate for Local Government Authorities (IBRLGA) applicable on the day of approval of recommendation by the Group Manager of the respective Group.”</p> <p>5.2.2 - Removed “For projects that are Asset Rehabilitation and are in Port Stephens Council’s Asset Management Plans, the interest rate will be 50% of the IBRLGA.”</p> <p>5.2.3 – Removed “The interest from Community and Recreation Loans Vote, being equal to</p> <p>5.5.1 – Added “The Community Loans Program will be administered in a transparent and equitable manner and be promoted across the district in a manner that will allow maximum opportunity for</p>	
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Policy

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ITEM 5 - ATTACHMENT 2  
AMENDED.

COMMUNITY GROUPS LOANS POLICY - AS

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>Indicative Borrowing Rates for Local Government Authorities, is paid to Council on a quarterly basis (except for Asset Rehabilitation Projects)."</p> <p>5.3 – Removed "Interest to be fixed for the term of the loan."</p> <p>5.3 – Added "This loan is available to groups seeking to develop buildings or facilities that are Council owned, under Council's care, control or management, or under Council's Trusteeship."</p> <p>5.4 – Removed "Loans to be for a maximum of 84 months."</p> <p>5.4 – Added "Applicants must be providing services to the local community or responsibility has been devolved to Council by some form of legislation."</p> <p>5.5 – Removed "Loans have a minimum of \$2,000 and an upper limit of \$75,000. Any increase of this amount will require a formal resolution of Council."</p> <p>5.5 – Added "Transparency and Equity"</p> <p>5.5.1 – Added "The Community Loans Program will be administered in a transparent and equitable manner and be promoted across the district in</p> <p>5.5.2 – Added "Each funding program has a process for the assessment of applications with Council making the final decision."</p> <p>5.6 – Removed "Should a club or group default on loan payments</p>	
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Policy

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ITEM 5 - ATTACHMENT 2  
AMENDED.

COMMUNITY GROUPS LOANS POLICY - AS

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>a manner that will allow maximum opportunity for community groups to apply.</p> <p>5.5.2 – Added “Each funding program has a process for the assessment of applications with Council making the final decision.”</p> <p>5.6 – Removed “Should a club or group default on loan payments, Council has the right to take whatever action it considers necessary to recover the funds. In extreme cases, Council may consider closing the use of the facilities to the club or community group in default and taking legal action to recover funds.</p> <p>5.6 – Added “Eligibility”</p> <p>5.6.1 – Added “Local Sports Club:</p> <p>a) Must be a current financial member of a Port Stephens Council Sports Council.</p> <p>b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan.</p> <p>c) Must be up to date with any Council/Sports Council/Committee accounts.</p> <p>d) Have appropriate Public Liability insurance cover.”</p> <p>5.6.2 – Added “Community/Cultural Groups:</p> <p>a) Must be a properly coted, incorporated not-for-profit association operating and providing services in the Port Stephens LGA.</p> <p>b) Must provide a business plan</p>	
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Policy

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ITEM 5 - ATTACHMENT 2  
AMENDED.

COMMUNITY GROUPS LOANS POLICY - AS

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>a) Must be a properly constituted, incorporated not-for-profit association operating and providing services in the Port Stephens LGA.</p> <p>b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan.</p> <p>c) Have appropriate Public Liability insurance cover."</p> <p>5.6.3 – Added "5.6.3 355c Committee of Council</p> <p>a) Must be a current Committee of Council</p> <p>b) Must provide a business plan that clearly establishes the group's capacity to meet the commitments of a loan</p> <p>c) Must be up to date with financial accounts and record keeping requirements"</p> <p>5.6.4 – Added "The following groups are ineligible to apply:</p> <p>a) Groups which do not meet the above requirements.</p> <p>b) Groups which already have an outstanding community group loan.</p> <p>c) Commercial organisations.</p> <p>d) Projects which will be carried out on private land or outside the Port Stephens LGA."</p> <p>5.7 – Added "Assessment"</p> <p>5.7.1 – Added "Priority will be given to loans for projects that:</p>	
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Policy

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ITEM 5 - ATTACHMENT 2  
AMENDED.

COMMUNITY GROUPS LOANS POLICY - AS

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>a) will benefit a wide range of people in the community</p> <p>b) have a long term benefit for the community</p> <p>c) have a clearly defined plan and budget.”</p> <p>5.7.2 – Added “The application must clearly demonstrate the capacity to repay the loan including:</p> <p>a) detailed expenditure and revenue forecast budget for term of loan</p> <p>b) forecast repayment schedule for term of loan</p> <p>c) additional fundraising and income generating activities</p> <p>d) evidence of sound governance procedures”</p> <p>5.7.3 – Added “Applications made by sporting clubs must be for projects included on the relevant Sports Council's Sports Development Strategy. The relevant Sports Council must be supportive of the project and agree to:</p> <p>a) Be a signatory to the application; and</p> <p>b) Meet the repayments for the loan in the instance where the applicant fails to meet two (2) successive payments”</p> <p>5.7.4 – Added “Applications will be prioritised and assessed on:</p> <p>a) Financial ability to repay loan; and</p> <p>b) Having particular regard to projects identified as a part of the 10 year Capital Works Plan</p>	
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**ITEM 5 - ATTACHMENT 2**  
**AMENDED.**
**COMMUNITY GROUPS LOANS POLICY - AS**

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>or Sports Development Strategy.</p> <p>5.8 – Added “Terms of Loan”</p> <p>5.8.1 – Added “Loans to be a maximum of 84 months.”</p> <p>5.9 – Added “Value of Loan</p> <p>a) Loans provided to be a minimum of \$20,000 and a maximum of \$75,000</p> <p>b) Loan funds cannot exceed more than 75% of the overall project value excluding in kind support i.e. expected cash value of the project X 75% = maximum loan value.”</p> <p>6.1 – Removed “Community &amp; Recreation Co-ordinator – Responsible for the overall implementation of the policy.”</p> <p>6.1 – Added “The Financial Services Section Manager has overall responsibility for the implementation of this policy in consultation with the Assets Section Manager.”</p> <p>6.2 – Removed “Management Accounting Co-ordinator – Responsible for monitoring the Community and Recreation Loans Reserve and ensuring payments are received.”</p> <p>6.2 – Added “Applications for Community Group Loans may be received and coordinated at coordinator level, if relevant to</p>	
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ITEM 5 - ATTACHMENT 2  
AMENDED.

