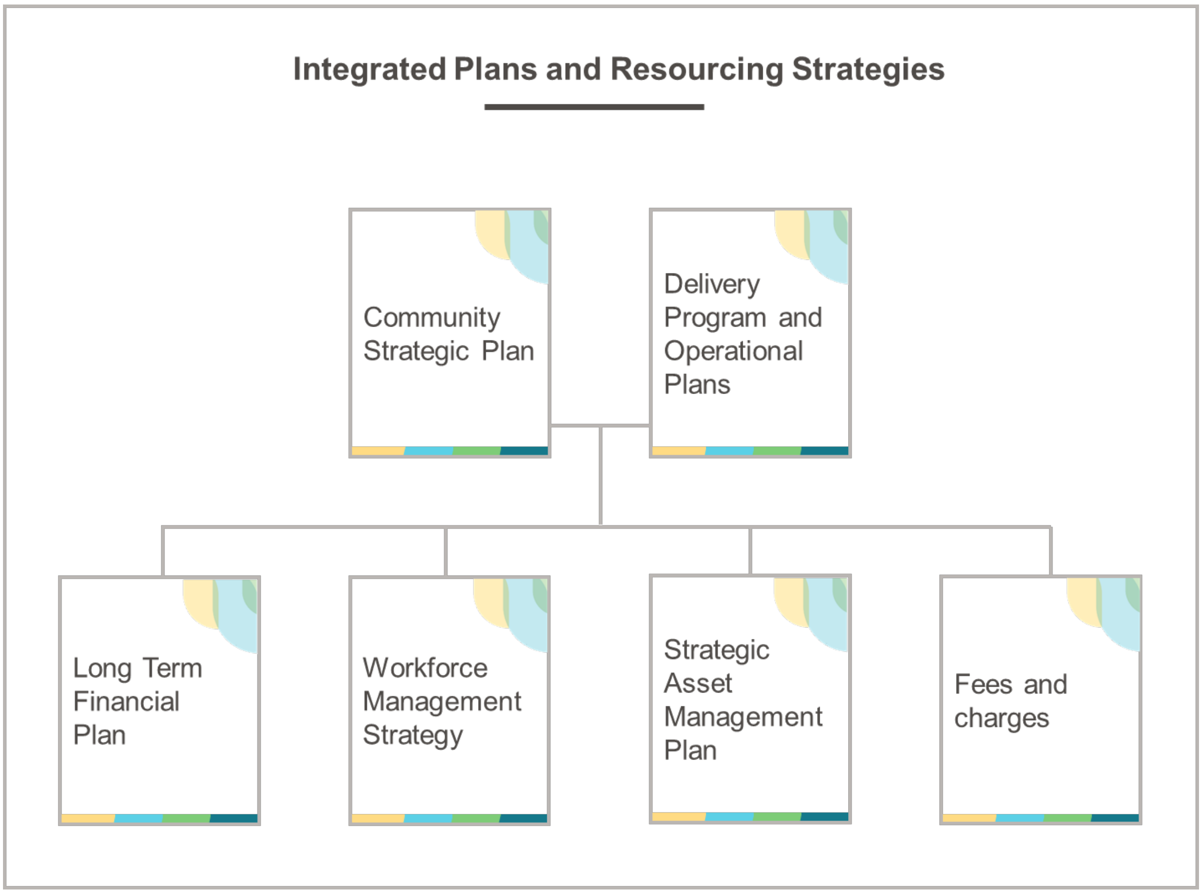
Resourcing Strategy

2023 to 2033

Rate rise options

Revised for a Special Rate Variation



Port Stephens Council has prepared this plan on behalf of the Port Stephens community and would like to thank the residents, community groups, business and government representatives who provided input into the plan.

The Resourcing Strategy has been prepared in accordance with Section 403 of the Local Government Act 1993.

Acknowledgement

We acknowledge the Worimi as the original Custodians and inhabitants of Port Stephens.

May we walk the road to tomorrow with mutual respect and admiration as we care for the beautiful land and waterways together.

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Message from the General Manager

Our Place. Our Plan. Our Future can only happen with appropriate and dedicated resources. True integrated planning involves translating community vision, needs and priorities into a tangible and workable program that's within our resource capacity – it's a fine balance of managing sustainable assets, finance and workforce.

In formulating the 2022 to 2026 Delivery Program and 2023 to 2024 Operational Plan, Council has assessed what is realistic and affordable. The past 2 years of natural disasters and COVID-19 have significantly impacted our resources, with extra works needed to rehabilitate our assets and running our budgets tight with revenue down and costs up.

Now is the time for us to reassess what we can reasonably deliver given the events of the past determining our current position. Our long term planning goes beyond the Council term. The decisions we make at this critical time will have long-lasting implications and will safeguard our future.

Our planning and decision making is being driven by hard data collated from the 2020 Liveability Index Survey and reports independently commissioned by Council to review our financial sustainability. One of the reports (outlined further in the Long Term Financial Plan) looked at the efficiency of Council and confirmed that ratepayers can be assured Council is providing "good value for money".

The independent reports confirmed that prudent financial management is being exercised by Council, but that the impacts of COVID-19 and other natural disasters are having an ongoing and significant financial impact– affecting ongoing financial sustainability, which needs to be addressed. Addressing the financial sustainability gap needs to be coordinated at various levels and includes steering away from our reliance on commercial income and not taking on additional debt.

With many competing priorities across Council, the aim of asset management is to find the balance between providing a satisfactory (or above) service to the community and managing an asset with financial and risk responsibility. Previous targets have aimed at having more assets with Near Perfect condition ratings, but in some cases, this isn't financially responsible or possible.

So far, our funding strategies provide a solid foundation with a high proportion of our assets in good or better quality. The pandemic however has severely changed the open market and an increase in the cost of materials and external labour has resulted in the need for more funds to maintain our assets. Without an increase in funds, our asset quality will deteriorate quickly.

This is why Council is having discussions with our community regarding our financial position and long-term financial sustainability. Council is proposing to address this issue in the form of increases in our non-rate and rate income as well as continuing to make savings through our regularly and extensive service review program.

Proposing a Special Rate Variation is not a decision we have rushed into but one we believe is a proactive and imperative part of addressing our forecast budget shortfall and ensuring long-term financial sustainability.

At Port Stephens Council we're dedicated to meeting the present and future needs of our community in a cost-effective, accountable and collaborative way.

Tim Crosdale

Tim Crosdale, General Manager

Attachment B – Long Term Financial Plan

IP&R Framework

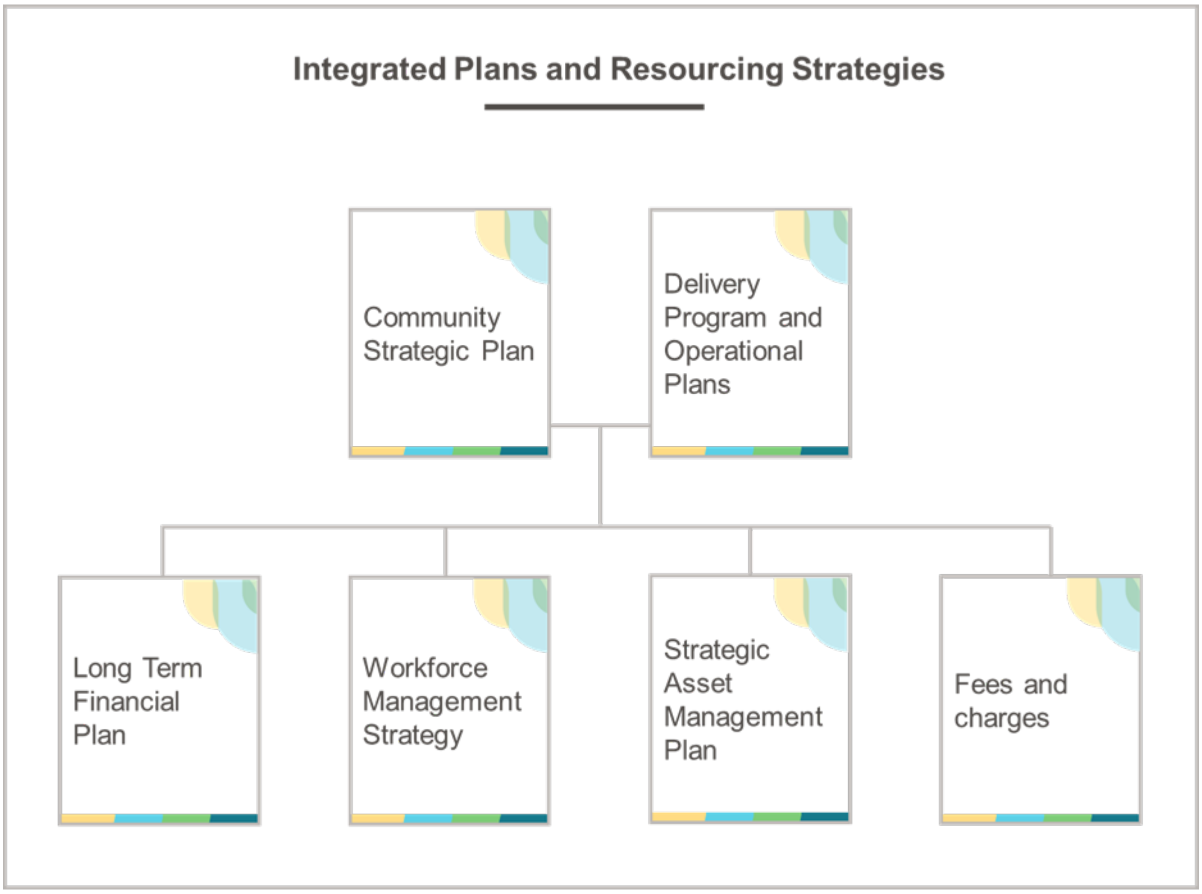
PORT STEPHENS COUNCIL

Long Term Financial Plan

2023 to 2033

Rate rise options

Revised for a Special Rate Variation



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The Long Term Financial **Plan** has been prepared in accordance with Section 403 of the Local Government Act 1993.

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Executive Summary

The Long Term Financial Plan 2022-2032 (LTFP) aligns the long term aspirations and goals of the Community Strategic Plan (CSP) with Council's financial ability to deliver these ambitions.

It provides a robust yet dynamic framework in which Council can review and assess its financial sustainability in conjunction with its core functions and responsibilities. The LTFP contains a set of long range financial projections based on a set of assumptions. It covers a 10 year period from 2023-2024 to 2032-2033.

At its meeting on the 13 September 2022, Council resolved to develop the revised integrated and planning documents including the LTFP. This iteration of the LTFP is to model and inform residents on the outcomes of the three financial scenarios based on the extensive engagement conducted surrounding financial sustainability. Two scenarios are inclusive of a special rate variation.

A special rate variation would see council submit an application to the Independent Pricing and Regulatory Tribunal IPART and if approved rate income would increase above the anticipated rate cap set by IPART. Council's key purpose for applying for a special rate variation would be financial sustainability. The increased income raised by a Special Rate Variation would be used to eliminate forecasted shortfalls, covering the rising costs associated with delivering planned services to our community. This would mean council will be able to fund and meet community expectations as outlined in the Community Strategic Plan (CSP), Delivery Program (DP) and Operational Plan (OP).

A summary of each scenario is as follows:

The future sustainability of Council is dependent upon generating sufficient funds to meet the costs of maintaining and renewing assets to deliver services.

Base Scenario - State imposed rate cap

In this scenario, income budget parameters are set at state imposed levels of the rate-capping regime. IPART announced the 2023-2024 rate cap for Port Stephens to be 4.4% and then to resume at 2.5% for the remainder of the plan. The outcome is that Council would not generate sufficient funds to continue providing current service levels or renew its assets when required. Council will not be financially sustainable and we will look at reducing or ceasing services. This scenario would result in annual operating shortfalls if no corrective action occurred.

Single year Scenario – Special Rate Variation - 26% for a single year (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 26% for a single year. After which rate capping would be re-instated at 2.5%. Council would repair the budget in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the majority of the life of the plan and would see a steep injection of additional funds in the first year of the SRV. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment. An annual operating surplus is achieved under this scenario.

Reduced Independent Recommendation Scenario – Special Rate Variation - **A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years** (inclusive of the rate cap)

Under this scenario, as a result, of an approved special rate variation for 9.5% for a three-year period, being a cumulative increase of 31.29%. After which rate capping would be re-instated at 2.5%. Council would break even in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the entirety of the plan. It would see a slow growth of additional funds over the three-year period of the SRV. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

Assumptions for each respective scenario are for financial modelling purposes, Council endorsement and the necessary legislative approvals are required before implementation.

The main assumptions used for each scenario is as follows:

INCOME	Base Scenario Rate Cap	Single Year 26% one year	Reduced Independent 31.29% Cumulative 9.5% for three years
Rates			
Pegging factor applied	4.40%	26.00%	9.50%
Ongoing peg factor beyond 2023/2024	2.50%	2.50%	9.50% until 2026 2.50% beyond 2027
New annual rates assessment	150	150	150
User fees and charges *5% 23/24 for non-statutory	2.50%	2.50%	2.50%
Operating grants and Contributions Annual factor	1.00%	1.00%	1.00%
Other			
Cash investment returns	2.00%	2.50%	2.50%
Other income	1.00%	2.00%	2.50%
Rental income	1.00%	1.00%	1.00%
Airport dividend – unknown return Any dividend received to be held in the financial sustainability & resilience fund.	Nil	Nil	Nil

EXPENSES	Base Scenario	Single Year	Reduced Independent Recommendation
Salaries and allowances	2.25%	2.25%	2.25%
Materials and contracts			
2024	6.00%	6.00%	6.00%
2025	4.50%	4.50%	4.50%
2026 - beyond	3.50%	3.50%	3.50%
Other expenses	2.50%	2.50%	2.50%
Services levels	Reduction required	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding

PROJECTED RESULT $'000	Base Scenario	Single Year Scenario	Reduced Independent Recommendation
2022-2023 (Current)	(1,122)	(1,122)	(1,122)
2023-2024	(1,981)	1,376	463
2024-2025	(3,361)	1,557	1,407
2025-2026	(4,303)	1,289	1,386
2026-2027	(6,721)	1,598	1,449
2027-2028	(7,735)	1,109	1,512
2028-2029	(8,697)	1,582	1,596
2029-2030	(9,982)	1,912	1,590
2030-2031	(11,365)	1,103	1,473
2031-2032	(12,421)	651	1,024
2032-2033	(13,686)	12	390

1. Introduction

1.1 Purpose of the Long Term Financial Plan (LTFP)

The LTFP is a critical document that forms part of the NSW Government's Integrated Planning and Reporting (IP&R) framework required for all of local government. It is one of a number of resourcing strategies that also includes the Strategic Asset Management Plan (SAMP) and the Workforce Management Strategy. These documents show how a council will deliver the community aspirations as outlined in the Community Strategic Plan (CSP) and spelt out in the Delivery Program and Operational Plans.

Council’s key objective when managing its financial resources is to remain financially sustainable and demonstrate our long term capacity to deliver the strategic objectives in the CSP, Delivery Program and Operational Plans.

The LTFP must:

- project financial forecasts for the Council for at least ten years;
- inform Council's decision-making during the finalisation of the CSP, development of the Delivery Program, delivery of priorities outlined in the SAMP; and
- be updated annually as part of the development of the Operational Plan.

Council’s LTFP needs to ensure financial sustainability for Council and demonstrate our long term capacity to deliver the strategic objectives in the Community Strategic Plan, Delivery Program and Operational Plans.

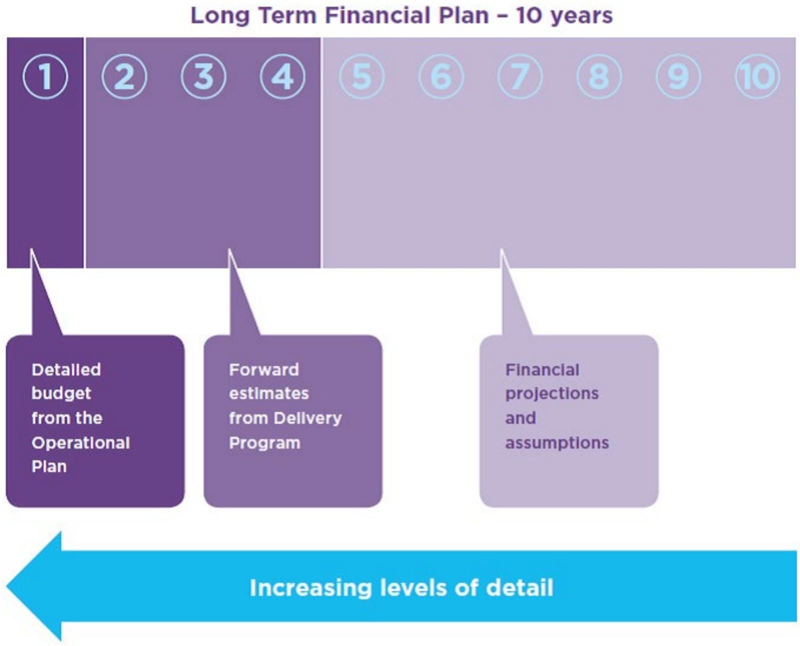
The LTFP must be structured to include the following:

- projected income and expenditure, statement of financial position and cash flow statement;
- planning assumptions that were used in the Plan’s development;
- a sensitivity analysis which highlights the factors and assumptions most likely to impact on the Plan;
- financial modelling for at least three different scenarios, eg the planned scenario, an optimistic scenario and a conservative scenario; and
- methods of monitoring financial performance.

