

FINANCIAL STATEMENTS

For the year ended 30 June 2023



Lake Macquarie City Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

Lake Macquarie City Council is constituted under the *Local Government Act 1993* (NSW) and has its principal place of business at:

Lake Macquarie City Council
126-138 Main Road
Speers Point NSW 2284

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.lakemac.com.au.

Lake Macquarie City Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Lake Macquarie City Council

General Purpose Financial Statements for the year ended 30 June 2023

Statement by Councillors and Management

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

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

- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

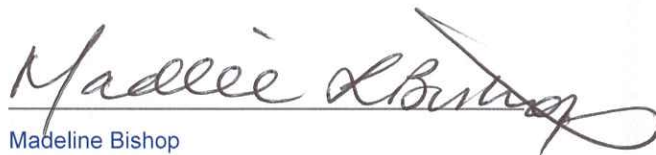
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

We are not aware of any matter that would render this report false or misleading in any way.

Signed in accordance with a resolution of Council made on 20 November 2023.



Kay Fraser
Mayor
20 November 2023



Madeline Bishop
Deputy Mayor
20 November 2023



Morven Cameron
Chief Executive Officer
20 November 2023



Bjorn Lategan
Responsible Accounting Officer
20 November 2023

Lake Macquarie City Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Restated Actual 2022 ¹ \$ '000
	Income from continuing operations			
196,964	Rates and annual charges	B2-1	196,870	189,620
23,789	User charges and fees	B2-2	25,896	23,344
11,895	Other revenues	B2-3	16,940	9,378
26,105	Grants and contributions provided for operating purposes	B2-4	40,516	34,963
66,890	Grants and contributions provided for capital purposes	B2-4	71,805	71,819
8,004	Interest and investment income	B2-5	11,366	4,259
5,628	Other income	B2-6	12,535	9,515
339,275	Total income from continuing operations		375,928	342,898
	Expenses from continuing operations			
107,423	Employee benefits and on-costs	B3-1	111,725	98,799
78,809	Materials and services	B3-2	83,089	73,895
8,544	Borrowing costs	B3-3	7,616	4,166
65,952	Depreciation, amortisation and impairment of non-financial assets	B3-4	67,098	71,141
15,134	Other expenses	B3-5	16,061	22,287
–	Net loss from the disposal of assets	B4-1	9,504	6,495
275,862	Total expenses from continuing operations		295,093	276,783
63,413	Operating result from continuing operations		80,835	66,115
63,413	Net operating result for the year attributable to Council		80,835	66,115
(3,477)	Net operating result for the year before grants and contributions provided for capital purposes		9,030	(5,704)

(1) Refer to Note F4-1 for details regarding restatement of prior year.

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

Lake Macquarie City Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	Restated 2022 ¹ \$ '000
Net operating result for the year – from Income Statement		80,835	66,115
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>213,087</u>	<u>180,391</u>
Total items which will not be reclassified subsequently to the operating result		213,087	180,391
Total other comprehensive income for the year		213,087	180,391
Total comprehensive income for the year attributable to Council		293,922	246,506

(1) Refer to Note F4-1 for details regarding restatement of prior year.

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

Lake Macquarie City Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	Restated 2022 ¹ \$ '000	Restated 1 July 2021 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	21,402	19,910	17,509
Investments	C1-2	310,035	288,638	242,722
Receivables	C1-4	20,718	20,642	16,647
Inventories	C1-5	1,100	1,060	1,024
Non-current assets classified as held for sale	C1-6	120	81	–
Other	C1-10	124	359	371
Total current assets		353,499	330,690	278,273
Non-current assets				
Investments	C1-2	57,589	35,184	71,693
Receivables	C1-4	2,674	2,225	1,893
Inventories	C1-5	5,778	5,490	5,088
Infrastructure, property, plant and equipment (IPPE)	C1-7	3,737,411	3,490,806	3,261,933
Investment property	C1-8	52,967	50,016	45,621
Intangible assets	C1-9	8,145	8,660	8,320
Right of use assets	C2-1	736	885	644
Total non-current assets		3,865,300	3,593,266	3,395,192
Total assets		4,218,799	3,923,956	3,673,465
LIABILITIES				
Current liabilities				
Payables	C3-1	31,473	27,150	25,843
Contract liabilities	C3-2	9,777	8,921	5,393
Lease liabilities	C2-1	229	214	166
Borrowings	C3-3	9,872	9,353	8,680
Employee benefit provisions	C3-4	40,043	38,183	41,077
Provisions	C3-5	4,736	7,294	45,876
Total current liabilities		96,130	91,115	127,035
Non-current liabilities				
Lease liabilities	C2-1	525	684	486
Borrowings	C3-3	194,126	197,852	195,013
Employee benefit provisions	C3-4	3,295	1,257	1,385
Provisions	C3-5	57,621	59,868	22,872
Total non-current liabilities		255,567	259,661	219,756
Total liabilities		351,697	350,776	346,791
Net assets		3,867,102	3,573,180	3,326,674
EQUITY				
Accumulated surplus	C4-1	1,623,385	1,542,550	1,476,435
IPPE revaluation reserve	C4-1	2,243,717	2,030,630	1,850,239
Total equity		3,867,102	3,573,180	3,326,674

(1) Refer to Note F4-1 for details regarding restatement of prior years.