COMMUNITY GROUPS LOANS POLICY - AS

Policy



1	09/08/2019	Finance – Reporting Coordinator	<p>their role at Council. In all cases, consultation with the relevant section and group manager must occur prior to agreement being entered into.”</p> <p>6.3 – Added “The Financial Services Section Manager is responsible for reporting Community Group Loan requests over \$20,000 to a maximum of \$75,000 to Council for endorsement.”</p> <p>7.1 – Removed “LGA Act 1993”</p> <p>7.1 – Added “Suitable documents, records and evidence of review will be maintained in support of application, approval and management of loans.”</p> <p>7.2 – Removed “Code of Conduct”</p> <p>7.3 – Removed “PSC Financial Assistance Policy”</p>	
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**ITEM NO. 6****FILE NO: 19/331545  
EDRMS NO: PSC2015-01492****AUDIT COMMITTEE ANNUAL REPORT 2018-2019**

REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Endorse the Audit Committee 2018-2019 Annual Report as presented.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>210</b>	<b>Councillor Ken Jordan Councillor Paul Le Mottee</b>  It was resolved that Council endorse the Audit Committee 2018-2019 Annual Report as presented.
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**BACKGROUND**

The purpose of this report is to present to Council the Audit Committee's Annual Report for the period 2018-2019.

The Audit Committee has been established in accordance with the Office of Local Government 'Best Practice Guidelines 08/64'.

The Annual Report to Council summarises the Audit Committees activities for the 2018-2019 period in accordance with the Audit Committee Charter, item 5.1 Reporting to Council.

**COMMUNITY STRATEGIC PLAN**

<b>Strategic Direction</b>	<b>Delivery Program 2018-2021</b>
Governance	Provide a strong ethical governance structure.

**FINANCIAL/RESOURCE IMPLICATIONS**

Costs associated with the activities of the Audit Committee and development of the Annual Report are covered within existing budget.

<b>Source of Funds</b>	<b>Yes/No</b>	<b>Funding (\$)</b>	<b>Comment</b>
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No.		

**LEGAL, POLICY AND RISK IMPLICATIONS**

Audit Committee activities remain consistent with the Audit Committee Charter, all relative legislative requirements and the Office of Local Government Guidelines.

<b>Risk</b>	<b><u>Risk Ranking</u></b>	<b>Proposed Treatments</b>	<b>Within Existing Resources?</b>
There is a risk that Council is not compliant with the Audit Committee Charter and relevant legislation.	Low	Accept the recommendation.	Yes

**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

It is considered that the Audit Committee will continue to add significant rigour to Council's governance framework, risk control, compliance and financial reporting and will enhance Council's reputation, operations and financial sustainability.

**CONSULTATION**

Consultation with key stakeholders has been undertaken by the General Manager's Office.

Internal

- Executive team.
- Audit Committee officers.

External

- Audit Committee members.

**OPTIONS**

- 1) Accept the recommendations.
- 2) Amend the recommendations.
- 3) Reject the recommendations.

**ATTACHMENTS**

- 1) Audit Committee Annual Report 2018-2019.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

Nil.



**PORT STEPHENS**  
COUNCIL

## Audit Committee Annual Report 1 July 2018 to 30 June 2019

### FOREWORD

This annual report provides commentary on the operations and activities of the Audit Committee (Committee) for the 2018-2019 financial year.

The Port Stephens Council (PSC) local government area covers 860 sq km with 220 sq km (23%) National Park, State Forest and Nature Reserves. It has a resident population of 71,118 and is estimated to rise to 80K by 2031.

PSC has 500.16 (EFT) staff and an operational budget of \$122M plus a capital works program of \$25.45M.

At its meeting held on 9 February 2010, Port Stephens Council (PSC) resolved to establish a Section 355c Audit Committee in accordance with the Office of Local Government's Best Practice Guidelines 08/64.

The charter objective of the Committee is to enhance the corporate governance of PSC through the provision of independent oversight, review and advice. The Committee assists Council by providing independent assurance and assistance on the organisation's governance, risk, control and compliance frameworks.

### AUDIT COMMITTEE STRUCTURE AND MEETING ATTENDANCE

The Committee has 5 voting members. Three are independent members in accordance with the Office of Local Government's Best Practice Guidelines, and 2 Councillors represent Council on the committee with an additional Councillor appointed as an alternate delegate.

Non-voting members include the General Manager, group managers, the Financial Services Section Manager the Governance Section Manager and Risk Management Coordinator. Representatives from Council's internal audit provider PKF and external audit provider Pitcher Partners also attend meetings as required. The Audit Office's Financial Audit Director attends meetings as appropriate.

A quorum was available for each of the 4 meetings held during the 2018-2019 period. The meetings were held on 19 July 2018, 25 October 2018, 21 February 2019 and 23 May 2019.