It is essential the LTFP adopted by Council provides a level of certainty to the community regarding Councils financially sustainable, but also demonstrates:

- an acceptable balance of meeting community expectation;
- sound financial management;

- the achievement of strategic objectives within any rate increases;
- outcomes that are clear and measurable; and
- have community and Council support.



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

- Establish a prudent and sound financial framework, combining and integrating financial strategies to achieve a planned outcome;
- Establish a financial framework against which Council's strategies, policies, and financial performance can be measured;
- Ensure that Council complies with sound financial management principles and plans for the long term financial sustainability of Council; and
- Enable Council to carry out its functions in a way that facilitates local communities to be strong, healthy and prosperous (Section 8B of the Local Government Act 1993).

This LTFP represents a comprehensive development of long term financial projections by documenting and integrating the various financial strategies of Council. When combined, it produces the financial direction of Council as shown in the following diagram:

1.2 Objectives and Preferred Outcomes

The objectives of this LTFP are:

- An increased ability to fund asset renewal requirements;
- An enhanced funding level for capital works in general;
- Maintenance of Council's financial sustainability in the long term;
- Incorporation of rate and fee increases that are both manageable, sustainable and politically acceptable;
- Inclusion of investment and funding strategies which promote intergenerational equity;
- Demonstration of Council's ability to be Fit For The Future;
- Demonstration that external conditions are considered; eg changes in interest rates and population growth; and
- Thorough financial modelling to consider all financial alternatives.

Preferred Outcomes:

In preparing the LTFP, each of the above objectives has been addressed to achieve the following outcomes.

- aspirational financial sustainability goals that will see Council increase resilience to external shocks.
- reducing the infrastructure backlog to ensure Council infrastructure is maintained at a satisfactory level;
- achieving a financial structure where new assets or existing asset renewal needs are met from the base operating income of Council; and
- retention of service provision at present levels.

1.3 Financial Challenges

The challenge of financial sustainability is one faced by the majority of NSW councils and Port Stephens Council is not immune from this issue. Some of the financial challenges affecting Council over the last few years include:

- significant increases in utility prices (phone, water and electricity);
- increase in the Construction Industry Output Price Indexes;
- state and Federal Government cuts to operating grants and subsidies
- state and Federal Government cost shifting and increased compliance tasks;
- reduced investment income as a result of continued low interest rates;
- successive rate caps below labour market increases.
- service restrictions due to COVID-19 are revenue streams are down and costs up. This has highlighted Council's commercial risks.
- increasing impacts of natural disasters and weather events

Despite these challenges Council has previously been successful in developing strategies to remain financially sustainable. These strategies include:

- implementation of a Treasury model across each Group within Council;
- a rolling services review across all areas of Council; and
- ensuring adequate funding strategies are in place and adhered to
- growing non rate revenue streams
- rationalising of land assets and commercial development

Council is committed to being financially sustainable. This requires Council to take a holistic approach to balance its resources. Key steps taken by Council to address the unprecedented times it finds itself in include

- establishment Financial Sustainability Project Control Group
- establishment of the Financial Sustainability & Prosperity Fund
- set aspirational financial sustainability goals
- sought independent advice confirming internal data analysis and forecasts of Council's financial position

1.4 Sensitivity analysis

Long term financial plans are inherently uncertain given the lengthy period of time which they are required to cover and the assumptions that are required to be made. Some of these assumptions have a relatively limited impact if they are incorrect; others can have a major impact on future financial plans. The three scenarios within the LTFP allow Council to model the potential impact of various assumptions and is a critical management tool.

Quarterly Budget Reviews provide the ability to regularly monitor the LTFP forecasts against actual activity, update assumptions and make amendments that have a permanent impact on the Plan. Council also reviews and updates relevant sections and projections of the Long Term Financial Plan on an annual basis.

1.5 Key Assumptions

The LTFP and the financial models are based on a number of key assumptions.

Rate Increases

Council is subject to an annual rate-capping regime to be determined by The Independent Pricing and Regulatory Tribunal (IPART) each year and as such, IPART has announced the 2023-2024 rate cap for Port Stephens is 4.4%. IPART continues to instruct Councils to assume a rate cap increase of 2.5% when preparing their Long Term Financial Plan (LTFP) and upcoming financial year budgets.

This iteration of the LTFP incorporates two scenarios of SRV. Both SRV scenarios are inclusive of the rate cap for Port Stephens.

- **Single Year Scenario** – A 26% increase for a single year, being 2023-2024 only.

- **Reduced Independent Recommendation Scenario -** A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years 2023-2024 to 2025-2026.

Council is proposing that the increase be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the State Government and rates will not be reduced to pre-SRV levels.

Certainty of Revenue Streams

Projections of revenue streams over the next ten years are based on historic trends, planned pricing methodologies, known and recurrent grants, current statutory prices and the assumption of the continuation of annual rate capping. Pricing methodologies are aimed to provide services in a sustainable manner, with the community's capacity to pay taken into consideration.

Due to the level of support received from the Financial Assistance Grant (FAG) program, any reduction in the overall available funds for distribution is likely to result in a diminished allocation to Council. This will have a direct impact on the level of works able to be delivered by Council.

A major risk contained within the LTFP for the Standard and Strategic scenarios relates to the assumed 2.5% rate cap limit for years 2 to 10. A 0.5% reduction, will have an impact of approximately $300K in revenue. This in turn will have a significant impact on the services and asset management functions that can be delivered.

None of the modelling includes land sales or royalties. This is due to the uncertainty of market expectations. If these transactions do occur they are adjusted for via the QBR process or in the baseline year which the LTFP is projected from.

Accuracy of Expenditure Estimates

Projections of operating expenditure over the next ten years is based on a combination of CPI assumptions, specific increases and one-off expenditure where known. In the case of infrastructure maintenance costs, expenditure required to maintain service levels is based on asset management projections. Capital expenditure estimates mainly relate to infrastructure renewal, based on the service levels required and Council's current asset condition data.

With the ongoing impacts of COVID-19 there is increased uncertainty of expenditure estimates. If any of the assumptions in relation to the projected expenditure vary, then Council has the opportunity to modify service provision and asset management practices in order to recover any negative impacts.

2. Other Resourcing Strategies

2.1 Workforce Management Strategy

As employment costs are a large proportion of Council's operational expenditure, effective workforce planning and management is critical to long term financial sustainability.

The Workforce Management Strategy establishes Council's human resource hierarchy which informs the required level of employment remuneration in the LTFP. Council delivers a diverse range of more than 300 services which have been grouped into discrete service packages. They are delivered under the following organisation structure:

- Corporate Services Group responsible for internal service provision;
- Development Services Group responsible for enabling balanced growth;
- Facilities and Services Group responsible for external service delivery; and
- General Manager's Office responsible for provision of strategic leadership and governance.

In addition, the Workforce Management Strategy outlines a number of strategies that Council has or will implement in order to meet the challenges of providing appropriately qualified staff for today and the future.

Base Scenario

At the current levels of our workforce, reducing services would more than likely translate to reducing staff. This is not ideal but would be necessary to return to a balanced budget. As with services, Council would not and is unable to reduce our workforce immediately. What this does mean, is that staff levels would not increase with service delivery demand and overtime positions that become vacant may not be filled. Given the diversity of the services we deliver, natural attrition through not filling vacancies is both unstainable and unsafe as we are not able to redistribute the staff due the vast differences in skills and experience needed to deliver our 60 services. The level of service in which our workforce provides to the community would therefore be reduced.

Special Rate Variation Scenarios

The proposed special rate variations are to eliminate budget shortfalls by funding planned services, activities and actions outlined in the CSP, DP and OP. It would mean council’s current workforce would remain at the right level to deliver the services required and be in line with good practice service delivery models. Council would ensure any enhanced services are achieved in line with our current standard of delivery either through our workforce or works contracted out. Council’s workforce would remain highly engaged and committed to delivering services valued by our community in the best possible way.

2.2 Strategic Asset Management Plan

Council is responsible for a large and diverse asset base. These assets include roads, bridges, footpaths, drains, libraries, childcare centres, halls, parks, sporting facilities, fleet, land and information communication technology-related assets.

Council's Strategic Asset Management Plan (SAMP) is a comprehensive record of Council's asset maintenance, renewal and construction of new infrastructure. It aims to prioritise works according to key factors such as asset condition and safety, community priority and efficient service delivery. The LTFP is dependent on information provided in the SAMP to develop long term financial plans to deliver actions articulated in the SAMP.

Over time, Council has greatly increased its assets, which has consequently increased its depreciation, operation and maintenance costs and contributed to the ageing asset base. Infrastructure assets are a significant part of Council's operations with depreciation alone accounting for around 14-15% of Council’s annual operating budget.

The financial modelling suggests that the SAMP would affect each scenario as follows:

Base Scenario

It would be unsustainable for Council to continue to operate with annual operating shortfalls. To address this Council would look to reduce services to the community to balance the budget. As part of those efforts, the overall current condition of our assets would decrease. This would mean the levels and timeliness at which we maintain, renew and construct new infrastructure would be reduced. Over 90% of Council’s assets currently sit in a condition rating of 1-3, meaning assets are in excellent to satisfactory condition. Under the base scenario, the community would see over time these assets slip into the condition category of poor and very poor. Council may also look at asset rationalisation, meaning that Council may sell or dispose of assets to minimize ongoing maintenance costs to slightly minimise the burden. This does not mean corners would be cut; Council is committed to ensuring our assets are safe for our community.

Special Rate Variation Scenarios

The proposed special rate variations are to eliminate proposed budget shortfalls by funding planned services, activities and actions outlined in the CSP, DP and OP. This means council’s current asset management plans would remain fully funded and the overall condition of assets would remain at current levels. The special rate variation scenarios allow for some enhanced services as desired by the community. This would see Council’s target our road network, public space and our natural environment. This target would focus on providing safer assets for the community to use.

3. Planning Assumptions

Council's LTFP, associated scenarios and resulting financial models have been based on a number of key planning assumptions.

Service Levels

Under the base scenario, a reduction in service levels would need to be explored in order to return a balanced budget.

Under the special rate variations scenarios, the current levels relating to services are maintained in line with the CSP. There would also be some enhanced services in current service areas.

Infrastructure

For all 3 scenarios the LTFP is based on the assumption that no major new capital works are undertaken in the next ten years other than those funded by Contribution Plans, Voluntary Planning Agreements and/or Reserves. For new major works to be undertaken, existing planned asset renewal funding would need to be reallocated to those works or appropriate grant funding for the works being obtained.

Population Growth and Demographic changes

The LTFP is based on existing local government area (LGA) boundaries and the assumption that Council's projected population movement over the next ten years will not be significant. This may result in an increasingly older population placing increased pressure on existing infrastructure and services.

Economic Growth

The LTFP is based on moderate economic recovery for Council and the LGA as a result of COVID-19. However, as indicated in the CSP, Council will continue to focus on supporting business and local jobs through the tourism and economic strategies.

Interest Rates

The LTFP is based on stable interest rates and an investment portfolio reflecting projected income and expenditure. Interest rates during 2021/2022 were low due to reductions in the official cash rate. It is anticipated that rates will start to increase in the near future. Council has been proactive in locking in low interest rates where possible. Whilst it is recognised that interest rates will fluctuate over a ten year period, the financial modelling is based on an average constant interest rate over the LTFP timeframe.

COVID 19

All 3 scenarios assume that no services are closed as a result of COVID-19 infections with the level of economic recovery differing between the 3 scenarios.

4. Financial Position

The Statement of Financial Position discloses the assets, liabilities and equity of Council. The table below displays Council's reported Balance Sheet as at 30 June 2021.

Statement of Financial Position (Balance Sheet)	Actual 2021 $'000
Current Assets	
Cash & Investments	57,687
Receivables	9,673
Inventories & Other Assets	2,647
Total Current Assets	**70,007**
Non-Current Assets	
Investments	1,102
Receivables	160
Inventories & Other Assets	52,929
Infrastructure, Property, Plant, Equipment, Intangibles & ROU Assets	1,040,969
Investments using the equity method	431
Total Non-Current Assets	**1,095,591**
Total Assets	**1,165,598**
Current Liabilities	
Payables & Contract liabilities	21,627
Provisions	16,268
Borrowings & Lease liabilities	3,797
Total Current Liabilities	**41,692**
Non-Current Liabilities	
Payables & Contract liabilities	2,922
Provisions	776
Borrowings & Lease liabilities	32,803
Total Non-Current Liabilities	**36,501**
Total Liabilities	**78,193**
Net Assets	1,087,405
Equity	**1,087,405**

2021* figures have been used as at the time of revising the LTFP, Council's 2022 set of financial accounts were undergoing final external audit process. Council's audited 2022 financial accounts will be made available for the community during the annual public exhibition period.

Cash and Investments

Maintaining adequate cash levels and cash flow is vital in ensuring Council can deliver service to the community. Council has policies in place to ensure its portfolio is managed appropriately however there are challenges with such restrictions. Council is required by statute or other external conditions to restrict assets (predominately cash and investments) for specific purposes in future periods. These restrictions are called Externally Restricted Assets. In addition to external restrictions Council, like other councils in NSW, has also resolved to hold assets in the same way to fund works or expenses in future periods.

Where the decision to restrict assets is made by Council and is not required by legally enforceable external conditions, it is referred to as an Internally Restricted Asset. Internally Restricted Assets held by Council currently fall into five groups (a listing and overview of each restricted asset is attached):

- Net revenue streams held for specific purpose
- Provisions held as cash to meet possible or probable future expense
- Allocations for future projects
- Allocations for asset maintenance
- Investment

In relation to externally restricted reserves, the LTFP reflects projected reserve movements and balances as determined by the programs' respective ten year plans. Internally restricted reserves over the next ten years are projected in line with the expected timing of the specific expenditure the reserves are aimed at funding.

A large part of Council's cash restrictions is to fund future capital work projects. A listing and policy statement on Councils cash reserves can be found at Appendix 1.

It is apparent under the base scenario, that future cash flows will not be sufficient to cover projected levels of cash restrictions and as such urgent remedial action is required. Expenditure commitments will need to be further reviewed, over and above austerity measures recently employed to assist with a positive cash flow.

4.1 Infrastructure, Property, Plant and Equipment

The Local Government Code of Accounting Practice and Financial Reporting states that comprehensive revaluations are to be undertaken on all assets at a minimum of every five years. Although historically the Office of Local Government (OLG) provided a fixed revaluation schedule, the OLG no longer mandates when each class of asset is subject to a comprehensive revaluation.

The financial modelling presented does not factor in any revaluation increases in any of the asset categories because of the difficulty in quantifying. Revaluations generally reflect the changes in market conditions or construction costs. As a result, revaluation increases can negatively impact on the rate of annual depreciation incurred, affecting Council's performance indicators.

A revaluation decrement can also indicate the decline in asset values, which can occur for a number of reasons. Decrements may indicate permanent impairment in the asset value and thus require a write down in its value. Such write downs have not been factored into any scenario.

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

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

Future increases in the number of rate assessments has been estimated conservatively taking into consideration the environmental and conservation constraints placed on large scale residential and commercial developments in the Port Stephens LGA.

4.1.1 Fleet Management

Council is committed to ensuring that the current fleet of vehicles and machinery is appropriately maintained and replaced when economically feasible to do so. In line with the ten year fleet purchasing program, an annual sum of $2m, in addition to any operating surplus achieved out of the fleet business unit, is recommended to be set aside from general revenue, to the Fleet Fund.

4.1.2 Business technology

As part of Council's ongoing service delivery, an annual sum of $1m is made available from general revenue to the Business Technology Fund to provide an ongoing source of funds to ensure that Council's business technology is maintained at an appropriate level.

4.2 Debt Management (Borrowings)

4.2.1 Borrowing Strategies

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

Council recognises that loan borrowings for capital works are an important funding source for local government and that the full cost of infrastructure should not be borne entirely by present day ratepayers but be contributed to by future ratepayers who will also benefit. This concept is frequently referred to as 'intergenerational equity'.

In combination, the financial sustainability ratios measure a council's ability to generate sufficient revenue to enable it to maintain asset renewal and maintenance at an optimum level and to use debt funding to spread the burden of the cost of long lived assets and its infrastructure backlog over a period of time to achieve intergenerational equity.

In this context, intergenerational equity means the consideration of the financial effects of Council decisions on future generations. Council’s financial management strategies are aimed at achieving equity between generations of ratepayers whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore on a user pays basis who should pay for the costs associated with such expenditure. Funding long lived infrastructure assets works through a program of borrowings over a number of years achieves intergenerational equity.