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

Lake Macquarie City Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		1,542,550	2,030,630	3,573,180	1,454,257	1,850,239	3,304,496
Correction of prior period errors ¹	F4-1	–	–	–	22,178	–	22,178
Restated opening balance ¹		1,542,550	2,030,630	3,573,180	1,476,435	1,850,239	3,326,674
Restated net operating result for the year		80,835	–	80,835	66,115	–	66,115
Other comprehensive income							
Restated gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	213,087	213,087	–	180,391	180,391
Other comprehensive income		–	213,087	213,087	–	180,391	180,391
Total comprehensive income		80,835	213,087	293,922	66,115	180,391	246,506
Closing balance at 30 June		1,623,385	2,243,717	3,867,102	1,542,550	2,030,630	3,573,180

(1) Refer to Note F4-1 for details regarding restatement of prior year.

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

Lake Macquarie City Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Actual 2023 \$ '000	Actual 2022 \$ '000
	Notes		
Cash flows from operating activities			
<i>Receipts:</i>			
196,810	Rates and annual charges	196,243	189,723
23,628	User charges and fees	27,865	24,729
8,074	Interest received	7,720	3,988
70,231	Grants and contributions	101,373	78,969
–	Bonds, deposits and retentions received	1,971	1,573
16,418	Other	36,057	13,208
<i>Payments:</i>			
(106,892)	Payments to employees	(107,860)	(101,821)
(78,862)	Payments for materials and services	(96,111)	(75,599)
(7,894)	Borrowing costs	(7,612)	(2,912)
–	Bonds, deposits and retentions refunded	(1,676)	(1,905)
(15,032)	Other	(19,473)	(14,044)
106,481	Net cash flows from operating activities	138,497	115,909
	G1-1		
Cash flows from investing activities			
<i>Receipts:</i>			
19,071	Sale of investments	12,053	15,039
–	Redemption of term deposits	235,000	165,000
–	Sale of real estate assets	–	332
7,521	Proceeds from sale of IPPE	2,489	3,330
<i>Payments:</i>			
–	Purchase of investments	(24,195)	(12,684)
–	Acquisition of term deposits	(262,000)	(185,000)
–	Purchase of investment property	(828)	(217)
(132,033)	Payments for IPPE	(94,980)	(100,407)
–	Purchase of real estate assets	(273)	(625)
(2,862)	Purchase of intangible assets	(847)	(1,578)
(108,303)	Net cash flows from investing activities	(133,581)	(116,810)
Cash flows from financing activities			
<i>Receipts:</i>			
11,708	Proceeds from borrowings	6,147	12,193
<i>Payments:</i>			
(9,664)	Repayment of borrowings	(9,354)	(8,681)
(222)	Principal component of lease payments	(217)	(210)
1,822	Net cash flows from financing activities	(3,424)	3,302
–	Net change in cash and cash equivalents	1,492	2,401
5,000	Cash and cash equivalents at beginning of year	19,910	17,509
5,000	Cash and cash equivalents at end of year	21,402	19,910
	C1-1		

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

Lake Macquarie City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 20 November 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting. Lake Macquarie City Council is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

When the presentation or classification of items in the financial statements is amended in respect of changes in the current year, the comparative amounts are reclassified to enhance comparability unless the reclassification is impracticable.

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- i. Fair values of infrastructure, property, plant and equipment – refer Note C1-7
- ii. Fair values of investment property – refer Note C1-8
- iii. Provision for asset remediation (tips, quarries and sanitary depots) – refer Note C3-5
- iv. Provision for self-insurance claims - refer Note C3-5
- v. Employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

Council makes significant judgements, apart from those involving estimations, in the process of applying Council's accounting policies. Those judgements that have the most significant effect on the amounts recognised in the financial statements include:

- i. Impairment of receivables - refer Note C1-4
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 - B2-4
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of Council.

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

- general purpose operations

A1-1 Basis of preparation (continued)

- domestic waste service
- swimming pools
- tourist parks
- libraries
- Museum of Art and Culture (MAC)
- landcare

The Trust Fund

In accordance with the provisions of s411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Income relating to volunteer services should be recognised where the amount is material, the services would be purchased if they were not donated and the amounts of the volunteer services can be measured reliably. Council is not able to reliably measure the value of volunteer services at this time and so are unable to recognise them in the financial statements.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council has elected not to apply any pronouncements before its operative dates in the annual reporting period beginning 1 July 2022.

Council's assessment of these new standards, and interpretations relevant to them, is set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

This standard has an effective date for the 30 June 2024 reporting period.

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

A1-1 Basis of preparation (continued)

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The standard will not have an impact on Council's reported financial position or performance.

This standard has an effective date for the 30 June 2024 reporting period.

New accounting standards adopted during the year

During the year Council adopted all accounting standards which were mandatorily effective from the first time at 30 June 2023. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022 ¹ Restated	2023	2022 ¹ Restated	2023	2022 ¹ Restated	2023	2022 ¹ Restated	2023	2022 ¹ Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Functions or activities										
Unique Landscape	23,713	24,074	42,942	42,055	(19,229)	(17,981)	1,847	1,167	22,534	18,699
Lifestyle and Wellbeing	95,558	63,105	105,678	104,538	(10,120)	(41,433)	50,202	31,849	681,228	542,651
Mobility and Accessibility	29,022	53,846	69,229	63,648	(40,207)	(9,802)	29,015	43,872	3,032,618	2,974,609
Diverse Economy	26,695	18,741	26,691	23,520	4	(4,779)	920	443	290,897	186,208
Connected Communities	5,775	3,848	16,886	15,262	(11,111)	(11,414)	5,254	4,070	23,700	48,694
Creativity	1,511	1,522	11,343	10,200	(9,832)	(8,678)	868	1,379	36,596	14,024
Shared Decision-Making	78	91	3,925	4,555	(3,847)	(4,464)	2	26	–	–
Organisational Support	193,576	177,671	18,399	13,005	175,177	164,666	24,213	23,976	131,226	139,071
Total functions and activities	375,928	342,898	295,093	276,783	80,835	66,115	112,321	106,782	4,218,799	3,923,956

(1) Refer to Note F4-1 for details regarding restatement of prior year.