A list of Audit Committee members and non-voting members for 2018-2019 is detailed below noting the number of meetings attended by each member.

<b>Voting Members</b>	<b>Number of meetings attended</b>
Mr Ben Niland (independent Chair).	3
Mr Frank Cordingley (independent member).	3
Mr Shaun Mahony (independent member).	3
Councillor Chris Doohan.	2
Councillor Glen Dunkley.	3
Councillor Ken Jordan (alternate delegate).	0



**PORT STEPHENS**  
COUNCIL

## Audit Committee Annual Report 1 July 2018 to 30 June 2019

Non-voting Members	Number of meetings attended
General Manager (or representative).	4
Corporate Services Group Manager (or representative).	4
Development Services Group Manager (or representative).	4
Facilities & Services Group Manager (or representative).	4
Financial Services Section Manager.	4
Governance Section Manager.	4
Internal Auditor representative.	2
External Auditor representative.	3
Financial Audit Director (Audit Office).	1

### COMMITTEE'S PERFORMANCE REVIEW

The Committee continues to perform well overall against the core responsibilities contained in its charter. The Council is benefiting from a stable, skilled and experienced membership that is suitably qualified and works in a collegiate fashion.

Annual survey results are reported separately to the Committee. Completed by 11 respondents results of the 2018-2019 annual review showed that participants either agreed or strongly agreed that the Committee performed well against its core responsibilities.

### SUMMARY OF RECOMMENDATIONS

The Audit Office raised 3 recommendations in its external audit management letter for 2017 – all were assessed as a moderate risk, with 2 of the 3 actions completed during the 2018-2019 period.

COMPLETED Actions	
Issue	Recommendation
Review of general journals.	Council put in place a process to ensure all journals are reviewed by an appropriate independent staff member prior to processing.
Fair value assessments of infrastructure, property, plant and equipment (IPP&E).	Council put in place an annual formal assessment process to determine whether the fair value of IPP&E has changed significantly from the prior year. Where fair value has increased/decreased materially full revaluations should be performed.

The action that remains outstanding is detailed below with a date for completion noted as 31 December 2019.

ONGOING Action	
Issue	Recommendation
Civica-Audit logs of privileged access are not reviewed.	<p>For those Council staff assigned with 'super user'/administrator IT access privileges we recommend Council consider the following controls:</p> <ul style="list-style-type: none"> <li>Civica Authority privileged access audit logs are reviewed regularly by a suitably independent and qualified individual, with appropriate action taken when required.</li> <li>Standing Civica privileged access is removed and only granted on a temporary basis when required.</li> </ul>





**PORT STEPHENS**  
COUNCIL

## **Audit Committee Annual Report 1 July 2018 to 30 June 2019**

There were 19 internal audit recommendations provided to the Committee as part of 6 internal audit reviews undertaken during this reporting period. Only 1 action was recorded as having a high risk and related to the Workers Health Initiative – Employee Contract renewal. This matter is currently being investigated and due for completion by 31 December 2019.

The following internal audit reviews were completed during the period, with no serious internal control weaknesses reported.

<b>Audit Review</b>	<b>Risk Rating</b>
Disposal of Assets.	M
Workers Health Initiative.	M
Mayor/Councillors reimbursements.	L
National Heavy Vehicle Accreditation Scheme.	L
On-line requisition system.	M
Development and Assessment.	L

An additional review of the RMS Drives system was completed with compliance noted in all aspects.

### **OPINION: RISK/CONTROL FRAMEWORK**

A key role of the committee is to review and monitor the effectiveness of the key controls in place to manage and mitigate the risks encountered by Council. These matters include operational, strategic, financial and fraud control environments, as well as ensuring adequate insurance coverage and business continuity planning.

During 2018-2019 the committee considered the high priority risks facing the organisation and monitored risk treatment plans established by management to reduce or mitigate those risk exposures.

The current high priority risks include:

- Decision making – Decision making impacts by Council/JRPP.
- Competencies and skills – Project management across the organisation.
- Natural disaster – Natural disaster recovery (eg fire and flood).
- Regulatory change – State/Federal decisions/changes impacting on Council's ability to deliver services.

### **SUMMARY OF WORK – HIGHLIGHTS**

#### RISK MANAGEMENT

- Received and reviewed quarterly risk management reports focusing on the high priority risks facing the organisation and monitored risk treatment plans established by management to reduce or mitigate those risk exposures.

#### CONTROL FRAMEWORK

- Considered audit arrangements for 2018-2019.
- Noted Audit Office, Fraud Control Systems.
- Received and reviewed relevant policy, directives and procedures as required.



**PORT STEPHENS**  
COUNCIL

## **Audit Committee Annual Report 1 July 2018 to 30 June 2019**

### EXTERNAL ACCOUNTABILITY

- Completed a review of the financial statements prior to submission to the Office of Local Government.

### COMPLIANCE

- Considered corporate credit card report and compliance.
- Noted the analysis of total supplier payments for 2018-2019.
- Noted results of an EFT and employee bank account review.

### INTERNAL AUDIT

- Reviewed and endorsed the internal audit plan.
- Reviewed internal audit actions and implementation.
- Noted results of 6 completed internal audit reviews. No serious internal control weaknesses were reported.
- An additional review of the RMS Drives system was completed with compliance noted in all aspects.

### EXTERNAL AUDIT

- Received and noted the Annual Engagement Plan.
- Reviewed the management letter and ensured corrective action was established in a suitable action plan.

### LEGAL MATTERS

- As at 30 June 2019: 4 legal matters remained before the Courts; 6 matters remained with NCAT and 14 court elected infringement notices are set to be heard before the Local Court.