Council will utilise loan funds to undertake capital works only when the asset is of a long term nature. The term of the loan will not exceed the useful life of the asset. A key performance measure of Council's debt strategy is the Debt Service Ratio.

4.2.2 Current Debt Portfolio

Historically, Council's policy regarding the use of loan funding was that loan funding is only available where the proposed expenditure will result in a future revenue stream that will fund the loan repayments. That is, its commercially focused activities such as the holiday parks, Newcastle Airport and the commercial property portfolio.

Council regularly reviews the loan portfolio for refinancing options where favourable outcomes are possible. During the 2020 financial year Council borrowed $12.5 million to construct a mixture of public infrastructure and commercially focused assets. This saw Councils debt reach its highest ever-unconsolidated level. During 2022 no new loans have been introduced as Council has focused on reducing debt levels.

A critical review of the current debt portfolio has been carried out and a number of loans have been fixed in for a number of years. In an increasing interest rate market this is seen as a prudent management strategy to ensure that debt repayment levels are maintained.

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

Debt type	30 June 2014 $'000	30 June 2015 $'000	30 June 2016 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2019 $'000	30 June 2020 $'000	30 June 2021 $'000	30 June 2022 $'000*
Loan borrowings	20,497	16,768	13,422	15,308	17,581	13,278	20,997	17,710	14,744
Other long term debt	6,548	6,365	6,290	6,250	6,250	6,250	11,850	14,850	14,850
Total	**27,045**	**23,133**	**19,712**	**21,558**	**23,831**	**19,528**	**32,847**	**32,560**	**29,594**

* Estimated/unaudited figure

4.2.3 Future loan strategies

No new loans have been included in the Long Term Financial Plan. Council currently has a commitment to borrow $3million for the Raymond Terrace Depot upgrade and $5million for public domain improvements in Nelson Bay. These loans have already been considered by Council and approved, with the timing of the draw down of the loans to now coincide with the works as scheduled.

Council's loan portfolio includes its consolidated portion of Newcastle Airport Partnership (NAP) and Greater Newcastle Aerotropolis Partnership (GNAP). Newcastle Airport is currently expanding which may require either entity to borrow funds in their own right to deliver infrastructure related projects. Any new debt would then be consolidated and displayed in Councils annual financial report.

4.3 Provisions

Council's main form of provision relates to that of accrued employee leave entitlements. The growth of leave provisions are expensed as they are earned by the employee however the cash outflow may not happen for a period of time. This can expose Council to large sum payments upon employees leaving the organisation. As part of the Workforce Management Strategy, Council has policies in place to ensure employees cannot accrue excessive amounts of leave however there are certain entitlements where employees cannot be directed to reduce. These provisions include:

4.3.1 Vested sick leave

Staff employed by Council prior to or on 26 September 2000, who have not previously waived their right to this provision, continue to have an entitlement for the payment of unused sick leave arising out of the termination of employment. A provision for vested sick leave continues to be included as a liability in the balance sheets of each scenario in this Plan and this liability is slowly decreasing as our workforce ages. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

4.3.2 Long Service Leave liability

Long service leave entitlements are governed primarily by the *Long Service Leave Act 1955* and by conditions in the Port Stephens Council Enterprise Agreement 2018. Council has not actively required employees to take long service leave as it falls due however if the amount of liability becomes excessive it is likely that employees will be encouraged to keep balances within reasonable limits. A provision has been included as a liability in the balance sheets of each scenario in this plan. For the purpose of the forecast, payments from the provision have been estimated when the eligible employee reaches the age of 65.

4.3.3 Local Government Superannuation fund deficiency

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.

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).

Due to a fund deficiency, Council has been required to contribute additional funds to cover the deficiency between assets and accrued liabilities until it is rectified.

5. Financial Performance

Council generates revenue through the levying of general rates and annual charges, user fees, investment income, grants and other income sources. Some expenditure items include employee costs, materials, contractors, legal expenses, utilities, contributions and insurance.

The tables below show Council's audited financial results for the 2020/2021 financial year.

Statement of Financial Performance (Income Statement)	Actual 2021 $'000
Income from continuing operations	
Rates and annual charges	63,396
User charges and fees	39,886
Other revenue	4,516
Grants and contributions	45,024
Interest and investment revenue	1,042
Other income	4,197
Net gains from the disposal of assets	2,349
Total income from continuing operations	**160,410**
Expenses from continuing operations	
Employee benefits and on-costs	51,662
Materials and services	50,601
Borrowing costs	854
Depreciation and amortisation	18,331
Other expenses	6,153
Net loss from the disposal of assets	-
Total expenses from continuing operations	**127,601**
Operating result from continuing operations	**32,809**
Net operating result for the year before grants and contributions provided for capital purposes	**2,817**

2021* figures have been used as at the time of revising the LTFP, Council’s 2022 set of financial accounts were undergoing final external audit process. Council’s audited 2022 financial accounts will be made available for the community during the annual public exhibition period.

Potential Impacts on Income and Expenditure

The projected income and expenditure could be impacted by the following:

- variations in underlying planning assumptions;
- changes to legislation and/or relevant regulations;
- future Council resolutions;
- major unplanned projects; and
- service level reviews arising from a community consultation process.
- service shutdown and increased cost pressures due to COVID-19

Should any of the above situations arise resulting in an impact on the LTFP, it is envisaged that those impacts are taken into account in future annual reviews of the LTFP.

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

5.1 Income

5.1.1 Rates and charges

Ordinary Rates

Approximately 30-40% of Council's annual operating income (not including capital) is derived from the levying of rates and charges. The following table shows the historical trend of rate increases (cap) over the past few years.

Financial Year	Rate Cap	No. Assessments†	Ordinary Rate Yield
2012-2013	3.68%	32,037	$34,915,940
2013-2014	3.47%	32,128	$36,263,573
2014-2015	2.34%	32,324	$37,307,437
2015-2016	2.44%	32,671	$38,490,462
2016-2017	1.83%	33,199	$39,685,207
2017-2018	1.53%	33,608	$40,767,105
2018-2019	2.32%	33,748	$41,806,000
2019-2020	2.70%	34,290	$43,572,563
2020-2021	2.60%	34,500	$44,969,842
2021-2022	2.00%	34,844	$46,296,646
2022-2023	2.50%	34,994	$47,913,483

Council's rating strategy and structure is reviewed every year as part of the annual Operational Plan process. Council's proposed rating structure provides for three different categories of ordinary rates: residential, farmland and business. The rate type applicable to a particular property is determined on the basis of the property's rating categorisation. All properties are categorised in accordance with the provisions set out in the *Local Government Act 1993*.

5.1.2 Comparison of rates with other councils

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

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

Councils may choose a mix of ordinary and special rates and vary those from year to year, however the annual increase in total rate income from all rates is not to exceed the percentage specified by IPART each year. Council currently has no special rates.

The Office of Local Government (OLG) publishes annual comparative information on council rating, financial indicators, service costs and service performance. The information is separated into 11 groups of similar councils based on size and character. Port Stephens Council is placed within OLG's Group 5. The data published by the OLG indicates Councils ordinary rates are low compared with other Hunter Councils and other Group 5 Councils.

Rating assumptions

This LTFP includes three different rating assumptions

Base Scenario – 4.4% for the 2023-2024 year and then 2.5% state imposed rate cap assumption onwards;
Single Year Scenario – A 26% increase for a single year, being 2023-2024 only;
Reduced Independent Recommendation Scenario - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years 2023-2024 to 2025-2026;

Domestic Waste Charges

Council's Domestic Waste Management Program is self-funded by way of an externally restricted reserve. The *Local Government Act 1993* limits annual domestic waste management charges to an amount sufficient to recover the costs of providing the service. As such, revenue from Council's annual domestic waste charges included in this LTFP is based on the projected full cost to provide the waste service over the next ten years. For the 2023 and 2024 financial years the projected charge per household is as follows:

Financial Year	Section 406 charge	Section 501 charge
2022-2023	$500.00	$110.00
2023-2024	$512.50	$113.00

It is to be noted that the projected increases in the domestic waste charges reflect increasing cost pressures within the waste services industry as well as projected increases in the Section 88 Waste and Environment Levy imposed on Council by NSW Government.

5.1.2 User charges and fees

For all scenarios, user charges and fees have been modelled to increase by 5% for non-statutory fees for the first year of the plan and then return to 2.5% per year for the life of this plan.

5.1.3 Other income

Other income has been modelled to increase by between 2% and 3% per year for the life of this plan depending on the revenue stream. This income stream is less reliant on inflation therefore a more conservative increase has been used in comparison to the user charges and fees.

5.1.4 Grants and contributions

For scenarios 2 and 3, all operating grants and contributions with the exception of the Roads to Recovery Program grant have been modelled to increase by 1.0% per year for the life of this plan.

The NSW Government's Financial Assistance Grant program was paid in advance (50%) prior to the start of the 2018 financial year. It is expected that the payment schedule will revert back to being paid within the financial year that it relates. The Federal Government's Roads to Recovery Program reverted back to 2013-2014 levels of funding from 2021 and beyond.

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

The only capital grants or contributions that have been modelled in the LTFP are those grants confirmed for the immediate financial year, Section 7.11 Developer Contributions and dedicated subdivisions. Any un-forecasted capital grants or contributions that are received would be applied to the Capital Works Plus Program attached to the SAMP.

Council has set an aspirational goal to establish a Grants Co-Contribution Reserve that will be utilised to apply for external grant funding in which a co-contribution is required. This will enhance Council's ability to apply and fund projects that the community desires and are otherwise unfunded.

5.1.5 Interest income

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

5.2 Expenditure

5.2.1 Employee benefits

5.2.1.1 Port Stephens Council Enterprise Agreement

The Port Stephens Council Enterprise Agreement (EA) applies to all employees of Port Stephens Council. A new agreement is under negotiation with a starting date of 1 July 2021. An increase factor has been assumed for the life of the plan tied to the rate cap that has been applied for that scenario. The projected expenditure is based on the current staff establishment.

5.2.1.2 Compulsory Superannuation Guarantee rates increase

The Federal government has changed the phasing of the increases in the Superannuation Guarantee rate as per the table below. The impact of this change has been factored into all three scenarios of the LTFP.

Year	Rate
2022-2023	10.50%
2023-2024	11.00%
2024-2025	11.50%
2025-2026	12.00%

An increase of 0.5% in in the superannuation guarantee rates equates to approximately $250,000 each year.

5.2.1.3 Learning and development

Council's Workforce Management Strategy identifies future skill and workforce requirements.

Council provides extensive learning and development opportunities and there are education and training opportunities for people of all ages. A yearly learning and development expenditure has been included in the other expenses in the income statement of each scenario in this Plan.

5.2.1.4 Workers compensation

Council places a high priority on workplace safety, commitment to performing safety observations, reporting near misses and implementing many safe workplace policies, Workers Compensation premiums have been increasing in recent years due to significant one off claims. Whilst Council will maintain a strong commitment to worker safety and wellbeing, premiums have been modelled off known levels increasing with inflation. Increases in the premium beyond inflation will require a review of insurance strategies and service levels to ensure financial sustainability is maintained. Any reductions in the premium that does occur due to claims history will benefit Councils operating budget.

5.2.2 Borrowing costs

Council has taken advantage of a declining cash rate over the past two years by installing the majority of its loan portfolio at fixed interest rates. This allows for borrowing costs to be forecasted accurately using existing loan schedules, which remains the same across all three scenarios as well as providing security against impending cash rate increases. Council benchmarks the performance of its loans portfolio against the Reserve Bank of Australia's national average lending rate for large business.

5.2.3 Materials and contracts

A consumer price index of 6% has been assumed for the 2023-2024 financial year, 4.5% in 2024-2025, and returning to 3.5% for the remainder of the life of the plan. These assumptions are based on current economic factors and official Australian sources such as the RBA and ABS. It is perhaps reasonable to suggest that this assumption may well be insufficient given the current unstable economic times, PPI/construction costs index currently running at 9% and economists are predicting inflation to remain at 5% for a number of years. With income capped, any increase in expenditure will place additional financial pressures on the organisation that will require further management.

5.2.4 Depreciation

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

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

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

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

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

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

5.3 Other factors

5.3.1 Newcastle Airport Partnership & Greater Newcastle Aerotropolis Partnership

Under the Australian Accounting Standards, Council is required to consolidate and report on its 50% proportionate ownership of Newcastle Airport Partnership (NAP) & Greater Newcastle Aerotropolis Partnership (GNAP). The consolidation process requires the net profit to be included in the income statement and any related transactions eliminated; e.g. the annual dividend. To calculate Council's underlying result the NAP & GNAP profit is deducted and the dividend received from NAP is added back.

Covid-19 has required NAP and GNAP to use a significant proportion of cash reserves and furthermore Council has not received a dividend as expected since the pandemic commenced. It is unclear at this stage as to when a dividend will resume.

Council has been undertaking a financial restructure, moving away from its reliance on commercial income to fund its daily operations. As part of that, any future dividends received will be held in the Resilience fund. The overall aim of the Resilience Fund is to ensure that the use of excess non-rate revenue is directed towards significant projects, investments or initiatives to achieve the strategies of Council.

6. Financial Performance Indicators

6.1 Fit For The Future

The NSW Government's Fit For The Future (FFTF) Program aims to improve the strength and effectiveness of local government in providing services and infrastructure for the community. It is intended to ensure that councils will be financially sustainable into the future and more capable of being strategic partners with other levels of government. The FFTF Program requires councils to demonstrate that they have the capacity to generate sufficient income to fund the expenditure needed to deliver core services and maintain community assets to a satisfactory standard.

The table below shows Council's current performance against the NSW State Government's FFTF Program and have been taken from the 2020/2021 audited financial results.

Ratio	Benchmark	Actual 2021	Benchmark Met
Operating Performance Ratio (OPR)	>0%	(0.22)%	No
Own Source Revenue Ratio	>60%	71.63%	Yes
Debt Service Cover Ratio	>2x	3.83x	Yes
Asset Renewal Ratio	>=100%	137.78%	Yes
Infrastructure Backlog Ratio	<2%	1.72%	Yes
Asset Maintenance Ratio	>100%	97.09%	No

6.2 Additional Performance Monitoring

In addition to the annual FFTF Framework, Council also uses other financial performance indicators on a monthly and quarterly basis. These indicators are intended to be indicative of the financial health and good business management practices at Council.

The endorsed annual budgets aim to achieve identified financial indicator benchmarks. Consequently, budget control and monitoring is paramount for Council achieving the outcomes of the LTFP. Budgets are monitored internally on an on-going basis. Monthly financial reports are reported to senior management and Quarterly Budget Reviews are reported to Council every 3 months to inform on the progress against the adopted budgets.

Each of the following indicators is used in reviewing the reasonableness and financial sustainability of each scenario modelled.

Operating performance ratio

Definition	This ratio measures a council's achievement of containing operating expenditure within operating revenue. Ratio = Operating revenue excluding capital grants and contributions – operating expenses / operating revenue excluding capital grants and contributions.
Analysis	The Code of Accounting Practice and Financial Reporting uses a benchmark for the operating performance ratio of greater than 0%.

Own source operating revenue ratio

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

Debt service cover ratio

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

Asset Renewal Ratio

Definition	The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.
Analysis	Performance of less than 100% indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Infrastructure Backlog

Definition	The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability
Analysis	TCorp adopted a benchmark of less than 2% to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

Asset Maintenance Ratio

Definition	The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council. The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.
Analysis	Performance of less than 100% indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Underlying Surplus

Definition	The underlying surplus is a key measure of Council's true operating result. The calculation involves subtracting income and expenditure transactions that are abnormal in nature (eg disaster recovery efforts) and or as a result of a timing difference (eg capital grants).
Analysis	Performance of less than 100% indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Cash expense cover ratio

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

Rates and annual charges outstanding

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

The performance indicators for each scenario are projected in conjunction with the primary financial statements as appendices to the LTFP.

7. Financial Modelling Assumptions and Results

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

Base Scenario - State imposed rate cap

In this scenario, income budget parameters are set at state imposed levels of the rate-capping regime. IPART announced the 2023-2024 rate cap for Port Stephens to be 4.4% and then to resume at 2.5% for the remainder of the plan. The outcome is that Council would not generate sufficient funds to continue providing current service levels or renew its assets when required. Council will not be financially sustainable and we will look at reducing or ceasing services. This scenario would result in annual operating shortfalls if no corrective action occurred.