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Unique Landscape

Waste strategic planning, tree and bushland preservation and management, sustainability governance, ecosystem enhancement, noxious weed control, overgrown land control, management of lake, foreshore, and natural areas, Landcare, development assessment and compliance and integrated planning administration.

Lifestyle and Wellbeing

Waste planning and education, domestic waste collection, Awaba waste management facility, bulk waste collection service, provision and servicing of parks and commercial property bins.

Effluent services, maintenance of pedestrian areas, ranger activities, cleaning of public amenities, environment and public health compliance, food premise compliance and essential services legislative compliance.

Community development and facilities, community planning, Lake Macquarie Family Day Care, public cemeteries, development contribution administration, management of sport and recreation facilities, Hunter Region Sports Centre, parks liaison, recreation and land planning, development and operations of leisure services.

Beach and lifeguard services, Lake Macquarie City Games, swim centres and cultural activities.

Mobility and Accessibility

Asset management administration and policy development.

Roads – Infrastructure planning, land acquisitions for roads construction, construction of new roads, sealing gravel roads, kerb and gutter construction, resurfacing program, roads reconstruction and rehabilitation works, city wide road, bridges and car park maintenance.

Drainage – Infrastructure planning, construct/improve urban drainage, minor drainage improvements, land acquisition for drainage, customer and technical services, project management.

Traffic and Transportation – Street lighting/charges, street signs, road line marking, traffic facilities, cycleway construction/improvements, footpath improvements.

Diverse Economy

Economic and employment development, tourism including marketing, planning and promotion.

Management of residential, industrial and commercial properties held in Council's ownership, leases to community groups, bowling clubs etc. Holiday parks, administration and management of outdoor dining agreements, development of Council owned industrial, retail / commercial and residential land, sale of scattered lots, acquisition and disposal of investment properties and reclassification of Council owned land.

City Works construction, external contractual works, quarry rehabilitation and establishment, City Works maintenance.

Connected Communities

Environmental security, sustainability engagement, sustainable living, fire protection services, state emergency services.

Social and community planning, including children's services, aboriginal services, aged and disabled services, family day care service, community halls, multi-purpose centres, youth and neighbourhood centres.

Library Services – Library administration, children's and extension services, acquisition services, information services, regional branch libraries.

Creativity

Working together with creative process and outcomes that bring together history, culture, knowledge and expertise that supports new technologies and ways of thinking. This includes Museum of Art and Culture (MAC), cultural services administration and smart city initiatives.

B1-2 Components of functions or activities (continued)

Shared Decision-making

Elections, Members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

Organisational Support

Administrative services, advertising, purchasing, stores, printing and stationery, insurance, risk management, records management, administration building cleaning and maintenance, treasury functions, rates, cash collections, debt collection, personnel and industrial relations, payroll, staff training and development, work health and safety, workers compensation, legal services, information technology, public relations, grants and sponsorship, mechanical services, plant new and replacement, Council's Works Depot operations/services.

B2 Sources of income

B2-1 Rates and annual charges

	2023 \$ '000	2022 \$ '000
Ordinary rates		
Residential	130,582	126,581
Farmland	84	84
Mining	1,224	1,196
Business	20,932	20,363
Other	–	9
Less: pensioner rebates (mandatory)	(3,092)	(3,156)
Rates levied to ratepayers	149,730	145,077
Pensioner rate subsidies received	1,671	1,747
Total ordinary rates	151,401	146,824
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	42,674	39,997
Waste management services (non-domestic)	2,677	2,537
Section 611 charges	54	56
Less: pensioner rebates (mandatory)	(998)	(988)
Domestic waste – sanitary / sullage services	524	645
Annual charges levied	44,931	42,247
Pensioner annual charges subsidies received:		
– Domestic waste management	538	549
Total annual charges	45,469	42,796
Total rates and annual charges	196,870	189,620

Council has used 2019 valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

	Timing	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Domestic waste management services	2	254	263
Waste management services (non-domestic)	2	180	170
Sullage	2	251	258
Total specific user charges		685	691
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Inspection services	2	138	105
Section 10.7 certificates (EP&A Act)	2	491	533
Section 603 certificates	2	338	408
Animal enforcement	2	336	177
Building assessment and compliance	2	1,179	1,209
Development assessment	2	2,838	2,885
Health inspection	2	867	849
Subdivision assessment	2	1,294	1,413
Tipping	2	2,751	2,711
Total fees and charges – statutory/regulatory		10,232	10,290
(ii) Fees and charges – other (incl. general user charges (per s608))			
Caravan parks	1	10,326	8,489
Restoration charges	2	53	185
Swimming centres	1	2,687	1,720
Community facilities	2	889	792
Other	2	1,024	1,177
Total fees and charges – other		14,979	12,363
Total other user charges and fees		25,211	22,653
Total user charges and fees		25,896	23,344
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		13,013	10,209
User charges and fees recognised at a point in time (2)		12,883	13,135
Total user charges and fees		25,896	23,344

Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenues

	Timing	2023 \$ '000	2022 \$ '000
Legal fees recovery – rates and charges (extra charges)	2	76	59
Legal fees recovery – other	2	2	–
Insurance claims recoveries	2	596	524
Recycling income (non-domestic)	2	–	204
Fines – parking, animal and littering	2	2,819	1,243
Canteen sales	2	427	239
Other	2	1,587	888
Sale of merchandise	2	75	55
Sundry sales and services	2	325	379
Commissions received	2	42	39
External works	2	10,644	5,904
Movement in provision for real estate inventories	2	347	(156)
Total other revenue		16,940	9,378
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		16,940	9,378
Total other revenue		16,940	9,378

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

B2-4 Grants and contributions

	Operating 2023	Operating 2022	Capital 2023	Capital 2022 ² Restated
	\$ '000	\$ '000	\$ '000	\$ '000
General purpose grants and non-development contributions (untied)				
Financial Assistance Grant ¹				
Relating to current year – general component	3,698	7,211	–	–
Relating to current year – local roads component	910	1,511	–	–
Prepayment received in advance for subsequent year – general component	15,779	11,093	–	–
Prepayment received in advance for subsequent year – local roads component	3,468	2,309	–	–
Amount recognised as income during current year	23,855	22,124	–	–
Special purpose grants and non-development contributions (tied)				
Cash contributions				
Previously specific grants:				
Bushfire and emergency services	1,423	1,341	575	229
Economic development	–	87	80	–
Storm/flood damage	1,000	1,000	–	–
Community facilities and services	2,711	2,671	304	717
Environmental	1,493	471	1,916	922
Heritage	15	(7)	–	–
Library and arts	900	1,285	174	285
Recreation	92	84	13,028	6,659
Waterways	–	–	44	124
Transport for NSW	4,624	1,431	10,447	14,207
Other specific grants	308	379	109	174
Previously contributions:				
Bushfire services	13	8	–	–
Community services	69	1	–	–
Drainage	–	–	109	107
Kerb and gutter	–	–	(2)	70
Recreation and culture	7	11	156	68
Roads and bridges	–	618	197	186
Transport for NSW	52	55	–	–
Other contributions	371	551	2	29
Environmental	1,337	279	–	–
Community facilities	–	–	20	18
Administration	1,264	1,806	–	–
Economic development	22	15	–	–
Total special purpose grants and non-development contributions – cash	15,701	12,086	27,159	23,795
Non-cash contributions				
Dedications – subdivisions (other than by s7.4 & s7.11 – EP&A Act, s64 of the LGA)	268	157	13,587	25,067
Total other contributions – non-cash	268	157	13,587	25,067
Total special purpose grants and non-development contributions (tied)	15,969	12,243	40,746	48,862
Total grants and non-development contributions	39,824	34,367	40,746	48,862

B2-4 Grants and contributions (continued)

	Operating 2023	Operating 2022	Capital 2023	Capital 2022 ² Restated
	\$ '000	\$ '000	\$ '000	\$ '000
Comprising:				
– Commonwealth funding	25,934	24,644	5,810	4,748
– State funding	11,549	6,678	20,867	18,569
– Other funding	2,341	3,045	14,069	25,545
	39,824	34,367	40,746	48,862

(1) \$19.25m of the 2023-2024 Financial Assistance Grant from Commonwealth Government was received by Council in June 2023 and hence is reported as 2022-2023 income although it relates to 2023-2024 financial year.

(2) Refer to Note F4-1 for details regarding restatement of prior year.

Development contributions

	Operating 2023	Operating 2022	Capital 2023	Capital 2022 ² Restated
	\$ '000	\$ '000	\$ '000	\$ '000
Development contributions (s7.4 & s7.11 - EP&A Act, s64 of the LGA)				
Cash contributions				
S 7.11 – contributions towards amenities/services	692	596	27,328	19,215
S 7.12 – fixed development consent levies	–	–	1,502	1,173
Total development contributions – cash	692	596	28,830	20,388
Non-cash contributions				
Dedications of land and other assets in lieu of cash contributions	–	–	2,229	2,569
Total development contributions	692	596	31,059	22,957
Total grants and contributions	40,516	34,963	71,805	71,819
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time (1)	2,514	8,743	26,677	23,317
Grants and contributions recognised at a point in time (2)	38,002	26,220	45,128	48,502
Total grants and contributions	40,516	34,963	71,805	71,819

(2) Refer to Note F4-1 for details regarding restatement of prior year.

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner or in a future period, but which are not yet spent in accordance with those conditions are as follows:

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July ¹	4,378	2,582	10,689	10,730
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	7,384	2,735	19,021	1,304
Add: Funds received and not recognised as revenue in the current year	–	–	6,003	5,859
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(4,989)	(939)	(17,587)	(4,873)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(5,147)	(2,331)
Unspent funds at 30 June	6,773	4,378	12,979	10,689

(1) Development contributions are not included here. Development contributions are recognised as revenue in the reporting year they are received. Full details of development contributions revenue, expenditure and unspent amounts can be found in Note F5.

Accounting Policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include construction of assets relating to sporting facilities, swim centres and community facilities. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Development Contributions

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

B2-4 Grants and contributions (continued)

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

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

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	432	401
– Cash and investments	7,608	5,725
– Investment returns on section 7.11 contributions	3,326	(1,867)
Total interest and investment income	11,366	4,259

Accounting policy

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

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

Investment returns applied to development contributions are based on the interest received on Council's investment portfolio.