### COST OF AUDIT ACTIVITIES

- The total cost to Council for audit activities for the period is \$134,442 compared to \$138,800 for the previous 2017-2018 period.



BEN NILAND – CHAIR

21/10/19

DATE

**ITEM NO. 7****FILE NO: 19/349500  
EDRMS NO: PSC2017-00178****REQUEST FOR FINANCIAL ASSISTANCE****REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE**

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**RECOMMENDATION IS THAT COUNCIL:**

- 1) Approves provision of financial assistance under Section 356 of the Local Government Act 1993 from the respective Mayor and Ward funds to the following:
    - a. SeaSide Singers – East Ward funds - \$1000 donation towards the cost of hosting the 2019 Tateyama Sister Cities reception.
    - b. Rotary Club of Williamtown – Mayoral funds - \$3000 donation towards major sponsorship for the 2019 Medowie Christmas Carnival.
    - c. Country Women's Association Nelson Bay – Mayoral funds - \$3000 donation towards the refurbishment of the CWA kitchen.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>211</b>	<b>Councillor Ken Jordan Councillor Sarah Smith</b>  It was resolved that Council approves provision of financial assistance under Section 356 of the Local Government Act 1993 from the respective Mayor and Ward funds to the following: <ol style="list-style-type: none"><li>a. SeaSide Singers – East Ward funds - \$1000 donation towards the cost of hosting the 2019 Tateyama Sister Cities reception.</li><li>b. Rotary Club of Williamtown – Mayoral funds - \$3000 donation towards major sponsorship for the 2019 Medowie Christmas Carnival.</li><li>c. Country Women's Association Nelson Bay – Mayoral funds - \$3000 donation towards the refurbishment of the CWA kitchen.</li></ol>
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**BACKGROUND**

The purpose of this report is to determine and, where required, authorise payment of financial assistance to recipients judged by the Mayor and or Councillors as deserving of public funding. The Grants and Donations Policy gives the Mayor and Councillors a wide discretion either to grant or to refuse any requests.

Council's Grants and Donations Policy provides the community, the Mayor and Councillors with a number of options when seeking financial assistance from Council. Those options being:

1. Mayoral Funds
2. Rapid Response
3. Community Financial Assistance Grants – (bi-annually)
4. Community Capacity Building

Council is unable to grant approval of financial assistance to individuals unless it is performed in accordance with the Local Government Act 1993. This would mean that the financial assistance would need to be included in the Operational Plan or Council would need to advertise for 28 days of its intent to grant approval. Council can make donations to community groups.

The requests for financial assistance are shown below:

#### **MAYORAL FUNDS – Mayor Palmer**

Rotary Club of Wiliamtown.	A network of local business, professional and community leaders.	\$3000	Funds towards major sponsorship of the 2019 Medowie Christmas Carnival.
Country Women's Association – Nelson Bay.	A self-funded, nonpartisan and non-sectarian association that aims to improve conditions for country women and children especially those women living in rural and remote Australia.	\$3000	Donation towards the refurbishment of the CWA kitchen.

#### **EAST WARD – Councillors Abbott, Dunkley and Nell**

SeaSide Singers	A non-profit community choir.	\$1000	Donation towards cost of hosting the 2019 Tateyama Sister Cities reception.
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## COMMUNITY STRATEGIC PLAN

Strategic Direction	Delivery Program 2018-2021
Community Partnerships	Support financially creative and active communities.

## FINANCIAL/RESOURCE IMPLICATIONS

Source of Funds	Yes/No	Funding (\$)	Comment
Existing budget	Yes		
Reserve Funds	No		
Developer Contributions (\$7.11)	No		
External Grants	No		
Other	No		

## LEGAL AND POLICY IMPLICATIONS

To qualify for assistance under Section 356(1) of the Local Government Act 1993, the purpose must assist the Council in the exercise of its functions. Functions under the Act include the provision of community, culture, health, sport and recreation services and facilities.

The Policy interpretation required is whether the Council believes that:

- a) applicants are carrying out a function, which it, the Council, would otherwise undertake.
- b) the funding will directly benefit the community of Port Stephens.
- c) applicants do not act for private gain.

Risk	<u>Risk Ranking</u>	Proposed Treatments	Within Existing Resources?
There is a risk that Council may set a precedent when allocating funds to the community and an expectation those funds will always be available.	Low	Adopt the recommendations.	Yes

**SUSTAINABILITY IMPLICATIONS**

Includes Social, Economic and Environmental Implications

Nil.

**CONSULTATION**

Consultation with key stakeholders has been undertaken by the General Manager's Office.

Consultation has been taken with the key stakeholders to ensure budget requirements are met and approved.

**OPTIONS**

- 1) Accept the recommendation.
- 2) Vary the dollar amount before granting each or any request.
- 3) Decline to fund all the requests.

**ATTACHMENTS**

Nil.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

Nil.

**ITEM NO. 8****FILE NO: 19/351794  
EDRMS NO: PSC2017-00015****INFORMATION PAPERS****REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE**

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**RECOMMENDATION IS THAT THAT COUNCIL:**

Receives and notes the Information Papers listed below being presented to Council on 12 November 2019.