Single year Scenario – Special Rate Variation - 26% for a single year (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 26% for a single year. After which rate capping would be re-instated at 2.5%. Council would repair the budget in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the majority of the life of the plan and would see a steep injection of additional funds in the first year of the SRV. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment. An annual operating surplus is achieved under this scenario

Reduced Independent Recommendation Scenario – Special Rate Variation - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 9.5% for a three-year period, being a cumulative increase of 31.29%. After which rate capping would be re-instated at 2.5%. Council would break even in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the entirety of the plan. It would see a slow growth of additional funds over the three-year period of the SRV. Where additional funds are generated Council will be able to increase funding into community priorities being road maintenance, condition of our public spaces, and protecting our waterways and natural environment. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

INCOME	Base Scenario 2.5% Rate Cap	Single Year 26% one year	Reduced Independent 31.29% Cumulative 9.5% for three years
Rates			
Pegging factor applied	4.40%	26.00%	9.50%
Ongoing peg factor beyond 2024	2.50%	2.50%	9.50% until 2026 2.50% beyond 2027
New annual rates assessment	150	150	150
User fees and charges *5% one off for non-statutory	2.50%	2.50%	2.50%
Operating grants and Contributions Annual factor	1.00%	1.00%	1.00%
Other			
Cash investment returns	2.00%	2.50%	2.50%
Other income	1.00%	2.00%	2.50%
Rental income	1.00%	1.00%	1.00%
Airport dividend *unknown return at this time. Any dividend received to be held in the financial sustainability & resilience fund.	Nil	Nil	Nil

EXPENSES	Base Scenario	Single Year	Reduced Independent Recommendation
Salaries and allowances	2.25%	2.25%	2.25%
Materials and contracts			
2024	6.00%	6.00%	6.00%
2025	4.50%	4.50%	4.50%
2026 - beyond	3.50%	3.50%	3.50%
Other expenses	2.50%	2.50%	2.50%
Services levels	Reduction required	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding	Maintain current service levels (subject to our rolling service review program) Some enhancements funded through additional SRV funding

PROJECTED RESULT $'000	Base Scenario	Single Year Scenario	Reduced Independent Recommendation
2022-2023 (Current)	(1,122)	(1,122)	(1,122)
2023-2024	(1,981)	1,376	463
2024-2025	(3,361)	1,557	1,407
2025-2026	(4,303)	1,289	1,386
2026-2027	(6,721)	1,598	1,449
2027-2028	(7,735)	1,109	1,512
2028-2029	(8,697)	1,582	1,596
2029-2030	(9,982)	1,912	1,590
2030-2031	(11,365)	1,103	1,473
2031-2032	(12,421)	651	1,024
2032-2033	(13,686)	12	390

8. Financial Statements – Base Scenario

Base Scenario – Income Statement

INCOME STATEMENT

For the period ended 30 June	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Revenue											
Rates & Annual Charges	68,994	72,202	74,176	76,199	78,273	80,399	82,578	84,812	87,101	89,448	91,853
User Fees and Charges	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue	1,063	1,460	1,635	1,696	1,623	1,648	1,649	1,640	1,614	1,566	1,463
Other Revenues	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Operating Grants and Contributions	12,761	12,328	12,752	12,879	13,008	13,138	13,269	13,402	13,536	13,671	13,808
Capital Grants and Contributions	19,573	7,319	7,393	7,467	7,541	7,617	7,693	7,770	7,847	7,926	8,005
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250	250
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other Income - Fair Value increment	843	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Total Revenue	**157,990**	**154,614**	**159,060**	**163,059**	**167,018**	**171,172**	**175,402**	**179,724**	**184,133**	**188,628**	**193,176**
Operating Expenses											
Employee Benefits & On-Costs	56,552	58,373	60,652	62,803	64,789	66,843	68,979	71,197	73,487	75,868	78,330
Borrowing Costs	1,713	1,757	1,653	1,562	1,611	1,525	1,436	1,382	1,296	1,211	1,148
Materials & Services	55,916	59,270	61,938	64,805	67,399	69,758	72,200	75,477	77,342	80,049	82,851
Depreciation & Amortisation	18,999	19,528	20,267	20,748	21,386	21,784	22,037	22,479	22,974	23,035	23,157
Other Expenses	4,586	4,752	4,865	5,032	5,152	5,277	5,402	5,545	5,688	5,834	5,985
Total Operating Expenses	**137,766**	**143,680**	**149,374**	**154,951**	**160,337**	**165,188**	**170,054**	**176,080**	**180,787**	**185,997**	**191,470**
Operating Surplus / (Deficit)	**20,224**	**10,933**	**9,686**	**8,108**	**6,681**	**5,985**	**5,349**	**3,644**	**3,347**	**2,630**	**1,706**
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	1
Total Comprehensive Income	**20,224**	**10,933**	**9,686**	**8,108**	**6,681**	**5,985**	**5,349**	**3,644**	**3,347**	**2,630**	**1,707**
Net Operating Result before Capital Grants	**651**	**3,614**	**2,293**	**641**	**(860)**	**(1,632)**	**(2,344)**	**(4,125)**	**(4,501)**	**(5,295)**	**(6,298)**
Adjustments for Underlying Result											
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases & royalties	(2,679)	(3,109)	(3,184)	(3,260)	(3,339)	(3,419)	(3,501)	(3,586)	(3,672)	(3,761)	(3,852)
NAP Profit	1,156	(2,235)	(2,220)	(2,134)	(2,272)	(2,434)	(2,601)	(2,771)	(2,943)	(3,115)	(3,286)
Local election costs	-	-	-	700	-	-	-	750	-	-	-
Underlying result	**(1,122)**	**(1,981)**	**(3,361)**	**(4,303)**	**(6,721)**	**(7,735)**	**(8,697)**	**(9,982)**	**(11,365)**	**(12,421)**	**(13,686)**

8.1 Base Scenario – Statement of Financial Position (Balance Sheet)

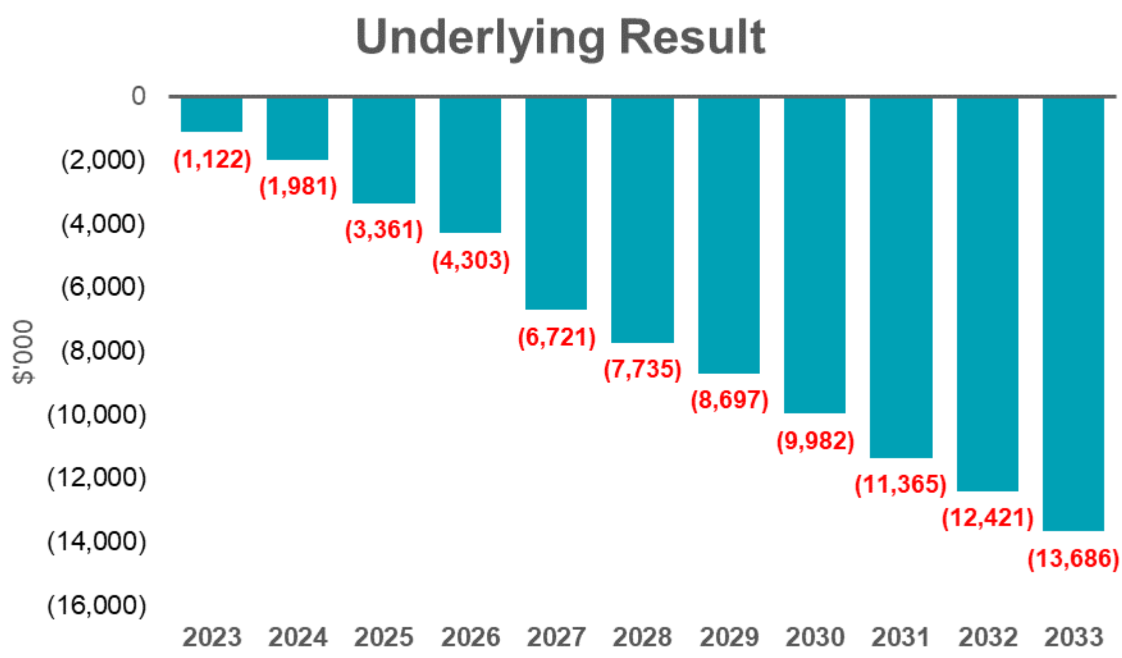
STATEMENT OF FINANCIAL POSITION

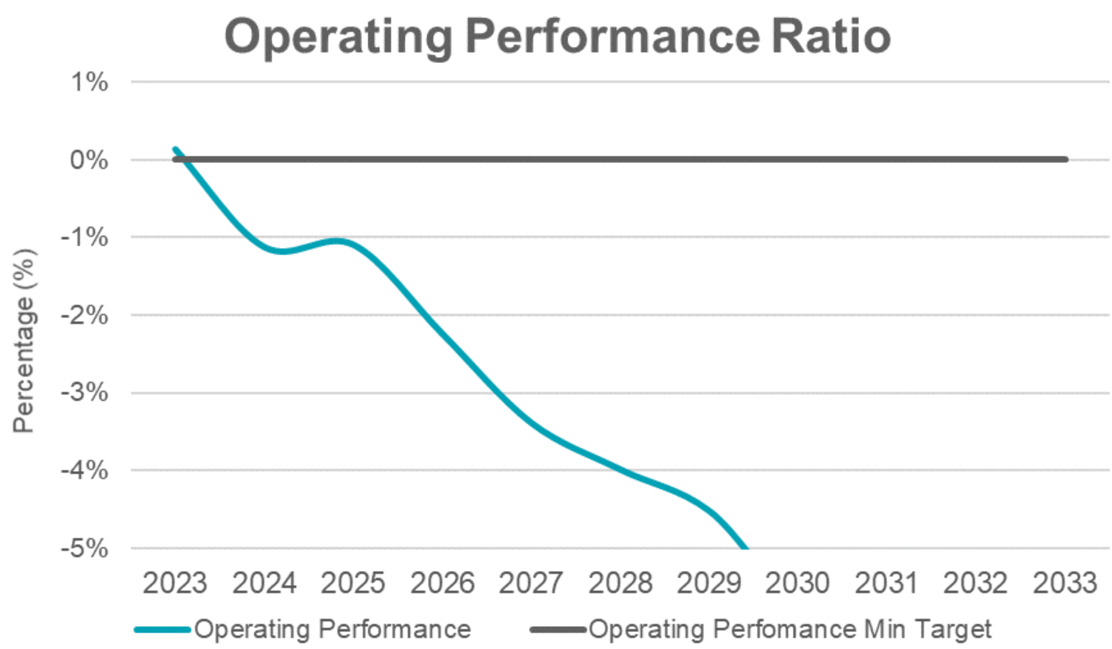
As at 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	14,043	21,037	23,491	20,560	21,554	21,598	21,237	20,205	18,301	14,161	10,130
Investments	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Receivables	11,027	11,864	12,289	12,677	13,076	13,484	13,902	14,331	14,770	15,219	15,680
Inventories & Other	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Total Current Assets	**64,965**	**72,795**	**75,673**	**73,131**	**74,524**	**74,976**	**75,034**	**74,430**	**72,964**	**69,275**	**65,704**
Non Current Assets											
Infrastructure, Property, Plant & Equipment	1,098,970	1,104,025	1,107,650	1,115,443	1,118,161	1,121,201	1,123,740	1,126,323	1,129,104	1,132,374	1,136,244
Right of Use Asset	2,031	1,776	993	3,405	3,185	2,428	2,071	1,850	1,093	3,504	3,285
Investments using Equity Method	431	431	431	431	431	431	431	431	431	431	431
Inventories & Other	7,427	8,437	9,457	10,487	11,528	12,579	13,641	14,713	15,796	16,889	17,994
Investment Properties	41,223	42,460	43,733	45,045	46,397	47,789	49,222	50,699	52,220	53,787	55,400
Intangibles	5,645	5,162	4,767	4,444	4,183	3,976	3,814	3,692	3,604	3,545	3,513
Total Non Current Assets	**1,155,726**	**1,162,291**	**1,167,032**	**1,179,256**	**1,183,886**	**1,188,404**	**1,192,919**	**1,197,708**	**1,202,248**	**1,210,532**	**1,216,869**
Total Assets	**1,220,691**	**1,235,085**	**1,242,705**	**1,252,387**	**1,258,409**	**1,263,380**	**1,267,952**	**1,272,138**	**1,275,212**	**1,279,807**	**1,282,573**
LIABILITIES											
Current Liabilities											
Trade & Other Payables	17,065	17,669	18,149	18,665	19,132	19,556	19,996	20,586	20,922	21,409	21,913
Lease liabilities	795	840	850	617	690	740	755	709	785	839	688
Borrowings	2,312	1,524	1,552	1,580	1,597	1,382	1,323	1,054	1,074	1,094	1,116
Provisions	16,624	17,146	17,008	17,306	17,742	18,212	18,285	19,331	20,081	19,762	22,350
Total Current Liabilities	**36,795**	**37,179**	**37,559**	**38,168**	**39,161**	**39,890**	**40,360**	**41,680**	**42,862**	**43,106**	**46,071**
Non Current Liabilities											
Trade & Other Payables	1,831	1,286	740	195	0	0	0	0	0	0	0
Lease liabilities	1,235	935	144	2,788	2,496	1,688	1,316	1,142	308	2,665	2,597
Borrowings	36,154	39,630	38,077	36,497	34,899	33,518	32,194	31,140	30,066	28,971	27,855
Provisions	1,294	1,741	2,185	2,632	3,063	3,509	3,959	4,410	4,862	5,320	4,599
Total Non Current Liabilities	**40,514**	**43,591**	**41,146**	**42,110**	**40,458**	**38,715**	**37,469**	**36,691**	**35,235**	**36,957**	**35,053**
Total Liabilities	**77,309**	**80,770**	**78,704**	**80,278**	**79,620**	**78,605**	**77,829**	**78,371**	**78,098**	**80,063**	**81,124**
Net Assets	**1,143,382**	**1,154,315**	**1,164,001**	**1,172,108**	**1,178,790**	**1,184,775**	**1,190,123**	**1,193,768**	**1,197,114**	**1,199,744**	**1,201,450**
EQUITY											
Accumulated Surplus	729,034	739,967	749,654	757,762	764,443	770,427	775,776	779,421	782,768	785,396	787,101
Asset Revaluation Reserves	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346
Total Equity	**1,143,380**	**1,154,313**	**1,164,000**	**1,172,108**	**1,178,789**	**1,184,773**	**1,190,122**	**1,193,767**	**1,197,114**	**1,199,742**	**1,201,447**

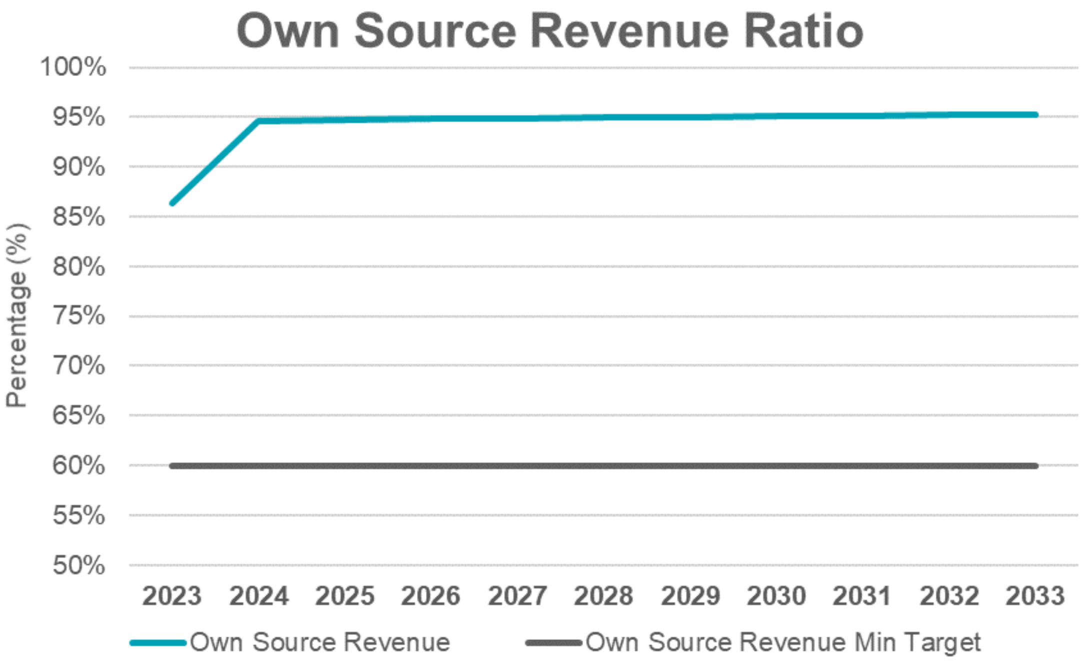
8.2 Base Scenario – Statement of Cash flows