B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
Fair value increment on investment properties	C1-8	2,123	4,178
Lease income (excluding variable lease payments not dependent on an index or rate)		3,704	3,541
Lease income (excluding variable lease payments not dependent on an index or rate)		1,313	1,173
Lease income relating to variable lease payments not dependent on an index or a rate		703	623
Fair value increment on investments through profit and loss	C1-2	4,692	–
Total other income		12,535	9,515

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	90,834	87,778
Employee termination costs	628	1,086
Employee leave entitlements (ELE)	18,592	13,903
Superannuation	12,897	13,147
Workers' compensation insurance	2,270	4,792
Fringe benefit tax (FBT)	460	400
Other	4,351	728
Total employee costs	130,032	121,834
Less: capitalised costs	(18,307)	(23,035)
Total employee cost expensed	111,725	98,799

Accounting policy

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

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

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however sufficient information to account for the plan as a defined benefit is not available. Therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable—refer to Note D3-1 for more information.

B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		42,384	32,393
Contractor costs			
– Kerbside recycling		6,948	6,561
– Greenwaste collection and processing		8,394	8,532
– Effluent removal		760	852
– Caravan park managers		2,433	2,042
– Cleaning		784	692
– Other		328	429
Consultancy costs			
– Development assessment		69	134
– Planning		386	392
– Asset management planning		157	336
– Environmental		51	98
– IT		131	–
– Other consultants		641	613
Audit Fees	E2-1	155	111
Expenses from Peppercorn leases		30	28
Expenses from leases of low value assets		46	50
Expenses from short-term leases		–	–
Councillor and Mayoral fees and associated expenses	E1-2	745	621
Advertising		795	680
Bank charges		521	525
Election expenses		–	1,196
Electricity and heating		1,572	1,565
Insurance		3,340	3,132
Postal charges		343	354
Street lighting		2,984	2,900
Telephone and communications		995	1,149
Travel expenses		473	496
Training costs		1,246	914
Valuation fees		592	557
Subscriptions, memberships and publications		860	942
Other expenses		533	685
Legal Fees		546	947
Operating leases expense			
– Computers		10	95
– Others		17	43
Family day care		1,979	2,167
RSPCA payments		–	14
Vehicle registrations		436	444
Water charges		1,405	1,206
Total materials and services		83,089	73,895

Accounting policy

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

B3-3 Borrowing costs

	Notes	2023 \$ '000	2022 \$ '000
Interest on leases		19	17
Interest on loans		8,076	7,566
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	(479)	(3,417)
Total borrowing costs expensed		7,616	4,166

Accounting policy

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

B3-4 Depreciation, amortisation and impairment of non-financial assets

		2023	2022 ¹
	Notes	\$ '000	Restated \$ '000
Depreciation and amortisation			
Plant and equipment		6,484	6,009
Office equipment		1,623	1,812
Furniture and fittings		670	596
Land improvements (depreciable)		3,150	3,181
Infrastructure, property, plant and equipment	C1-7		
– Buildings		6,703	6,410
– Other structures		2,412	2,278
– Roads		21,364	24,020
– Bridges		754	671
– Footpaths		2,681	2,499
– Other road assets		7,717	7,351
– Stormwater drainage		6,893	10,103
– Swimming pools		319	294
– Other open space/recreational assets		2,441	2,153
– Other infrastructure		858	815
Right of use assets	C2-1	222	215
Other assets			
– Library books		391	384
– Remediation assets	C3-5,C1-7	1,054	1,054
– Intangibles - software	C1-9	1,362	1,238
Total depreciation and amortisation costs		67,098	71,083
Impairment / revaluation decrement of IPPE			
– Buildings		–	58
Total depreciation, amortisation and impairment of non-financial assets		67,098	71,141

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPPE

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

(1) Refer to Note F4-1 for details regarding restatement of prior year.

B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
Impairment of receivables	C1-4	48	6
Fair value decrement on investments through profit and loss	C1-2	32	8,238
Contributions/levies to other levels of government			
– Contributions to state government – EPA		9,765	8,460
– Emergency services levy (includes FRNSW, SES, and RFS levies)		556	302
– NSW rural fire service levy		1,458	1,048
– Contributions to state government – BFB and State Fire brigades		3,334	2,921
Donations, contributions and assistance to other organisations (Section 356)		868	1,312
Total other expenses		16,061	22,287

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

	Notes	2023 \$ '000	2022 \$ '000
Infrastructure and other assets	C1-7		
Proceeds from disposal – infrastructure and other assets		1,991	3,330
Less: carrying amount of infrastructure and other assets sold/written off		(11,891)	(9,949)
Gain (or loss) on disposal		(9,900)	(6,619)
Real estate assets	C1-5		
Proceeds from disposal – real estate assets		–	332
Less: carrying amount of real estate assets sold/written off		–	(208)
Gain (or loss) on disposal		–	124
Gain (or loss) on disposal of non-current assets classified as 'held for sale'	C1-6		
Proceeds from disposal – non-current assets 'held for sale'		498	–
Less: carrying amount of 'held for sale' assets sold/written off		(102)	–
Gain (or loss) on disposal		396	–
Other buildings			
Proceeds from disposal – buildings		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(9,504)	(6,495)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 23 May 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Other revenues	11,895	16,940	5,045	42% F
Other revenues was above budget largely due to an increase in external works completed for Transport for NSW (\$5.5 million).				
Operating grants and contributions	26,105	40,516	14,411	55% F
Operating grants and contributions were above budget largely as a result of advance payment of the 2023-2024 Financial Assistance Grant (\$6.4 million) as well as additional grants of \$4.1 million from Transport for NSW for the Local Road Repair Program. Council also received approximately \$4 million above budget in grants for environmental, community facilities and services.				
Capital grants and contributions	66,890	71,805	4,915	7% F
Capital grants and contributions were above budget as a result of increased development cash contributions (\$12 million) due to increased development activity within the region. This was partially offset by capital dedications being under budget by \$7m.				
Interest and investment revenue	8,004	11,366	3,362	42% F
Interest and investment income was above budget by \$3.4 million due to better than anticipated returns on investments as a result of improved market conditions.				
Other income	5,628	12,535	6,907	123% F
Other income was above budget by \$6.9 million largely due to unbudgeted fair value increments on Council's TCorp Medium and Long Term Managed Funds (\$4.7m) and Council's investment properties (\$2.1m).				