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<b>No:</b>	<b>Report Title</b>	<b>Page:</b>
1	Mayor Delegations - Wakashio Marathon 2020	197
2	Designated Persons' Return	199
3	Council Resolutions	200

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**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>212</b>	<b>Councillor Steve Tucker Councillor Ken Jordan</b>  It was resolved that Council receives and notes the Information Papers listed below being presented to Council on 12 November 2019. <hr/> <b>No: Report Title:</b>  1 Mayor Delegations - Wakashio Marathon 2020 2 Designated Persons' Return 3 Council Resolutions
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# INFORMATION PAPERS



**ITEM NO. 1**

**FILE NO: 19/355970**  
**EDRMS NO: PSC2016-02182**

**MAYOR DELEGATIONS - WAKASHIO MARATHON 2020**

REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE

**BACKGROUND**

The purpose of this report is to inform Council that the Mayor has exercised his delegation between Council meetings.

The Mayor is able to exercise his delegations between Council meetings when a decision of Council is required and the matter is not able to wait until the next Ordinary Council meeting.

Following receipt of an invitation from the Mayor of the City of Tateyama and the President of Tateyama International Exchange Society, the Mayor exercised his delegation to approve financial assistance for 3 residents of Port Stephens to participate in the 40<sup>th</sup> Wakashio marathon, which will be held on 26 January 2020.

The Wakashio Marathon is an annual event held in Tateyama with a full marathon race, a 10km marathon race and a 2km family marathon race.

It is proposed that the visit would be from 23 January 2020 to 28 January 2020.

The program would include:

- Accommodation through the homestay program.
- Transfers from Narita Airport.
- Entry fee for the marathon.
- Japanese cultural experience.
- Marathon class with Masahiko Kin – a professional marathon coach.

An expression of interest has been advertised for the period 7 November 2019 to 22 November 2019 for Port Stephens residents to submit their interest in representing our area in this marathon.

Each of the 3 participants will be provided with \$300 approved under delegation by the Mayor from Mayoral funds.

All other costs (airfare costs, etc.) associated with the visit would be at the expense of the participants.

**ATTACHMENTS**

Nil.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

Nil.

**ITEM NO. 2**

**FILE NO: 19/231486  
EDRMS NO: PSC2019-02300**

**DESIGNATED PERSONS' RETURN**

REPORT OF: TONY WICKHAM - GOVERNANCE SECTION MANAGER  
GROUP: GENERAL MANAGER'S OFFICE

**BACKGROUND**

The purpose of this report is to table Designated Persons' Return/s (Return) submitted by new Council employees.

In accordance with the Part 4 – Pecuniary Interest of the Code of Conduct, all new employees are required to submit a Return within 3 months of commencement. Returns are to be tabled at the first Council meeting after the lodgement date.

The following is a list of position/s who have submitted Return/s:

- Strategic Planner (PSC072)

**ATTACHMENTS**

Nil.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

- 1) Designated Persons' Return.

**ITEM NO. 3**

**FILE NO: 19/189298  
EDRMS NO: PSC2017-00105**

**COUNCIL RESOLUTIONS**

REPORT OF: WAYNE WALLIS - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE

**BACKGROUND**

The purpose of this report is to inform Elected Members of the status of all matters to be dealt with arising out of the proceedings of previous meetings of the Council in accordance with the Code of Meeting Practice.

Note that at the time of preparing these reports there were no outstanding matters relating to the Development Services Group.

**ATTACHMENTS**

- 1) Corporate Services Group report.
- 2) Facilities & Services Group report.
- 3) General Manager's Office Group report.

**COUNCILLORS ROOM**

Nil.

**TABLED DOCUMENTS**

Nil.

**ITEM 3 - ATTACHMENT 1 CORPORATE SERVICES GROUP REPORT.**


<b>Outstanding</b>	<b>Division:</b>	Corporate Services	<b>Date From:</b>	26/09/2017
<b>Action Sheets</b>			<b>Date To:</b>	22/10/2019
<b>Report</b>			<b>Printed:</b>	Monday, 4 November 2019

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 27/03/2018	Meyn, Janet	COMPULSORY ACQUISITION OF AN EASEMENT FOR ACCESS OVER PART OF 6 GOVERNMENT ROAD, SHOAL BAY	31/12/2019	28/03/2018	
13 066		Foster, Carmel				18/66656
1 November 2019 – Waiting for an update from the Office of Local Government.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 26/06/2018	Foster, Carmel	RECLASSIFICATION OF 109 FORESHORE DRIVE, SALAMANDER BAY	10/12/2019	27/06/2018	
2		Foster, Carmel				18/138953
18 October 2019 – Matter to be brought back to Council in December 2019. No action until then.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 10/07/2018	Meyn, Janet	398 CABBAGE TREE ROAD, WILLIAMTOWN	31/12/2019		
2 221		Foster, Carmel				18/151411
1 November 2019 – Lessee has executed documents. Documents are now with Council for execution.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 14/08/2018	Meyn, Janet	Proposed Partial Road Closure - The Close, Raymond Terrace for future Development of Terrace Central Shopping Centre	24/12/2019	15/08/2018	
1 254		Foster, Carmel				18/179364
1 November 2019 – Sale of the closed road to the adjoining land owner is progressing.						

**ITEM 3 - ATTACHMENT 1 CORPORATE SERVICES GROUP REPORT.**


<b>Outstanding</b>	<b>Division:</b>	<b>Corporate Services</b>	<b>Date From:</b>	<b>26/09/2017</b>
			<b>Date To:</b>	<b>22/10/2019</b>
<b>Action Sheets Report</b>			<b>Printed:</b>	<b>Monday, 4 November 2019</b>

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 12/02/2019	Meyn, Janet	King Street, Raymond Terrace Easements	31/05/2020	14/02/2019	
3		Foster, Carmel				19/39843
1 November 2019 – Discussions underway with the Office of Local Government about what additional information is required.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 26/02/2019	Meyn, Janet	PLANNING PROPOSAL FOR BOOMERANG PARK	31/12/2019	27/02/2019	
1		Foster, Carmel				19/54534
1 November 2019 – Property Services is continuing to investigate options for the site.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 14/05/2019	Meyn, Janet	DEBT RECOVERY	24/12/2019	15/05/2019	
1		Foster, Carmel				19/136619
099						
1 November 2019 – Debt recovery is underway.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 28/05/2019	Meyn, Janet	PROPOSED ACQUISITION OF FORMER FIRE STATION SITE - 51 WILLIAM STREET, RAYMOND TERRACE	31/03/2020	29/05/2019	
5		Foster, Carmel				19/148388
109						
1 November 2019 – Property Services is currently reviewing draft Gazette.						