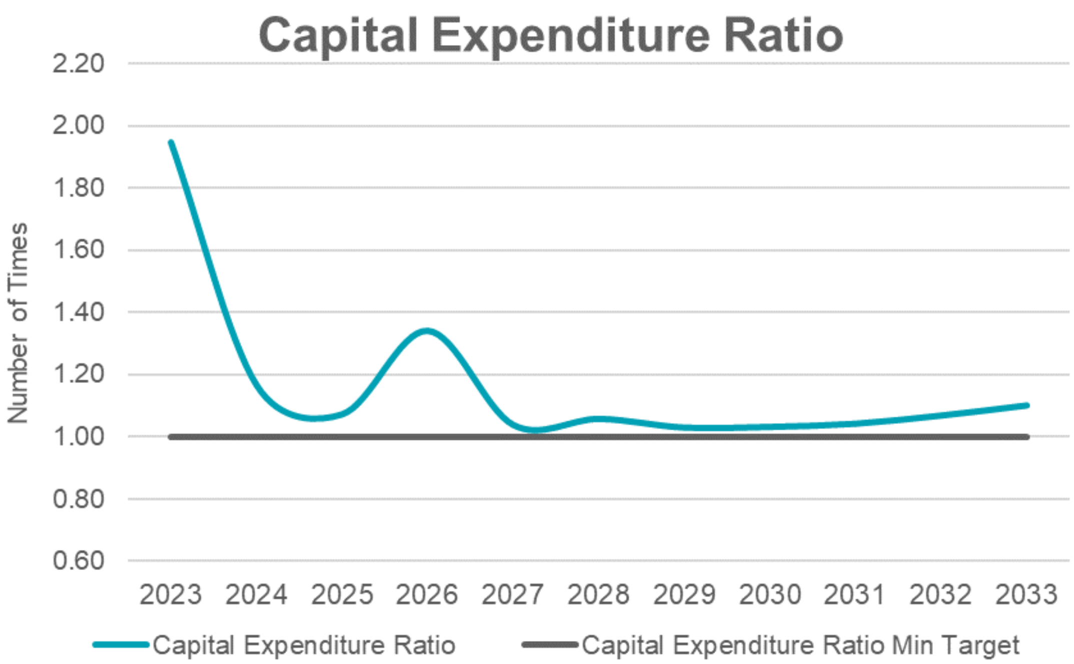
CASHFLOW STATEMENT											
For the period ended 30 June	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Cash Flows from Operating Activities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Receipts:											
Rates & Annual Charges	66,623	71,365	73,751	75,810	77,875	79,991	82,160	84,384	86,662	88,997	91,392
User Charges & Fees	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue Received	1,063	1,460	1,635	1,696	1,623	1,648	1,649	1,640	1,614	1,566	1,463
Grants & Contributions	29,721	16,982	17,425	17,572	17,720	17,869	18,019	18,169	18,321	18,474	18,627
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Payments:											
Employee Benefits & On-Costs	(57,259)	(59,342)	(60,958)	(63,547)	(65,657)	(67,759)	(69,503)	(72,693)	(74,690)	(76,007)	(80,197)
Materials & Contracts	(55,795)	(59,329)	(61,872)	(64,776)	(67,671)	(70,183)	(72,639)	(76,066)	(77,678)	(80,537)	(83,356)
Borrowing Costs	(1,713)	(1,757)	(1,653)	(1,562)	(1,611)	(1,525)	(1,436)	(1,382)	(1,296)	(1,211)	(1,148)
Other	(3,653)	(2,639)	(4,334)	(3,459)	(3,008)	(2,589)	(3,493)	(1,283)	(2,658)	(4,478)	(1,155)
Net Cash provided (or used in) Operating Activities	**33,493**	**26,557**	**25,575**	**24,989**	**24,241**	**24,181**	**23,287**	**23,141**	**22,539**	**21,004**	**21,809**
Cash Flows from Investing Activities											
Receipts:											
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Real Estate Assets	(1,000)	(1,010)	(1,020)	(1,030)	(1,041)	(1,051)	(1,062)	(1,072)	(1,083)	(1,094)	(1,105)
Purchase of Infrastructure, Property, Plant & Equipment	(30,977)	(20,272)	(19,542)	(24,279)	(19,784)	(20,557)	(20,205)	(20,746)	(21,303)	(21,877)	(22,468)
Purchase of Intangible Assets	(400)	(424)	(443)	(459)	(475)	(491)	(508)	(526)	(545)	(564)	(583)
Net Cash provided (or used in) Investing Activities	**(32,127)**	**(21,456)**	**(20,756)**	**(25,518)**	**(21,050)**	**(21,850)**	**(21,525)**	**(22,094)**	**(22,680)**	**(23,284)**	**(23,906)**
Cash Flows from Financing Activities											
New Borrowings		5,000									
Repayment of leases principal	(606)	(795)	(840)	(850)	(617)	(690)	(740)	(755)	(709)	(785)	(839)
Repayment of Borrowings & Advances	(3,147)	(2,312)	(1,524)	(1,552)	(1,580)	(1,597)	(1,382)	(1,323)	(1,054)	(1,074)	(1,094)
Net Cash Flow provided (used in) Financing Activities	**(3,753)**	**1,893**	**(2,365)**	**(2,402)**	**(2,198)**	**(2,287)**	**(2,122)**	**(2,079)**	**(1,763)**	**(1,859)**	**(1,934)**
Net Increase/(Decrease) in Cash & Cash Equivalents	**(2,387)**	**6,993**	**2,454**	**(2,931)**	**994**	**44**	**(360)**	**(1,032)**	**(1,905)**	**(4,139)**	**(4,031)**
plus: Cash - beginning of year	16,430	14,043	21,037	23,491	20,560	21,554	21,598	21,237	20,205	18,301	14,161
Cash - end of the year	**14,043**	**21,037**	**23,491**	**20,560**	**21,554**	**21,598**	**21,237**	**20,205**	**18,301**	**14,161**	**10,130**
plus: Investments - end of the year	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Total Cash & Investments - end of the year	**51,290**	**58,284**	**60,738**	**57,807**	**58,801**	**58,845**	**58,484**	**57,452**	**55,548**	**51,408**	**47,377**

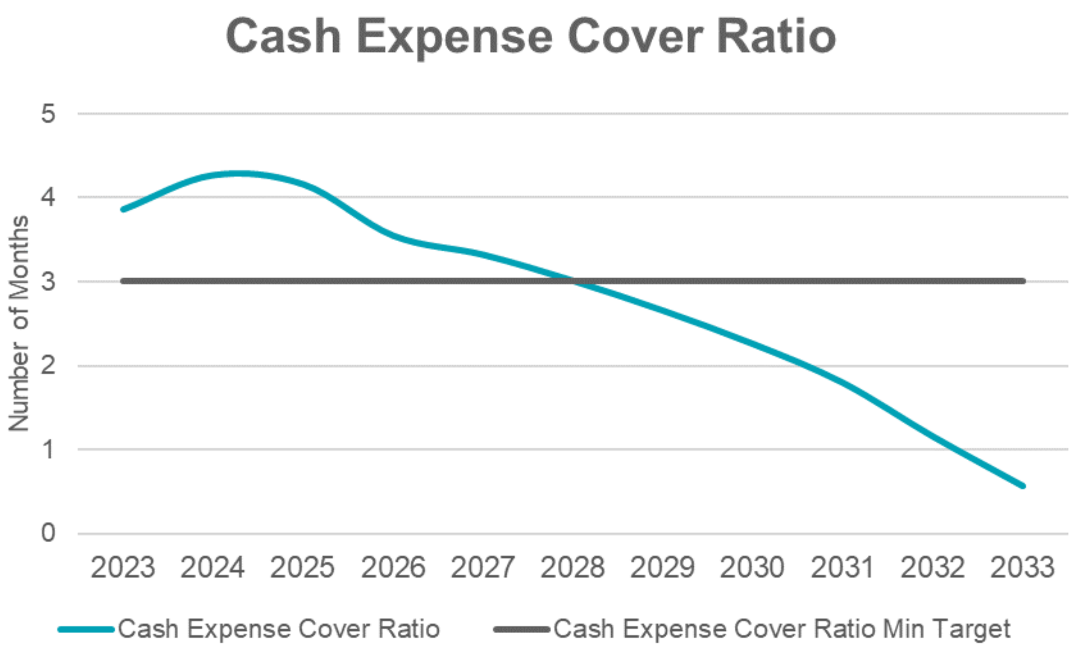
8.3 Base Scenario – Graphs



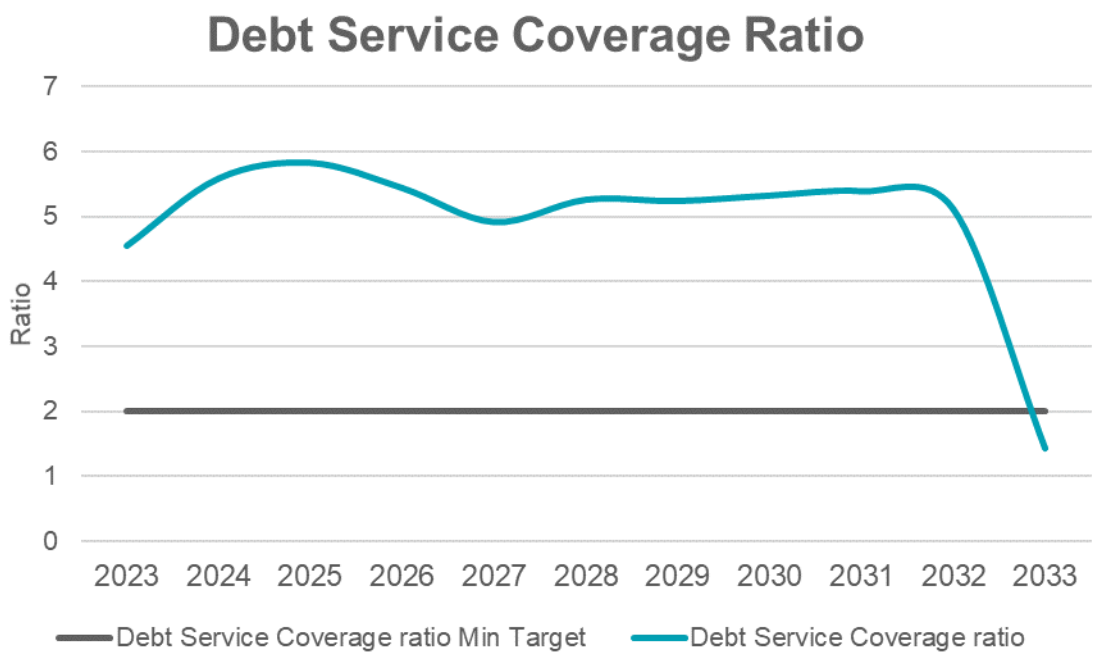



Own Source Revenue Ratio
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
Percentage (%)
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Own Source Revenue
Own Source Revenue Min Target


Capital Expenditure Ratio
2.20
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
Number of Times
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Capital Expenditure Ratio
Capital Expenditure Ratio Min Target



Cash Expense Cover Ratio
5
4
3
2
1
0
Number of Months
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Cash Expense Cover Ratio
Cash Expense Cover Ratio Min Target



Debt Service Coverage Ratio
7
6
5
4
3
2
1
0
Ratio
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Debt Service Coverage ratio Min Target
Debt Service Coverage ratio

9. Financial Statements - Single Year Scenario

9.1 Introduction

Single year Scenario – Special Rate Variation - 26% for a single year (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 26% for a single year. After which rate capping would be re-instated at 2.5%. Council would repair the budget in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the majority of the life of the plan and would see a steep injection of additional funds in the first year of the SRV. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

9.2 Financial Statements – Single Year Scenario

Single Year Scenario – Income Statement

INCOME STATEMENT	SRV Yr 1										
For the period ended 30 June	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Revenue											
Rates & Annual Charges	68,994	82,147	84,370	86,648	88,984	91,377	93,831	96,346	98,924	101,566	104,274
User Fees and Charges	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue	1,063	1,460	1,725	1,906	1,977	2,204	2,432	2,683	2,959	3,233	3,468
Other Revenues	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Operating Grants and Contributions	12,761	12,328	12,752	12,879	13,008	13,138	13,269	13,402	13,536	13,671	13,808
Capital Grants and Contributions	19,573	7,319	7,393	7,467	7,541	7,617	7,693	7,770	7,847	7,926	8,005
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250	250
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other Income - Fair Value increment	843	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Total Revenue	**157,990**	**164,559**	**169,344**	**173,718**	**178,082**	**182,707**	**187,438**	**192,302**	**197,300**	**202,412**	**207,602**
Operating Expenses											
Employee Benefits & On-Costs	56,552	58,373	60,652	63,428	65,432	67,507	69,662	71,901	74,212	76,615	79,099
Borrowing Costs	1,713	1,757	1,653	1,562	1,611	1,525	1,436	1,382	1,296	1,211	1,148
Materials & Services	55,916	65,859	67,306	69,252	69,507	71,796	73,289	75,477	77,342	80,049	82,851
Depreciation & Amortisation	18,999	19,528	20,266	20,744	21,379	21,774	22,022	22,458	22,947	23,002	23,116
Other Expenses	4,586	4,752	4,865	5,032	5,152	5,277	5,402	5,545	5,688	5,834	5,985
Total Operating Expenses	**137,766**	**150,269**	**154,741**	**160,018**	**163,082**	**167,878**	**171,811**	**176,763**	**181,485**	**186,710**	**192,197**
Operating Surplus / (Deficit)	**20,224**	**14,290**	**14,603**	**13,700**	**15,001**	**14,829**	**15,627**	**15,539**	**15,815**	**15,702**	**15,404**
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	1
Total Comprehensive Income	**20,224**	**14,290**	**14,603**	**13,700**	**15,001**	**14,829**	**15,627**	**15,539**	**15,815**	**15,702**	**15,405**
Net Operating Result before Capital Grants	**651**	**6,971**	**7,211**	**6,233**	**7,460**	**7,212**	**7,934**	**7,769**	**7,968**	**7,776**	**7,400**
Adjustments for Underlying Result											
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases & royalties	(2,679)	(3,109)	(3,184)	(3,260)	(3,339)	(3,419)	(3,501)	(3,586)	(3,672)	(3,761)	(3,852)
NAP Profit	1,156	(2,235)	(2,220)	(2,134)	(2,272)	(2,434)	(2,601)	(2,771)	(2,943)	(3,115)	(3,286)
Local election costs	-	-	-	700	-	-	-	750	-	-	-
Underlying result	**(1,122)**	**1,376**	**1,557**	**1,289**	**1,598**	**1,109**	**1,582**	**1,912**	**1,103**	**651**	**12**

Single Year Scenario – Statement of Financial Position (Balance Sheet)