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Expenses				
Borrowing costs	8,544	7,616	928	11% F
Borrowing costs were under budget by approximately \$0.9 million mainly due to remediation amortisation at contaminated landfill sites.				
Net losses from disposal of assets	–	9,504	(9,504)	∞ U
No budget is placed on the disposal of assets. The loss on disposal of \$9.5 million includes amounts totalling \$3.8 million for refurbishment works for sports and recreation facilities throughout the City. The loss also includes \$3.9 million relating to roads and stormwater drainage which have been replaced or rehabilitated as part of capital works projects completed throughout the City.				
Statement of cash flows				
Cash flows from operating activities	106,481	138,497	32,016	30% F
The variance in cash flows from operating activities against the original budget is largely due to an increase in operating and capital grants and contributions. Information provided above under operating grants and contributions and capital grants and contributions explains this variance.				
Cash flows from investing activities	(108,303)	(133,581)	(25,278)	23% U
The variance in cash flows from investing activities against the original budget is largely due to the net increase in term deposits which is unbudgeted.				
Cash flows from financing activities	1,822	(3,424)	(5,246)	(288)% U
The variance in cash flows from financing activities is due to Council borrowing less in 2022-2023 compared to planned borrowings under the original budget.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	11,588	10,365
Deposits at call	9,814	9,545
Total cash and cash equivalents	21,402	19,910

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	21,402	19,910
Balance as per the Statement of Cash Flows	21,402	19,910

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Council has a bank overdraft facility but this was not utilised during this financial year.

C1-2 Financial investments

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Financial assets at fair value through the profit and loss				
Managed funds	84,585	–	78,638	–
Other financial assets - Arrow Collaborative Services ¹	–	518	–	550
Total	84,585	518	78,638	550
Debt securities at amortised cost				
Term deposits	205,000	23,000	195,000	6,000
Floating rate notes	18,201	27,150	15,000	23,903
Mortgage backed securities	–	2,430	–	2,482
Fixed rate bonds	2,249	4,491	–	2,249
Total	225,450	57,071	210,000	34,634
Total financial investments	310,035	57,589	288,638	35,184

(1) Arrow Collaborative Services was re-classified in 2022-2023 from investments accounted for using the equity method to investments accounted for through profit and loss

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than three months are classified as investments rather than cash and cash equivalents.

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

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

Fair value through other comprehensive income – equity instruments

Council currently has no investments classified as fair value through other comprehensive income.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in managed funds and in Arrow Collaborative Services.

C1-3 Restricted and allocated cash, cash equivalents and investments

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	389,026	343,732
Less: Externally restricted cash, cash equivalents and investments	<u>(205,859)</u>	<u>(181,278)</u>
Cash, cash equivalents and investments not subject to external restrictions	183,167	162,454
Specific purpose unexpended grants – general fund	<u>17,251</u>	<u>8,921</u>
External restrictions – included in liabilities	17,251	8,921
External restrictions included in cash, cash equivalents and investments above comprise:		
Holiday parks: Crown land	3,656	2,345
Crown	25	495
Domestic waste management (DWM) ^C	8,305	9,612
DWM land infrastructure ^C	6,631	5,977
DWM site rehabilitation ^C	12,684	11,651
Waste and sustainability improvement	39	89
Development contributions – general ^A	149,438	131,462
Specific purpose unexpended grant and sundry contributions (recognised as revenue) - general fund ^B	2,501	6,146
Trust restricted asset	4,378	4,092
Contractor retentions	118	121
Regional Illegal Dumping Squad	129	139
Section 90	704	228
External restrictions – other	188,608	172,357
Total external restrictions	205,859	181,278

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

(A) Development contributions which are not yet expended for the provisions of services and amenities in accordance with contributions plans (also includes those not under contribution plans).

(B) Grants and sundry contributions which are not yet expended for the purposes for which they were obtained (see Note B2-4).

(C) Domestic Waste Management (DWM) funds, which are externally restricted assets, must be applied for the purposes for which they were raised.

C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

	2023 \$ '000	2022 \$ '000
(b) Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Holiday parks: Non-Crown	1,315	1,315
Community facilities	985	1,331
Replacement of assets	71,113	57,382
Strategic property	14,938	17,518
Unexpended loan funds	13,064	16,295
Cemeteries	1,448	1,589
Other General Fund	40,483	32,747
Community land	9,906	12,534
Endowment funds (Charlestown and Cardiff)	5,235	5,072
Water and energy reduction strategies	172	372
Total internal allocations	158,659	146,155

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	6,619	2,282	5,725	1,957
Interest and extra charges	128	253	178	185
User charges and fees	1,472	188	2,413	108
Contributions to works	332	–	334	–
Accrued revenues				
– Interest on investments	4,233	–	605	–
– Other income accruals	256	–	513	–
Fines	256	–	199	–
Government grants and subsidies	1,688	–	5,535	–
Net GST receivable	1,697	–	1,607	–
Transport for NSW	3,419	–	2,902	–
External works	188	–	212	–
Other debtors	433	–	423	–
Total	20,721	2,723	20,646	2,250
Less: provision for impairment				
Rates and annual charges	–	(3)	–	(3)
Other debtors	(3)	(46)	(4)	(22)
Total net receivables	20,718	2,674	20,642	2,225

Accounting policy

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

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day one.