**ITEM 3 - ATTACHMENT 1 CORPORATE SERVICES GROUP REPORT.**


<b>Outstanding</b>	<b>Division:</b>	Corporate Services	<b>Date From:</b>	26/09/2017
<b>Action Sheets</b>			<b>Date To:</b>	22/10/2019
<b>Report</b>			<b>Printed:</b>	Monday, 4 November 2019

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 28/05/2019	Meyn, Janet	COMPULSORY ACQUISITION OF PART OF VICTORIA PARADE RESERVE NELSON BAY FOR ROAD PURPOSES	30/06/2020	29/05/2019	
6		Foster, Carmel				19/148388
110						
1 November 2019 – A status update from the Office of Local Government has been requested.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 11/06/2019	Meyn, Janet	Naming of Reserve - Bower Reserve, Medowie	29/11/2019	12/06/2019	
3		Foster, Carmel				19/160026
121						
1 November 2019 – The application has been lodged with the Office of Local Government. The Property Team is following statutory process for naming of reserves.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 9/07/2019	Meyn, Janet	Sale of 2 Jessie Road, Anna Bay (formerly Anna Bay Oval)	30/11/2019		
1		Foster, Carmel				19/186501
158						
1 November 2019 – Purchasers have executed the contract. The contract is now with Council for execution.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 23/07/2019	Meyn, Janet	GRANT OF EASEMENTS IN FAVOUR OF AGL - PUNT ROAD, TOMAGO	24/12/2019		
7		Foster, Carmel				19/200498
169						
1 November 2019 – Property Services awaiting formal documentation from AGL.						

**ITEM 3 - ATTACHMENT 1 CORPORATE SERVICES GROUP REPORT.**


<b>Outstanding</b>	<b>Division:</b>	<b>Corporate Services</b>	<b>Date From:</b>	<b>26/09/2017</b>
			<b>Date To:</b>	<b>22/10/2019</b>
<b>Action Sheets Report</b>			<b>Printed:</b>	<b>Monday, 4 November 2019</b>

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 27/08/2019	Hazell, Tim	COMMUNITY PROJECTS FUND - FRIENDS OF TOMAGO HOUSE	5/11/2019		
11 208		Foster, Carmel				19/238998
29 October 2019 – Finance Officer-Grants is awaiting update from Friends of Tomago House.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 24/09/2019	Meyn, Janet	PCYC LEASE - 42 WILLIAM STREET, RAYMOND TERRACE	31/12/2019	25/09/2019	
5 165		Foster, Carmel				19/321198
1 November 2019 – Amended lease has been prepared by Council's Lawyers and sent to Lessee for review.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 8/10/2019	Meyn, Janet	POLICY REVIEW: ROAD NAMING & ADDRESSING GUIDELINES	29/11/2019	9/10/2019	
3 184		Foster, Carmel				19/331292
1 November 2019 – Policy is on public exhibition.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 8/10/2019	Meyn, Janet	EASEMENT TO DRAIN WATER - KINGSLEY DRIVE AND CORYULE STREET, BOAT HARBOUR	24/12/2019	9/10/2019	
1 191		Foster, Carmel				19/331292
1 November 2019 – Property is proceeding with all Land Owners.						



**ITEM 3 - ATTACHMENT 2 FACILITIES & SERVICES GROUP REPORT.**


<b>Outstanding</b>	<b>Division:</b>	<b>Facilities &amp; Services</b>	<b>Date From:</b>	<b>26/09/2017</b>
<b>Action Sheets</b>			<b>Date To:</b>	<b>22/10/2019</b>
<b>Report</b>			<b>Printed:</b>	<b>Monday, 4 November 2019</b>

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 13/02/2018	Maretich, John	SPORTS GROUND IRRIGATION SYSTEMS	28/04/2020	14/02/2018	
2		Kable, Gregory				18/32353
026						
24 October 2019 - This will be reported back to Council as part of the Strategic Asset Management Plan.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 27/03/2018	Sutton, Brad	Lease of grounds of 43, 45, 47 and 47A Tanilba Avenue Tanilba Bay (Lot 238, Lot 270 and Lot 271 DP753194, Lot 342 DP704442) to Calvary Retirement Communities Hunter-Manning Limited ACN 102625212.	28/02/2020	28/03/2018	
14		Kable, Gregory				18/66656
067						
24 October 2019 - Once approval from Crown Lands comes through it then has to go to both the Worimi Land Council and the NSW Local Aboriginal Council as both have land claims on this parcel of land.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 10/04/2018	Maretich, John	BOBS FARM DRAINAGE	31/12/2020	11/04/2018	
2		Kable, Gregory				18/75830
084						
24 October 2019 - Currently examining funding options to determine if Council can adopt these as public assets.						

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 9/07/2019	Maretich, John	ROCK REVETMENT AT KANGAROO POINT, SOLDIERS POINT	31/07/2020		
2		Kable, Gregory				19/186501
155						
24 October 2019 - Council staff will seek to identify grant funding opportunities for this project.						