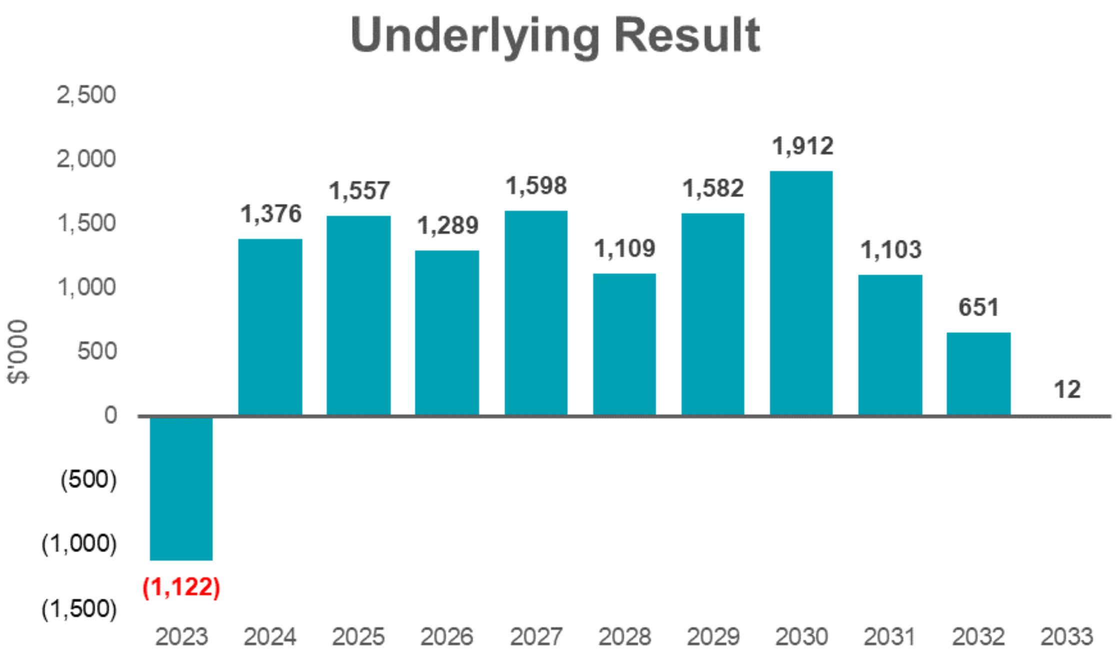
STATEMENT OF FINANCIAL POSITION

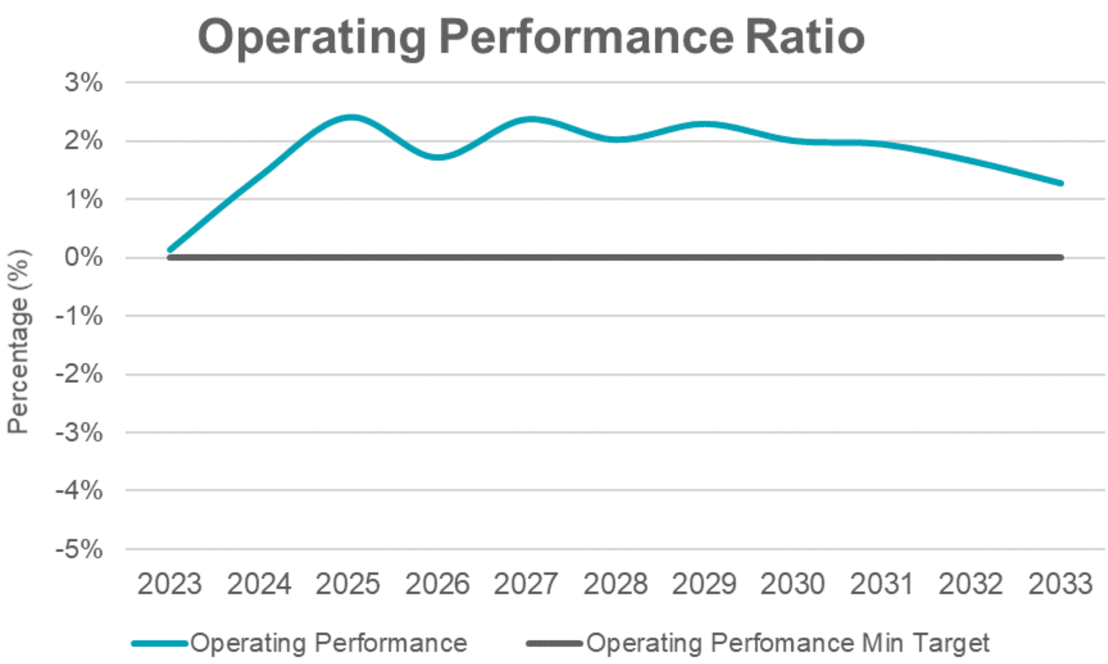
As at 30 June:	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	14,043	24,631	31,894	34,710	43,805	52,929	62,974	73,991	84,959	94,354	104,544
Investments	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Receivables	11,027	12,909	13,359	13,775	14,201	14,637	15,084	15,542	16,011	16,492	16,984
Inventories & Other	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Total Current Assets	**64,965**	**77,434**	**85,147**	**88,379**	**97,899**	**107,459**	**117,952**	**129,426**	**140,864**	**150,740**	**161,422**
Non Current Assets											
Infrastructure, Property, Plant & Equipment	1,098,970	1,103,929	1,107,417	1,115,031	1,117,525	1,120,293	1,122,510	1,124,720	1,127,071	1,129,854	1,133,175
Right of Use Asset	2,031	1,776	993	3,405	3,185	2,428	2,071	1,850	1,093	3,504	3,285
Investments using Equity Method	431	431	431	431	431	431	431	431	431	431	431
Inventories & Other	7,427	8,437	9,457	10,487	11,528	12,579	13,641	14,713	15,796	16,889	17,994
Investment Properties	41,223	42,460	43,733	45,045	46,397	47,789	49,222	50,699	52,220	53,787	55,400
Intangibles	5,645	5,162	4,767	4,444	4,183	3,976	3,814	3,692	3,604	3,545	3,513
Total Non Current Assets	**1,155,726**	**1,162,195**	**1,166,799**	**1,178,844**	**1,183,249**	**1,187,496**	**1,191,689**	**1,196,105**	**1,200,215**	**1,208,012**	**1,213,800**
Total Assets	**1,220,691**	**1,239,628**	**1,251,946**	**1,267,222**	**1,281,148**	**1,294,955**	**1,309,641**	**1,325,531**	**1,341,079**	**1,358,751**	**1,375,223**
LIABILITIES											
Current Liabilities											
Trade & Other Payables	17,065	18,855	19,115	19,465	19,511	19,923	20,192	20,586	20,922	21,409	21,913
Lease liabilities	795	840	850	617	690	740	755	709	785	839	688
Borrowings	2,312	1,524	1,552	1,580	1,597	1,382	1,323	1,054	1,074	1,094	1,116
Provisions	16,624	17,146	17,008	17,474	17,916	18,391	18,470	19,521	20,277	19,964	22,558
Total Current Liabilities	**36,795**	**38,365**	**38,525**	**39,137**	**39,715**	**40,436**	**40,741**	**41,870**	**43,058**	**43,307**	**46,278**
Non Current Liabilities											
Trade & Other Payables	1,831	1,286	740	195	0	0	0	0	0	0	0
Lease liabilities	1,235	935	144	2,788	2,496	1,688	1,316	1,142	308	2,665	2,597
Borrowings	36,154	39,630	38,077	36,497	34,899	33,518	32,194	31,140	30,066	28,971	27,855
Provisions	1,294	1,741	2,185	2,632	3,063	3,509	3,959	4,410	4,862	5,320	4,599
Total Non Current Liabilities	**40,514**	**43,591**	**41,146**	**42,110**	**40,458**	**38,715**	**37,469**	**36,691**	**35,235**	**36,957**	**35,053**
Total Liabilities	**77,309**	**81,956**	**79,671**	**81,247**	**80,173**	**79,151**	**78,209**	**78,561**	**78,293**	**80,264**	**81,331**
Net Assets	**1,143,382**	**1,157,672**	**1,172,275**	**1,185,975**	**1,200,976**	**1,215,805**	**1,231,432**	**1,246,970**	**1,262,786**	**1,278,487**	**1,293,891**
EQUITY											
Accumulated Surplus	729,034	743,324	757,929	771,628	786,629	801,457	817,084	832,624	848,439	864,139	879,543
Asset Revaluation Reserves	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346
Total Equity	**1,143,380**	**1,157,670**	**1,172,275**	**1,185,974**	**1,200,975**	**1,215,803**	**1,231,430**	**1,246,970**	**1,262,785**	**1,278,485**	**1,293,889**

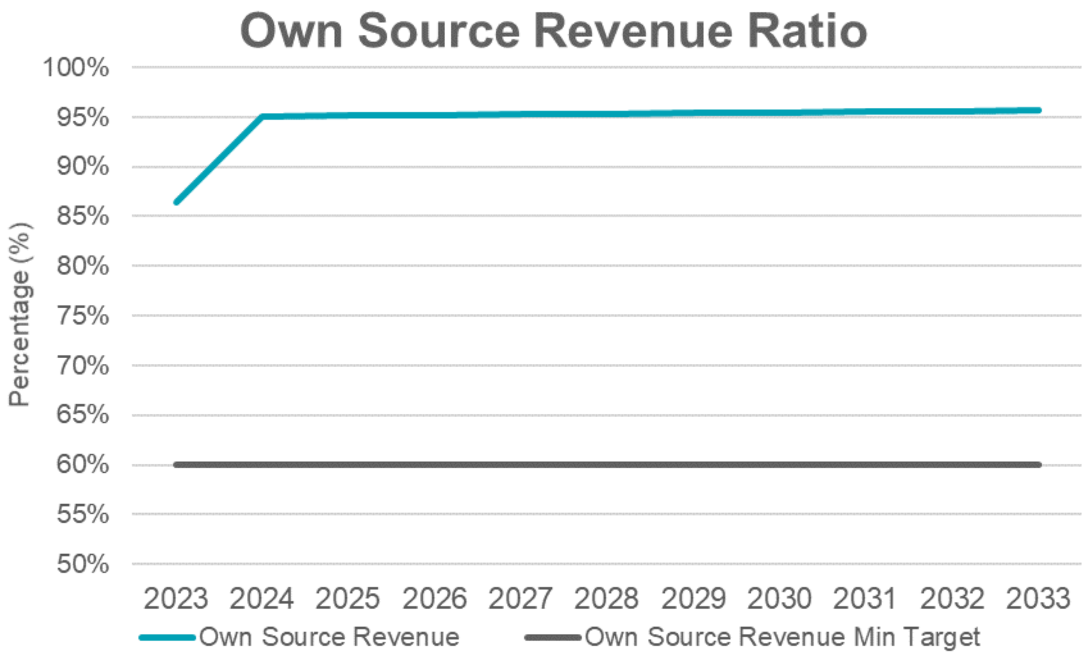
Single Year Scenario - Statement of Cash Flow

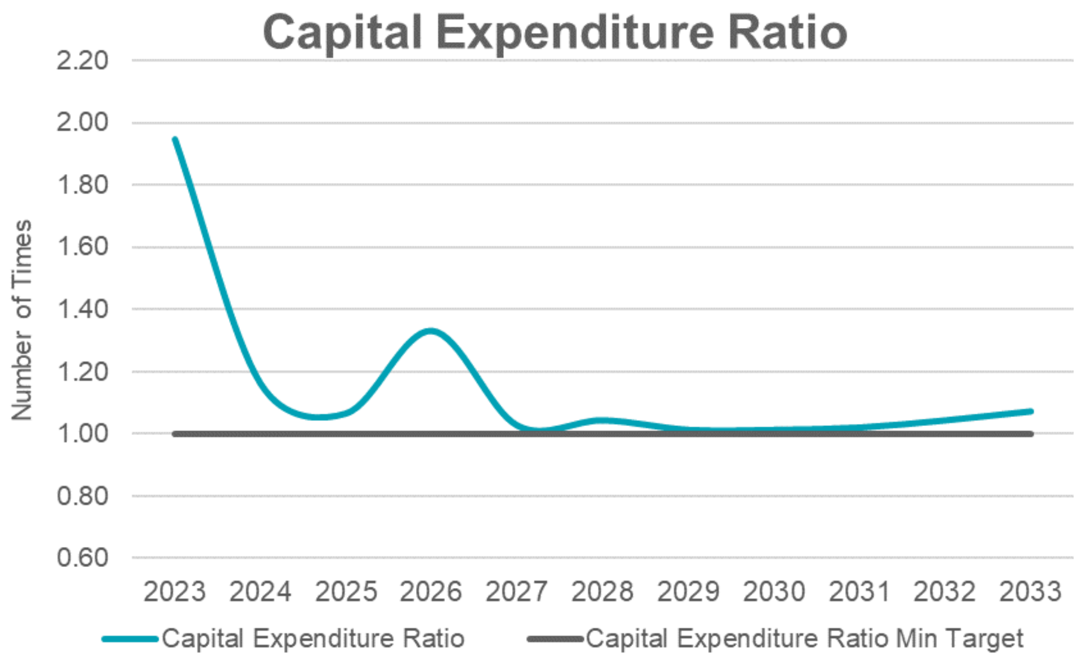
CASHFLOW STATEMENT											
For the period ended 30 June	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Cash Flows from Operating Activities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Receipts:											
Rates & Annual Charges	66,623	80,266	83,920	86,233	88,558	90,941	93,384	95,888	98,454	101,084	103,781
User Charges & Fees	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue Received	1,063	1,460	1,725	1,906	1,977	2,204	2,432	2,683	2,959	3,233	3,468
Grants & Contributions	29,721	16,982	17,425	17,572	17,720	17,869	18,019	18,169	18,321	18,474	18,627
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Payments:											
Employee Benefits & On-Costs	(57,259)	(59,342)	(60,958)	(64,341)	(66,306)	(68,427)	(70,191)	(73,402)	(75,421)	(76,759)	(80,972)
Materials & Contracts	(55,795)	(67,104)	(67,020)	(69,056)	(69,358)	(72,208)	(73,558)	(75,870)	(77,678)	(80,537)	(83,356)
Borrowing Costs	(1,713)	(1,757)	(1,653)	(1,562)	(1,611)	(1,525)	(1,436)	(1,382)	(1,296)	(1,211)	(1,148)
Other	(3,653)	(268)	(4,774)	(3,454)	(3,840)	(2,604)	(3,823)	(1,664)	(2,647)	(4,466)	(1,143)
Net Cash provided (or used in) Operating Activities	**33,493**	**30,055**	**30,245**	**30,553**	**32,111**	**32,979**	**33,356**	**34,795**	**34,957**	**34,017**	**35,440**
Cash Flows from Investing Activities											
Receipts:											
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Real Estate Assets	(1,000)	(1,010)	(1,020)	(1,030)	(1,041)	(1,051)	(1,062)	(1,072)	(1,083)	(1,094)	(1,105)
Purchase of Infrastructure, Property, Plant & Equipment	(30,977)	(20,176)	(19,404)	(24,096)	(19,553)	(20,275)	(19,869)	(20,351)	(20,847)	(21,356)	(21,878)
Purchase of Intangible Assets	(400)	(424)	(443)	(459)	(475)	(491)	(508)	(526)	(545)	(564)	(583)
Net Cash provided (or used in) Investing Activities	**(32,127)**	**(21,360)**	**(20,617)**	**(25,335)**	**(20,818)**	**(21,567)**	**(21,189)**	**(21,700)**	**(22,225)**	**(22,763)**	**(23,316)**
Cash Flows from Financing Activities											
New Borrowings		5,000									
Repayment of leases principal	(606)	(795)	(840)	(850)	(617)	(690)	(740)	(755)	(709)	(785)	(839)
Repayment of Borrowings & Advances	(3,147)	(2,312)	(1,524)	(1,552)	(1,580)	(1,597)	(1,382)	(1,323)	(1,054)	(1,074)	(1,094)
Net Cash Flow provided (used in) Financing Activities	**(3,753)**	**1,893**	**(2,365)**	**(2,402)**	**(2,198)**	**(2,287)**	**(2,122)**	**(2,079)**	**(1,763)**	**(1,859)**	**(1,934)**
Net Increase/(Decrease) in Cash & Cash Equivalents	**(2,387)**	**10,588**	**7,263**	**2,816**	**9,095**	**9,124**	**10,046**	**11,016**	**10,969**	**9,395**	**10,190**
plus: Cash - beginning of year	16,430	14,043	24,631	31,894	34,710	43,805	52,929	62,974	73,991	84,959	94,354
Cash - end of the year	**14,043**	**24,631**	**31,894**	**34,710**	**43,805**	**52,929**	**62,974**	**73,991**	**84,959**	**94,354**	**104,544**
plus: Investments - end of the year	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Total Cash & Investments - end of the year	**51,290**	**61,878**	**69,141**	**71,957**	**81,052**	**90,176**	**100,221**	**111,238**	**122,206**	**131,601**	**141,791**
Less restricted Cash (NAL)	(14,234)	(16,228)	(18,127)	(20,216)	(22,493)	(24,959)	(27,613)	(30,452)	(33,475)	(36,681)	(40,066)
Cash, Cash Equivalents & Investments - end of the year	**37,057**	**45,650**	**51,014**	**51,741**	**58,558**	**65,216**	**72,609**	**80,786**	**88,731**	**94,920**	**101,725**

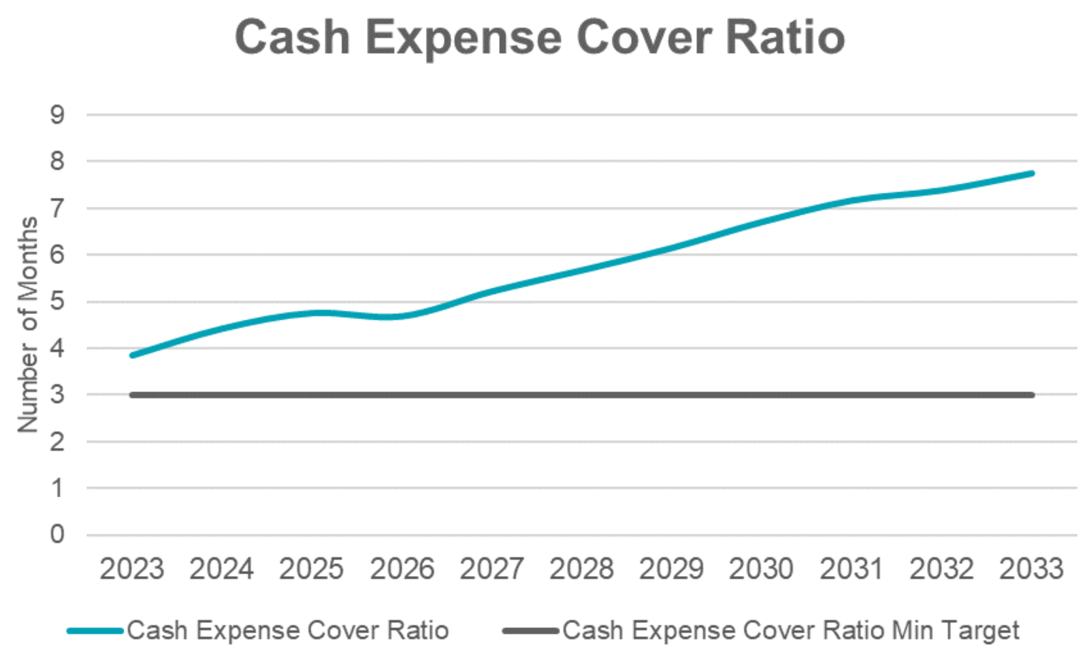
9.3 Single Year Scenario Graphs

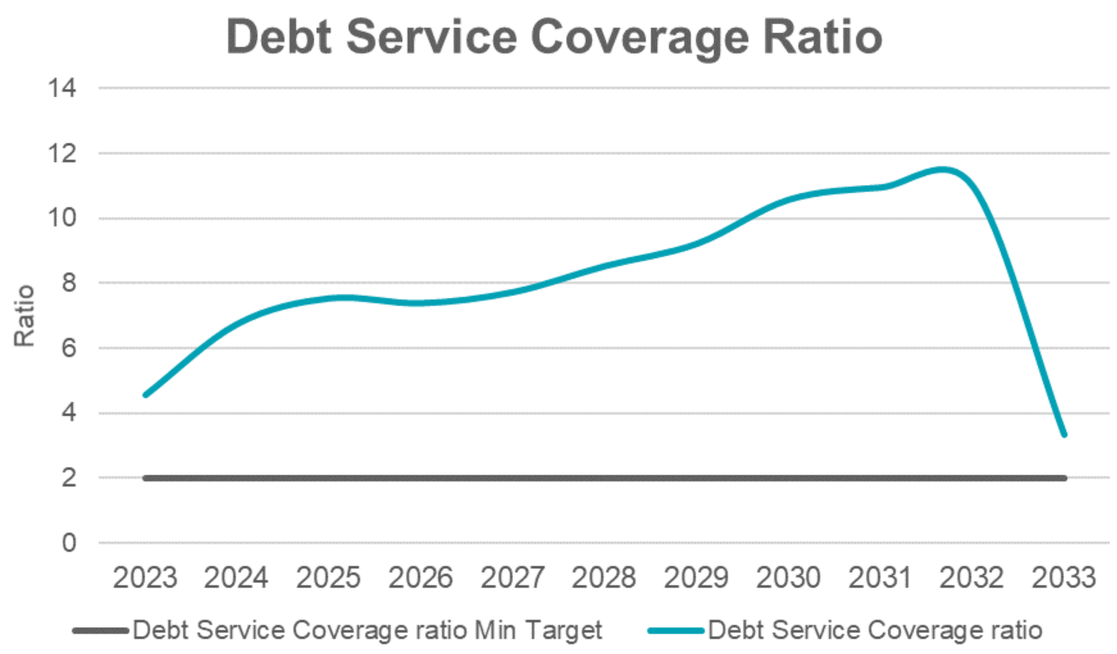





Own Source Revenue Ratio
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
Percentage (%)
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Own Source Revenue
Own Source Revenue Min Target