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are past due, whichever occurs first.

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

C1-5 Inventories

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(i) At cost				
Real estate for resale	–	4,793	–	4,250
Stores and materials	1,083	–	1,037	–
Trading stock – pools	17	–	8	–
(ii) Inventories at net realisable value (NRV)				
Real estate ⁱ	–	985	15	1,240
Total inventories at net realisable value (NRV)	–	985	15	1,240
Total inventories	1,100	5,778	1,060	5,490

(i) Real estate development

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Residential	–	3,366	15	3,077
Industrial/commercial	–	1,442	–	1,443
Other properties	–	970	–	970
Total real estate held for sale	–	5,778	15	5,490

C1-5 Inventories (continued)

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Non-current assets classified as held for sale

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Land	120	–	81	–
Total	120	–	81	–

Details of assets and disposal groups

As at 30 June 2023, Council had two parcels of land that were expected to be sold within 12 months.

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022 ³			Asset movements during the reporting period						At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ³	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Restated	Restated	Restated									
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	69,085	–	69,085	(3,459)	7,728	–	–	–	–	73,354	–	73,354
Plant and equipment	72,240	(37,280)	34,960	5,794	904	(1,576)	(6,484)	277	–	73,667	(39,792)	33,875
Office equipment	12,864	(8,440)	4,424	1,082	236	(35)	(1,623)	–	–	12,761	(8,677)	4,084
Furniture and fittings	8,180	(4,310)	3,870	145	181	–	(670)	402	–	9,058	(5,130)	3,928
Land:												
– Crown land	56,025	–	56,025	–	–	(1,684)	–	43	7,462	61,846	–	61,846
– Operational land	226,414	–	226,414	242	2,188	–	–	(1,699)	45,700	272,845	–	272,845
– Community land	140,042	–	140,042	9	294	(168)	–	1,535	25,456	167,168	–	167,168
– Land under roads (post 30/6/08)	30,499	–	30,499	–	3,264	–	–	1	4,837	38,601	–	38,601
Land improvements – non-depreciable	11,041	(1,257)	9,784	139	984	–	–	–	–	12,164	(1,257)	10,907
Land improvements – depreciable	169,172	(59,542)	109,630	1,450	2,003	(469)	(3,150)	100	4,826	179,696	(65,306)	114,390
Infrastructure:												
– Buildings	379,723	(125,615)	254,108	5,849	9,898	(3,334)	(6,703)	(2,766)	(22,847)	394,955	(160,750)	234,205
– Other structures	59,124	(34,553)	24,571	2,330	978	(376)	(2,412)	2,086	3,675	72,959	(42,107)	30,852
– Roads	1,463,467	(580,532)	882,935	24,140	4,235	(2,163)	(21,364)	(60)	51,665	1,572,477	(633,089)	939,388
– Bridges	74,088	(26,336)	47,752	6,380	1,908	(579)	(754)	–	7,992	93,800	(31,101)	62,699
– Footpaths	177,689	(54,868)	122,821	1,395	6,512	(137)	(2,681)	60	6,964	195,754	(60,820)	134,934
– Other road assets (including bulk earthworks)	685,766	(243,215)	442,551	3,439	7,352	(677)	(7,717)	–	25,135	734,735	(264,652)	470,083
– Bulk earthworks (non-depreciable)	271,576	–	271,576	–	–	–	–	–	12,248	283,824	–	283,824
– Stormwater drainage	1,069,300	(405,774)	663,526	1,508	5,893	(520)	(6,893)	–	27,763	1,120,337	(429,060)	691,277
– Swimming pools	11,765	(5,527)	6,238	26	6	(6)	(319)	–	–	11,786	(5,841)	5,945
– Other open space/recreational assets	71,186	(28,802)	42,384	1,244	4,741	(76)	(2,441)	7	5,476	86,247	(34,912)	51,335
– Other infrastructure	44,361	(12,821)	31,540	44	1,891	–	(858)	(106)	4,182	52,231	(15,538)	36,693
Other assets:												
– Library books	8,972	(6,942)	2,030	334	263	(94)	(391)	–	–	9,366	(7,224)	2,142
– Artworks	3,506	–	3,506	–	49	–	–	–	–	3,555	–	3,555
– Other remediation assets	25,161	(14,626)	10,535	–	–	–	(1,054)	(2,553)	2,553	25,160	(15,679)	9,481
Totals ²	5,141,246	(1,650,440)	3,490,806	52,091	61,508	(11,894)	(65,514)	(2,673)	213,087	5,558,346	(1,820,935)	3,737,411

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

(2) Total renewal and new assets include capital WIP acquisitions for the year less transfer from WIP through capitalisation process.

(3) Refer to Note F4-1 for details regarding restatement of prior year.