**ITEM 3 - ATTACHMENT 2 FACILITIES & SERVICES GROUP REPORT.**



<b>Outstanding</b>	<b>Division:</b>	<b>Facilities &amp; Services</b>	<b>Date From:</b>	<b>26/09/2017</b>
			<b>Date To:</b>	<b>22/10/2019</b>
<b>Action Sheets Report</b>			<b>Printed:</b>	<b>Monday, 4 November 2019</b>

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 24/09/2019	Maretich, John	PSC2020 Proposed Community Projects - Central Ward Amendment	30/11/2019	25/09/2019	
8 168		Kable, Gregory				19/321198
24 October 2019 - On public exhibition until 30 October 2019. Currently we have received 2 submissions, a further report will go to Council once the public exhibition period has closed						

ITEM 3 - ATTACHMENT 3 GENERAL MANAGER'S OFFICE GROUP REPORT.



<b>Outstanding</b>	<b>Division:</b>	General Manager's Office	<b>Date From:</b>	26/09/2017
<b>Action Sheets</b>			<b>Date To:</b>	22/10/2019
<b>Report</b>			<b>Printed:</b>	Monday, 4 November 2019

Type	Meeting	Officer/Director	Subject	Est. Compl.	Emailed	Completed
Report	Ordinary Council 10/09/2019	Wickham, Tony	WARD BOUNDARY REVIEW	30/11/2019		
5		Wallis, Wayne				19/307531
222						
1 November 2019 - Public exhibition commenced following approval from NSW Electoral Commission.						

# NOTICES OF MOTION

**NOTICE OF MOTION**

**ITEM NO. 1**

**FILE NO: 19/348548  
EDRMS NO: PSC2017-00019**

**STATE GOVERNMENT INFRASTRUCTURE CONTRIBUTIONS**

**COUNCILLOR: JOHN NELL**

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**THAT COUNCIL:**

- 1) Submit a motion to Local Government NSW to be debated at its next conference that State Government public authorities and the Crown are liable for the same local infrastructure contributions as any other developer.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>213</b>	<b>Councillor Steve Tucker Councillor Sarah Smith</b>  It was resolved that Council submit a motion to Local Government NSW to be debated at its next conference that State Government public authorities and the Crown are liable for the same local infrastructure contributions as any other developer.
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**BACKGROUND REPORT OF: STEVEN PEART– STRATEGY AND  
ENVIRONMENT SECTION MANAGER**

**BACKGROUND**

State Government public authorities and the Crown pay local infrastructure contributions to local councils only by agreement in some circumstances.

In some instances the State have paid local infrastructure contributions, or paid a reduced rate. Reduced rates and discounts have sometimes been applied where State Government departments have policies requiring the infrastructure they build to be made available for the local community. For example, NSW Education have a policy that public schools should be available for community use <https://education.nsw.gov.au/policy-library/policies/community-use-of-school-facilities>.

When a council seeks to impose a condition of consent (including conditions requiring local infrastructure contributions) on a Crown development application, the applicant (or the relevant State Government Minister) must first approve the condition.

**ATTACHMENTS**

Nil.

**NOTICE OF MOTION****ITEM NO. 2****FILE NO: 19/348583  
EDRMS NO: PSC2017-00019****FUNDING FOR KEY COMMUNITY EVENTS****COUNCILLOR: JOHN NELL**

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**THAT COUNCIL:**

- 1) Request the General Manager to provide a report to Council on the annual allocation of funding for key community events including, but not limited to:
- Carols by Candlelight.
  - Australia Day.
  - ANZAC Day.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>214</b>	<b>Councillor Steve Tucker Councillor Sarah Smith</b>  It was resolved that Council request the General Manager to provide a report to Council on the annual allocation of funding for key community events including, but not limited to: <ul style="list-style-type: none"><li>• Carols by Candlelight.</li><li>• Australia Day.</li><li>• ANZAC Day.</li></ul>
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**BACKGROUND REPORT OF: STEVEN PEART - STRATEGY AND  
ENVIRONMENT SECTION MANAGER****BACKGROUND**

Port Stephens Council provides sponsorship to events through financial or in kind support. Community groups can apply to Council through the following funding streams:

Funding Stream	Criteria
Event sponsorship.	Attract visitors, drive economic benefit and align to destination branding strategies.

## MINUTES ORDINARY COUNCIL - 12 NOVEMBER 2019

Funding Stream	Criteria
Grant programs.	Specific criteria for community projects, cultural projects or environmental projects is outlined as part of the grant application process. Events that meet these criteria are able to apply for these funds.
Mayoral funds and Ward funds.	Provide financial assistance for requests from the community from time to time. Community events are able to apply for these funds.

Funding for Australia Day, Tomaree Carols by Candlelight and Anzac Day have been funded as follows:

### Australia Day

Australia Day activities are coordinated via a 355C committee of Council which includes representatives from each Australia Day organising group. Council provides annual funding to Nelson Bay, Raymond Terrace, Tilligerry and Karuah Australia Day events. Council has also provided support to help these committees seek private sponsorship for Australia Day events.

### Tomaree Carols by Candlelight

This event is managed by the Combined Churches of Port Stephens. Coordination of the event is shared between the various churches and the nominated church then applies for Ward funds or Mayoral funds to support this activity. There is no alternate budget allocation for sponsorship of this event.

### Anzac Day

Council does not currently provide funding for Anzac Day activities however extensive support is provided via in kind resources in relation to traffic management and road closures, public domain services and media and public relations.

## ATTACHMENTS

Nil.