Capital Expenditure Ratio
2.20
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
Number of Times
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Capital Expenditure Ratio
Capital Expenditure Ratio Min Target


Cash Expense Cover Ratio
Number of Months
9
8
7
6
5
4
3
2
1
0
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Cash Expense Cover Ratio
Cash Expense Cover Ratio Min Target


Debt Service Coverage Ratio
Ratio
14
12
10
8
6
4
2
0
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Debt Service Coverage ratio Min Target
Debt Service Coverage ratio

10. Financial Statements – Reduced Independent Recommendation Scenario

10.1 Introduction

Reduced Independent Recommendation Scenario – Special Rate Variation - A cumulative increase of 31.29%, being a 9.5% increase for three consecutive years (inclusive of the 2.5% rate cap)

Under this scenario, as a result, of an approved special rate variation for 9.5% for a three-year period, being a cumulative increase of 31.29%. After which rate capping would be re-instated at 2.5%. Council would break even in the first year of the special rate variation and eliminate every year of forecasted shortfalls of the base scenario. Council would remain above the 1% resilience target for the entirety of the plan. It would see a slow growth of additional funds over the three-year period of the SRV. An annual operating surplus is achieved under this scenario

Permanent in nature

Council is proposing that the special rate variations increases be retained permanently in the rates general income base. This means that rate levels in the first year after the SRV and subsequent years will only increase by the rate peg set by the state government and rates will not be reduced to pre-SRV levels.

10.2 Financial Statements - Independent Scenario

Reduced Independent Recommendation Scenario – Income Statement

INCOME STATEMENT		SRV Yr 1	SRV Yr2	SRV Yr3							
For the period ended 30 June	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue											
Rates & Annual Charges	68,994	74,645	80,289	86,417	88,747	91,135	93,582	96,091	98,662	101,298	103,999
User Fees and Charges	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue	1,063	1,460	1,689	1,867	1,940	2,159	2,388	2,633	2,892	3,162	3,393
Other Revenues	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Operating Grants and Contributions	12,761	12,328	12,752	12,879	13,008	13,138	13,269	13,402	13,536	13,671	13,808
Capital Grants and Contributions	19,573	7,319	7,393	7,467	7,541	7,617	7,693	7,770	7,847	7,926	8,005
Gain on Sale of assets	250	250	250	250	250	250	250	250	250	250	250
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other Income - Fair Value increment	843	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Total Revenue	**157,990**	**157,057**	**165,228**	**173,448**	**177,808**	**182,419**	**187,145**	**191,996**	**196,972**	**202,073**	**207,253**
Operating Expenses											
Employee Benefits & On-Costs	56,552	58,373	60,652	62,803	64,789	66,843	68,979	71,197	73,487	75,868	78,330
Borrowing Costs	1,713	1,757	1,653	1,562	1,611	1,525	1,436	1,382	1,296	1,211	1,148
Materials & Services	55,916	59,270	63,338	69,505	70,019	71,758	73,650	76,177	77,342	80,049	82,851
Depreciation & Amortisation	18,999	19,528	20,267	20,748	21,386	21,784	22,037	22,479	22,974	23,035	23,157
Other Expenses	4,586	4,752	4,865	5,032	5,152	5,277	5,402	5,545	5,688	5,834	5,985
Total Operating Expenses	**137,766**	**143,680**	**150,774**	**159,651**	**162,957**	**167,188**	**171,504**	**176,780**	**180,787**	**185,997**	**191,470**
Operating Surplus / (Deficit)	**20,224**	**13,377**	**14,454**	**13,796**	**14,852**	**15,231**	**15,641**	**15,216**	**16,186**	**16,075**	**15,782**
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	1
Total Comprehensive Income	**20,224**	**13,377**	**14,454**	**13,796**	**14,852**	**15,231**	**15,641**	**15,216**	**16,186**	**16,075**	**15,783**
Net Operating Result before Capital Grants	**651**	**6,058**	**7,061**	**6,330**	**7,311**	**7,615**	**7,948**	**7,446**	**8,338**	**8,150**	**7,778**
Adjustments for Underlying Result											
Gain on Sale of assets	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Investment property fair value increases & royalties	(2,679)	(3,109)	(3,184)	(3,260)	(3,339)	(3,419)	(3,501)	(3,586)	(3,672)	(3,761)	(3,852)
NAP Profit	1,156	(2,235)	(2,220)	(2,134)	(2,272)	(2,434)	(2,601)	(2,771)	(2,943)	(3,115)	(3,286)
Local election costs	-	-	-	700	-	-	-	750	-	-	-
Underlying result	**(1,122)**	**463**	**1,407**	**1,386**	**1,449**	**1,512**	**1,596**	**1,590**	**1,473**	**1,024**	**390**

Independent Recommendation Scenario – Statement of Financial Position (Balance Sheet)

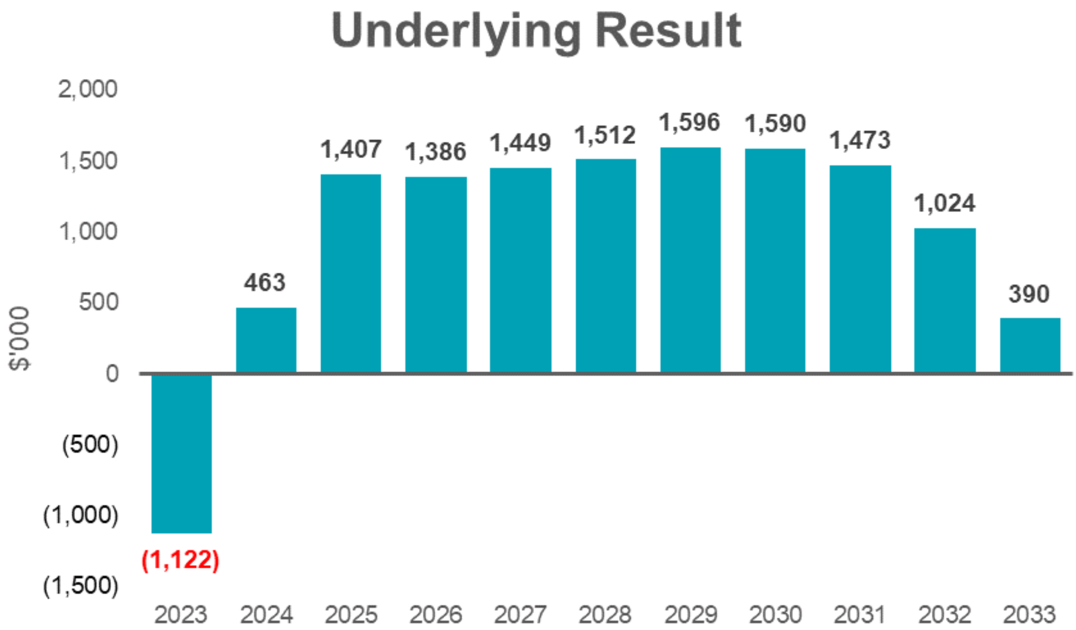
STATEMENT OF FINANCIAL POSITION

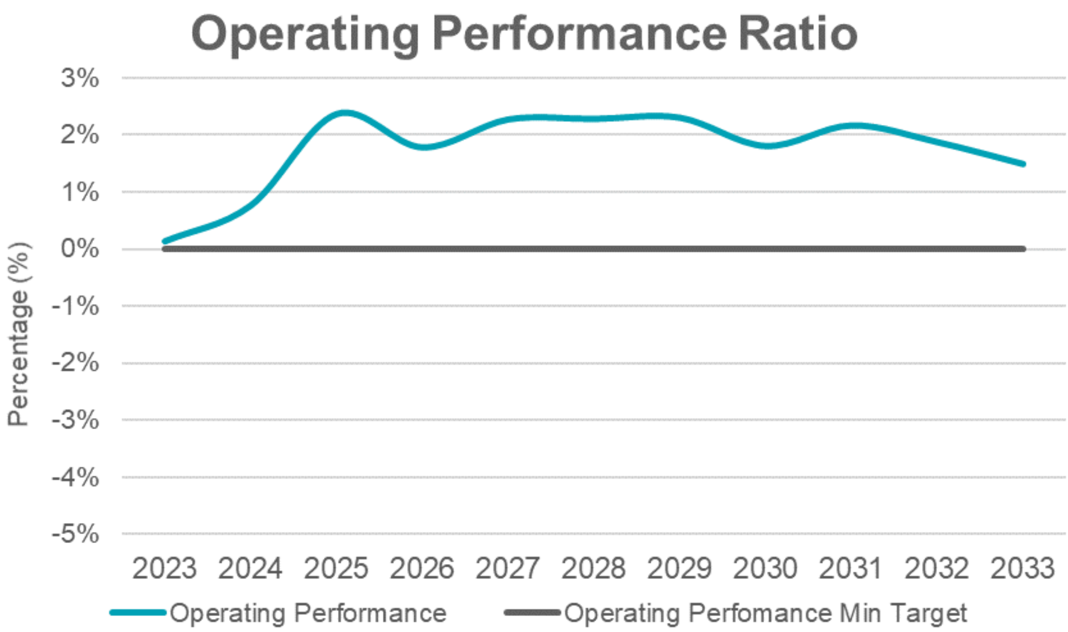
As at 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	14,043	23,224	30,313	33,233	41,996	51,148	60,952	71,328	82,107	91,382	101,396
Investments	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Receivables	11,027	12,121	12,930	13,750	14,176	14,611	15,058	15,515	15,984	16,464	16,955
Inventories & Other	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Total Current Assets	**64,965**	**75,238**	**83,137**	**86,878**	**96,066**	**105,653**	**115,904**	**126,737**	**137,984**	**147,740**	**158,246**
Non Current Assets											
Infrastructure, Property, Plant & Equipment	1,098,970	1,104,025	1,107,650	1,115,443	1,118,161	1,121,201	1,123,740	1,126,323	1,129,104	1,132,374	1,136,244
Right of Use Asset	2,031	1,776	993	3,405	3,185	2,428	2,071	1,850	1,093	3,504	3,285
Investments using Equity Method	431	431	431	431	431	431	431	431	431	431	431
Inventories & Other	7,427	8,437	9,457	10,487	11,528	12,579	13,641	14,713	15,796	16,889	17,994
Investment Properties	41,223	42,460	43,733	45,045	46,397	47,789	49,222	50,699	52,220	53,787	55,400
Intangibles	5,645	5,162	4,767	4,444	4,183	3,976	3,814	3,692	3,604	3,545	3,513
Total Non Current Assets	**1,155,726**	**1,162,291**	**1,167,032**	**1,179,256**	**1,183,886**	**1,188,404**	**1,192,919**	**1,197,708**	**1,202,248**	**1,210,532**	**1,216,869**
Total Assets	**1,220,691**	**1,237,529**	**1,250,169**	**1,266,133**	**1,279,952**	**1,294,057**	**1,308,823**	**1,324,446**	**1,340,232**	**1,358,272**	**1,375,115**
LIABILITIES											
Current Liabilities											
Trade & Other Payables	17,065	17,669	18,401	19,511	19,603	19,916	20,257	20,712	20,922	21,409	21,913
Lease liabilities	795	840	850	617	690	740	755	709	785	839	688
Borrowings	2,312	1,524	1,552	1,580	1,597	1,382	1,323	1,054	1,074	1,094	1,116
Provisions	16,624	17,146	17,008	17,306	17,742	18,212	18,285	19,331	20,081	19,762	22,350
Total Current Liabilities	**36,795**	**37,179**	**37,811**	**39,014**	**39,633**	**40,250**	**40,621**	**41,806**	**42,862**	**43,106**	**46,071**
Non Current Liabilities											
Trade & Other Payables	1,831	1,286	740	195	0	0	0	0	0	0	0
Lease liabilities	1,235	935	144	2,788	2,496	1,688	1,316	1,142	308	2,665	2,597
Borrowings	36,154	39,630	38,077	36,497	34,899	33,518	32,194	31,140	30,066	28,971	27,855
Provisions	1,294	1,741	2,185	2,632	3,063	3,509	3,959	4,410	4,862	5,320	4,599
Total Non Current Liabilities	**40,514**	**43,591**	**41,146**	**42,110**	**40,458**	**38,715**	**37,469**	**36,691**	**35,235**	**36,957**	**35,053**
Total Liabilities	**77,309**	**80,770**	**78,956**	**81,124**	**80,091**	**78,965**	**78,090**	**78,497**	**78,098**	**80,063**	**81,124**
Net Assets	**1,143,382**	**1,156,759**	**1,171,212**	**1,185,009**	**1,199,860**	**1,215,092**	**1,230,733**	**1,245,949**	**1,262,134**	**1,278,209**	**1,293,991**
EQUITY											
Accumulated Surplus	729,034	742,411	756,866	770,662	785,514	800,744	816,385	831,602	847,788	863,861	879,643
Asset Revaluation Reserves	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346	414,346
Total Equity	**1,143,380**	**1,156,757**	**1,171,212**	**1,185,008**	**1,199,860**	**1,215,090**	**1,230,731**	**1,245,948**	**1,262,134**	**1,278,207**	**1,293,989**

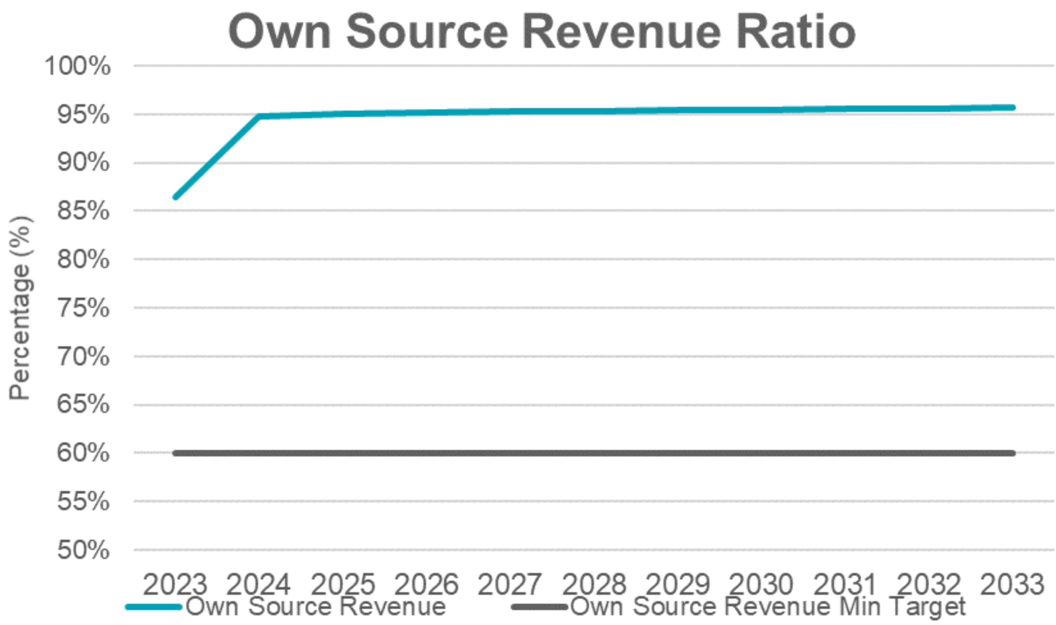
Independent Recommendation Scenario – Statement of Cash Flows