**NOTICE OF MOTION**

**ITEM NO. 3**

**FILE NO: 19/351570  
EDRMS NO: PSC2017-00019**

**SHORT TERM RENTAL ACCOMMODATION**

**COUNCILLOR: JOHN NELL**

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**THAT COUNCIL:**

- 1) Write to the Minister of Planning, Industry and Environment and the Minister for Customer Service to:
    - a. Support the draft State Environmental Planning Policy (Short-Term Rental Accommodation) 2019, including:
      - i. That Short Term Rental Accommodation (STRA) not be exempt development if more than 2 persons/bedrooms or 12 persons per dwelling (whichever is the lesser) are accommodated; and
      - ii. That STRA not be exempt development if a dwelling is let to unrelated parties at one time.
    - b. Request that the policy be amended to restrict outdoor use of STRA after 10pm; and
    - c. Request that the draft policy be introduced prior to the Christmas Holiday period.
- 

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>215</b>	<p><b>Councillor Ken Jordan</b> <b>Councillor Paul Le Mottee</b></p> <p>It was resolved that Council write to the Minister of Planning, Industry and Environment and the Minister for Customer Service to:</p> <ol style="list-style-type: none"><li>a. Support the draft State Environmental Planning Policy (Short-Term Rental Accommodation) 2019, including:<ol style="list-style-type: none"><li>i. That Short Term Rental Accommodation (STRA) not be exempt development if more than 2 persons/bedrooms or 12 persons per dwelling (whichever is the lesser) are accommodated; and</li><li>ii. That STRA not be exempt development if a dwelling is let to unrelated parties at one time.</li></ol></li><li>b. Request that the policy be amended to restrict outdoor use of STRA after 10pm; and</li><li>c. Request that the draft policy be introduced prior to the Christmas Holiday period.</li></ol>
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**BACKGROUND REPORT OF: STEVEN PEART – STRATEGY AND ENVIRONMENT SECTION MANAGER**

**BACKGROUND**

The NSW Government prepared reforms to Short Term Rental Accommodation (STRA) in 2018. Currently STRA is regulated by Council under the Port Stephens Local Environmental Plan 2013.

The State Government reforms seek to:

- Allow short term holiday letting where a host is present on the site for 365 days a year without approval, subject to a property meeting safety standards.
- Require un-hosted holiday letting on bushfire prone land or on flood control lots to obtain a complying development certificate.
- Prohibit any holiday letting on high risk bushfire prone land.
- Introduce a Code of Conduct for hosts and guests which will be enforced by Fair Trading NSW.

All holiday letting will be required to meet new safety standards, such as for maximum occupancy and smoke alarms.

Port Stephens Council made a submission on the Short Term Rental Accommodation reforms during the exhibition period in September 2019. Council has engaged with the NSW Department of Planning Industry and Environment on the reforms since 2018, including participating in conferences with other Hunter councils and contributing to the submissions prepared by Local Government NSW.

**ATTACHMENTS**

Nil.

# CONFIDENTIAL ITEMS

In accordance with Section 10A, of the Local Government Act 1993, Council can close part of a meeting to the public to consider matters involving personnel, personal ratepayer hardship, commercial information, nature and location of a place or item of Aboriginal significance on community land, matters affecting the security of council, councillors, staff or council property and matters that could be prejudice to the maintenance of law.

Further information on any item that is listed for consideration as a confidential item can be sought by contacting Council.

## ORDINARY COUNCIL MEETING – 12 NOVEMBER 2019 MOTION

<b>216</b>	<b>Councillor Ken Jordan</b> <b>Councillor Steve Tucker</b> It was resolved that Council move into confidential session.
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The following Council officers were present for the Confidential Session:

Strategy and Environment Section Manager  
Digital Marketing and Social Media Officer

**CONFIDENTIAL**

**ITEM NO. 1**

**FILE NO: 19/329321  
EDRMS NO: PSC2016-02360**

**SALE OF PART 13 SCHOOL DRIVE, TOMAGO**

REPORT OF: JANET MEYN - PROPERTY SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>217</b>	<p><b>Councillor Ken Jordan</b> <b>Councillor Steve Tucker</b></p> <p>It was resolved that Council:</p> <ol style="list-style-type: none"><li>1) Approve the sale of 13 School Drive, Tomago shown in black on <b>(ATTACHMENT 1)</b>, on the confidential terms and conditions disclosed in this report.</li><li>2) Authorise the General Manager to negotiate variations to contract conditions as required, excluding the sale price of the lots.</li><li>3) Authorise the Mayor and General Manager to affix the Council Seal and sign all documents necessary to register the plan of subdivision, exchange contracts and settle the three transactions.</li></ol>
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**CONFIDENTIAL**

**ITEM NO. 2**

**FILE NO: 19/331971  
EDRMS NO: PSC2016-00955**

**SALE OF PART 9B DIEMARS ROAD, SALAMANDER BAY**

REPORT OF: JANET MEYN - PROPERTY SERVICES SECTION MANAGER  
GROUP: CORPORATE SERVICES

**ORDINARY COUNCIL MEETING - 12 NOVEMBER 2019  
MOTION**

<b>218</b>	<b>Councillor Steve Tucker Councillor Paul Le Mottee</b>  It was resolved that Council defer confidential Item No. 2 pending a two way conversation with Council.
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**ORDINARY COUNCIL MEETING – 12 NOVEMBER 2019**  
**MOTION**

<b>219</b>	<b>Councillor Steve Tucker</b> <b>Councillor Ken Jordan</b>  It was resolved that Council move out of confidential session.
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There being no further business the meeting closed at 6.08pm.