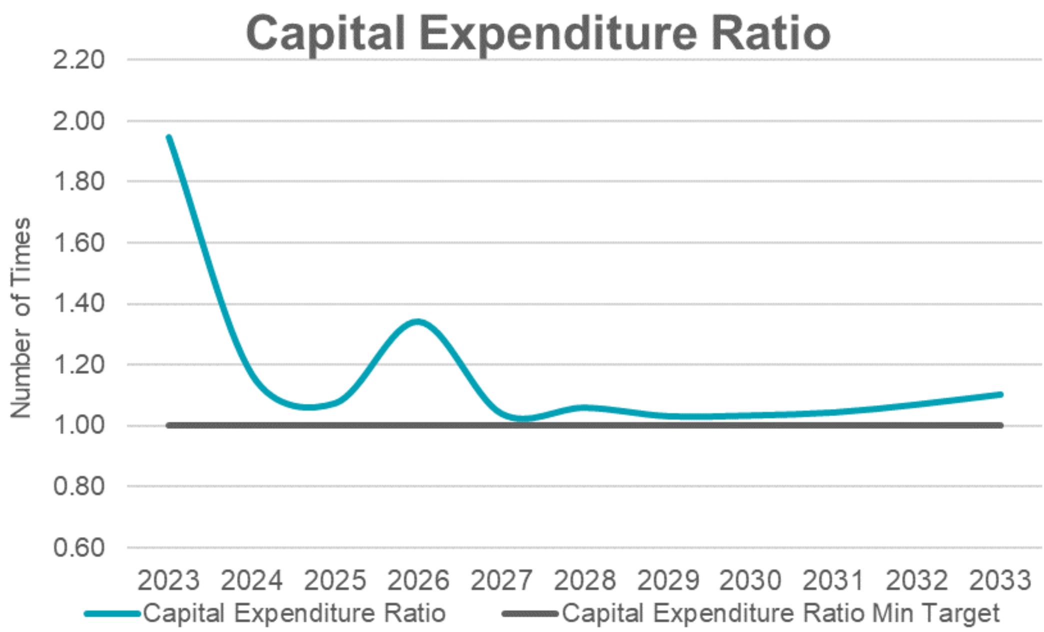
CASHFLOW STATEMENT											
For the period ended 30 June	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Cash Flows from Operating Activities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Receipts:											
Rates & Annual Charges	66,623	73,552	79,480	85,597	88,322	90,699	93,136	95,633	98,194	100,817	103,507
User Charges & Fees	47,079	52,272	53,916	55,469	57,061	58,692	60,365	62,079	63,836	65,637	67,483
Interest & Investment Revenue Received	1,063	1,460	1,689	1,867	1,940	2,159	2,388	2,633	2,892	3,162	3,393
Grants & Contributions	29,721	16,982	17,425	17,572	17,720	17,869	18,019	18,169	18,321	18,474	18,627
Other Income - Rental Income	3,098	3,129	3,160	3,192	3,224	3,256	3,289	3,322	3,355	3,388	3,422
Other	4,330	4,416	4,505	4,595	4,687	4,780	4,876	4,974	5,073	5,174	5,278
Payments:											
Employee Benefits & On-Costs	(57,259)	(59,342)	(60,958)	(63,547)	(65,657)	(67,759)	(69,503)	(72,693)	(74,690)	(76,007)	(80,197)
Materials & Contracts	(55,795)	(59,329)	(63,524)	(70,070)	(69,917)	(72,071)	(73,990)	(76,631)	(77,552)	(80,537)	(83,356)
Borrowing Costs	(1,713)	(1,757)	(1,653)	(1,562)	(1,611)	(1,525)	(1,436)	(1,382)	(1,296)	(1,211)	(1,148)
Other	(3,653)	(2,639)	(3,830)	(2,271)	(3,757)	(2,813)	(3,691)	(1,553)	(2,910)	(4,478)	(1,155)
Net Cash provided (or used in) Operating Activities	**33,493**	**28,744**	**30,209**	**30,841**	**32,010**	**33,288**	**33,452**	**34,549**	**35,222**	**34,419**	**35,854**
Cash Flows from Investing Activities											
Receipts:											
Sale of Infrastructure, Property, Plant & Equipment	250	250	250	250	250	250	250	250	250	250	250
Payments:											
Purchase of Real Estate Assets	(1,000)	(1,010)	(1,020)	(1,030)	(1,041)	(1,051)	(1,062)	(1,072)	(1,083)	(1,094)	(1,105)
Purchase of Infrastructure, Property, Plant & Equipment	(30,977)	(20,272)	(19,542)	(24,279)	(19,784)	(20,557)	(20,205)	(20,746)	(21,303)	(21,877)	(22,468)
Purchase of Intangible Assets	(400)	(424)	(443)	(459)	(475)	(491)	(508)	(526)	(545)	(564)	(583)
Net Cash provided (or used in) Investing Activities	**(32,127)**	**(21,456)**	**(20,756)**	**(25,518)**	**(21,050)**	**(21,850)**	**(21,525)**	**(22,094)**	**(22,680)**	**(23,284)**	**(23,906)**
Cash Flows from Financing Activities											
New Borrowings		5,000									
Repayment of leases principal	(606)	(795)	(840)	(850)	(617)	(690)	(740)	(755)	(709)	(785)	(839)
Repayment of Borrowings & Advances	(3,147)	(2,312)	(1,524)	(1,552)	(1,580)	(1,597)	(1,382)	(1,323)	(1,054)	(1,074)	(1,094)
Net Cash Flow provided (used in) Financing Activities	**(3,753)**	**1,893**	**(2,365)**	**(2,402)**	**(2,198)**	**(2,287)**	**(2,122)**	**(2,079)**	**(1,763)**	**(1,859)**	**(1,934)**
Net Increase/(Decrease) in Cash & Cash Equivalents	**(2,387)**	**9,180**	**7,089**	**2,921**	**8,763**	**9,151**	**9,805**	**10,376**	**10,779**	**9,275**	**10,014**
plus: Cash - beginning of year	16,430	14,043	23,224	30,313	33,233	41,996	51,148	60,952	71,328	82,107	91,382
Cash - end of the year	**14,043**	**23,224**	**30,313**	**33,233**	**41,996**	**51,148**	**60,952**	**71,328**	**82,107**	**91,382**	**101,396**
plus: Investments - end of the year	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247	37,247
Total Cash & Investments - end of the year	**51,290**	**60,471**	**67,560**	**70,480**	**79,243**	**88,395**	**98,199**	**108,575**	**119,354**	**128,629**	**138,643**
Less restricted Cash (NAL)	(14,234)	(16,228)	(18,127)	(20,216)	(22,493)	(24,959)	(27,613)	(30,452)	(33,475)	(36,681)	(40,066)
Cash, Cash Equivalents & Investments - end of the year	**37,057**	**44,243**	**49,433**	**50,265**	**56,750**	**63,435**	**70,587**	**78,123**	**85,879**	**91,948**	**98,577**

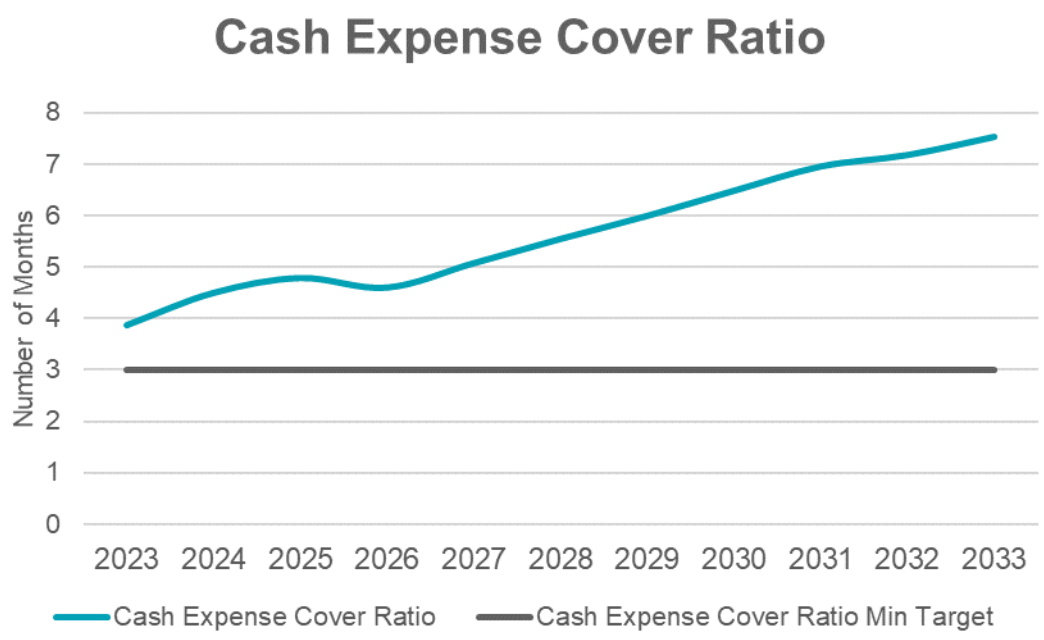
10.3 Reduced Independent Recommendation Scenario Graphs



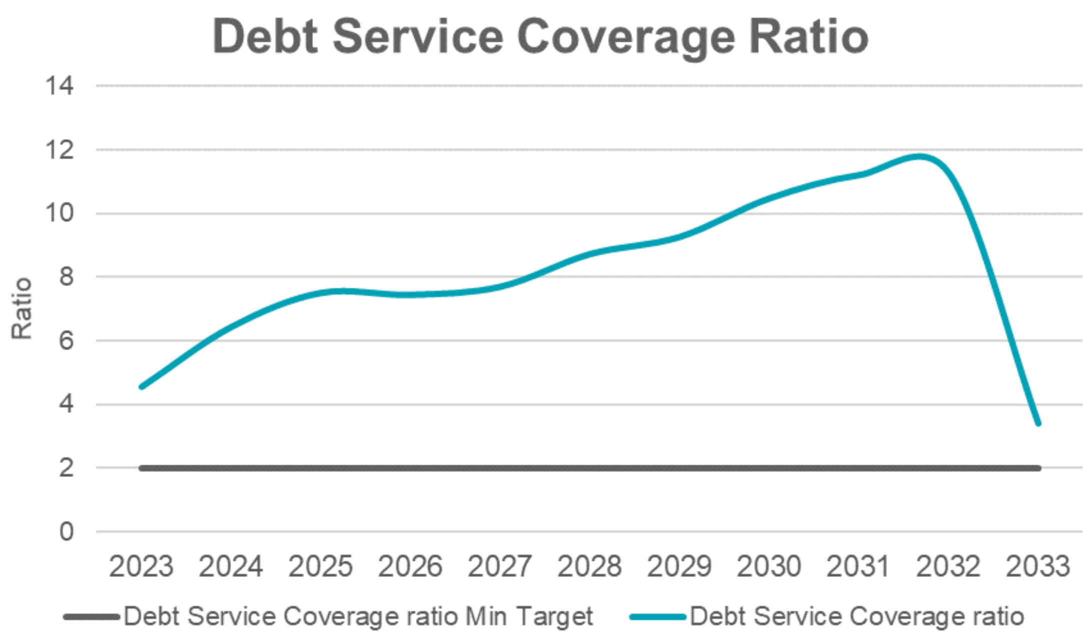



Own Source Revenue Ratio
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
Percentage (%)
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Own Source Revenue
Own Source Revenue Min Target


Capital Expenditure Ratio
2.20
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
Number of Times
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Capital Expenditure Ratio
Capital Expenditure Ratio Min Target



Cash Expense Cover Ratio
Number of Months
8
7
6
5
4
3
2
1
0
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Cash Expense Cover Ratio
Cash Expense Cover Ratio Min Target



Debt Service Coverage Ratio
Ratio
14
12
10
8
6
4
2
0
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
Debt Service Coverage ratio Min Target
Debt Service Coverage ratio

Appendices

Appendix 1: Statement of Restricted Cash

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

Background

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

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

Objective

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

Principles

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

Statement

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

- Council will also from time to time set aside additional funds for Council's specific purposes;

- Restricted funds will be reported in the Annual Financial Statements and reviewed annually against the specified requirements of each fund;

- Restricted funds will be reviewed quarterly against the annual budget by the Section Manager accountable for that fund;

- Each specific fund shall be approved by Council and must be supported by a statement which outlines the following:
    - Purpose of Restricted Funds;
    - Source of funds;
    - The apportionment of interest earned on cash held for that fund;
    - A specific statement including targets, sinking funds, timeframes for accumulation and expenditure of funds;
    - Accountability for the collection, management and expenditure of that fund;
    - Relevant legislation or Council Minute supporting the creation of the fund;

- Creation of all restricted funds shall be in accordance with this policy;

- Expenditure of Restricted Funds shall be in strict accordance with the approved budget, and expenditure shall not exceed funds available without specific Council Resolution;

- Budgeting for the expenditure of profits from land development activities will only occur after the physical receipt of sale proceeds by Council; and

- All Restricted Funds are to be 100% cash backed.

Related Council policies

- Cash Investment Policy
- Property Investment Policy
- Community Groups Loans Policy
- Land Acquisition and Divestment Policy

Review date

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

Relevant legislative provisions

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

Implementation responsibility

Financial Services Section

Definitions

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

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

Internal Pooling refers to those monies transferred within Council to cover identified projects, where the money is to be repaid to the restricted fund from a specified source. Internal pooling is subject to specific Council approval and must demonstrate that the pooling of monies for the project will not be unreasonably, over a period of time, prejudice to other future projects.

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

Nature and purpose of current restricted assets

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

- Deposits, retentions and bonds;
- Bonds held for developers' works;
- Section 7.11 & 7.12 developer contributions;
- Specific purpose unexpended grants;
- Domestic waste management;
- Crown Reserves;
- Employee leave entitlements;
- Capital asset restricted asset/asset rehabilitation;
- Drainage restricted assets;
- Election restricted assets;
- Business technology fund;
- Newcastle Airport Partnership;
- Fleet;
- Section 355c committees;

- Unexpended loan funds;
- Community loans;
- Parking meters;
- Commercial properties;
- Other waste;
- Sustainable energy and water;
- Roads/environmental special rate;
- Administration building;
- Ward funds.

Deposits, retentions and bonds

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

Bonds held for developers' works

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

Section 7.11 & 7.12 developer contributions

Purpose	Section 7.11 & 7.12 of the *Environmental Planning & Assessment Act 1979* enables Council to levy contributions because of development. These contributions are essential in providing quality facilities and services to an expanding local population. The Act requires Council to set these funds aside to be used specifically for the provision of these facilities and services.
Source of Funds	Developer contributions as levied in accordance with Council's adopted Section 7.11 Plan.

Specific purpose unexpended grants

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

Domestic waste management

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

Crown Reserves

Purpose	Net profits from Holiday Parks and parking meters on Crown Land are retained for reinvestment back into Holiday Parks or other assets on Crown Land.
Source of Funds	Surplus from the Holiday Parks on Crown Land.

Employee leave entitlements

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

Capital restricted assets/asset rehabilitation

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

Drainage restricted assets

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

Election restricted assets

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

Business technology fund

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

Newcastle Airport Partnership

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

Fleet

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

Section 355c committees

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

Unexpended loan funds

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

Community loans

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

Parking meters

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

Commercial properties

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

Other waste

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

Sustainable energy and water

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

Roads/environmental special rate

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

Administration Building

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

Ward funds

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

Natural Disaster

Purpose	To set aside funds in the event of a Natural Disaster to assist with cash flow and unexpected expenditure that is not recoverable.
Source of Funds	General revenue.

Grants Co-Contribution

Purpose	To provide a pool of funds that could be used to secure further grants funding.
Source of Funds	General revenue.

Financial Sustainability & Resilience Fund

Purpose	To set aside funds from excess non-rate revenue for significant projects, investments or initiatives to achieve the strategies of Council
Source of Funds	General revenue, Newcastle airport dividend

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EDRMS container No.	PSC2021-00626	**RM8 record No.**	
Audience	General community		
Process owner	Financial Services Section Manager		
Author	Financial Services Section Manager		
Review timeframe	Annually	**Next review date**	2023
Adoption date			

Version History

Version	Date	Author	Details
1.0	21/1/2020	Financial Services Section Manager	First draft.
2.0	21/2/2020	Financial Services Section Manager	Final draft.
3.0	12/1/2021	Financial Services Section Manager	Minor amendments relating to dates applied.
4.0	14/04/2022	Financial Services Section Manager	Minor amendments relating to dates. Scenarios statements updated to reflect ongoing financial challenges faced by Council as result of COVID-19 Pandemic. Additional reserves, Financial Sustainability & Prosperity Reserve, Natural Disaster Reserve and Grants Co-Contribution Reserve.
5.0	13/09/2022	Financial Services Section Manager	Revised to incorporate 2 options of a potential special rate variation
5.1	25/10/2022	Financial Services Section Manager	Updated to reflect changes made from Public Exhibition and Rate Cap Announcement.