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021 ²			Asset movements during the reporting period							At 30 June 2022 ²		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount ² Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount ² Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	64,441	–	64,441	(2,032)	6,676	–	–	–	–	–	69,085	–	69,085
Plant and equipment	68,580	(36,592)	31,988	9,137	2,091	(2,247)	(6,009)	–	–	–	72,240	(37,280)	34,960
Office equipment	10,982	(6,647)	4,335	118	1,784	(1)	(1,812)	–	–	–	12,864	(8,440)	4,424
Furniture and fittings	7,592	(3,722)	3,870	287	309	–	(596)	–	–	–	8,180	(4,310)	3,870
Land:													
– Operational land	189,331	–	189,331	160	4,661	(6)	–	–	8,371	23,897	226,414	–	226,414
– Community land	135,162	–	135,162	7	57	–	–	–	(9,965)	14,781	140,042	–	140,042
– Crown land	50,073	–	50,073	68	4	(33)	–	–	–	5,913	56,025	–	56,025
– Land under roads (post 30/6/08)	28,520	–	28,520	–	1,178	–	–	–	801	–	30,499	–	30,499
Land improvements – non-depreciable	7,595	(1,042)	6,553	131	585	–	–	–	2,515	–	11,041	(1,257)	9,784
Land improvements – depreciable	163,135	(55,070)	108,065	163	1,860	(40)	(3,181)	–	352	2,411	169,172	(59,542)	109,630
Infrastructure:													
– Buildings	329,813	(108,269)	221,544	7,053	8,240	(3,119)	(6,410)	(58)	75	26,783	379,723	(125,615)	254,108
– Other structures	56,758	(33,072)	23,686	1,313	2,126	(268)	(2,278)	–	(8)	–	59,124	(34,553)	24,571
– Roads	1,376,193	(532,764)	843,429	21,875	7,635	(2,452)	(24,020)	–	(3,072)	39,540	1,463,467	(580,532)	882,935
– Bridges	71,994	(25,710)	46,284	1,643	113	(35)	(671)	–	418	–	74,088	(26,336)	47,752
– Footpaths	156,861	(49,976)	106,885	2,510	10,772	(293)	(2,499)	–	(9)	5,455	177,689	(54,868)	122,821
– Other road assets (including bulk earthworks)	643,869	(224,393)	419,476	1,969	8,758	(258)	(7,351)	–	175	19,782	685,766	(243,215)	442,551
– Bulk earthworks (non-depreciable)	259,385	–	259,385	–	–	–	–	–	–	12,191	271,576	–	271,576
– Stormwater drainage	1,007,362	(377,690)	629,672	1,097	14,068	(401)	(10,103)	–	(445)	29,638	1,069,300	(405,774)	663,526
– Swimming pools	11,089	(5,241)	5,848	696	–	(12)	(294)	–	–	–	11,765	(5,527)	6,238
– Other open space/recreational assets	63,639	(28,199)	35,440	4,454	5,249	(605)	(2,153)	–	(1)	–	71,186	(28,802)	42,384
– Other infrastructure	43,270	(12,121)	31,149	312	977	(83)	(815)	–	–	–	44,361	(12,821)	31,540
Other assets:													
– Library books	8,671	(6,625)	2,046	–	464	(96)	(384)	–	–	–	8,972	(6,942)	2,030
– Artworks	3,162	–	3,162	20	324	–	–	–	–	–	3,506	–	3,506
– Other remediation assets	25,161	(13,572)	11,589	–	–	–	(1,054)	–	–	–	25,161	(14,626)	10,535
Totals	4,782,638	(1,520,705)	3,261,933	50,981	77,931	(9,949)	(69,630)	(58)	(793)	180,391	5,141,246	(1,650,440)	3,490,806

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

(2) Refer to Note F4-1 for details regarding restatement of prior years.

C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

Useful lives of IPPE

Land is not depreciated. Bulk earthworks are also non-depreciable. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Asset Class	Useful Lives
Plant and equipment	2 - 100 years
Office equipment	3 - 5 years
Furniture and fittings	5 - 20 years
Land improvements - depreciable	20 - 100 years
Buildings	5 - 100 years
Other structures	3 - 50 years
Roads	12 - 200 years
Bridges	40 - 120 years
Footpaths	30 - 92 years
Other road assets	30 - 100 years
Stormwater drainage	15 - 150 years
Swimming pools	10 - 50 years
Other open space/recreational assets	10 - 100 years
Other infrastructure	15 - 149 years
Library books	8 years
Remediation asset	14 years
Artworks	Infinite

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

Revaluation model

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

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

Land under roads

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

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

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

Land under roads has been recognised for land acquired before 1 July 2008 where a roadway has been constructed on the land after 1 July 2008.

C1-7 Infrastructure, property, plant and equipment (continued)

Council values land under roads acquired after 1 July 2008 based on the valuation of road segments at the average unit value of properties adjoining the relevant road segment, with the average unit values being derived from Valuer General valuations. A discount factor is applied to these amounts to reflect the restrictions placed on land under roads.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

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

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

Nature and Purpose of Reserve

Revaluation Reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

C1-8 Investment properties

	2023 \$ '000	2022 \$ '000
Owned investment property	52,967	50,016
At fair value		
Opening balance at 1 July	50,016	45,621
Acquisitions	–	–
Capitalised subsequent expenditure	117	82
Classified as held for sale	–	–
Disposals during year	–	–
Net gain (loss) from fair value adjustments	2,123	4,178
Transfers from (to) inventories and owner-occupied property	–	–
Other movements	711	135
Closing balance at 30 June	52,967	50,016

Accounting policy

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

C1-9 Intangible assets

	2023 \$ '000	2022 \$ '000
Software and digital library collection		
Opening values at 1 July		
Gross book value	13,319	11,741
Accumulated amortisation	(4,659)	(3,421)
Net book value – opening balance	8,660	8,320
Movements for the year		
Purchases	147	373
Development costs	1,169	988
Amortisation charges	(1,362)	(1,238)
Other capitalised costs	(469)	216
Closing values at 30 June		
Gross book value	14,166	13,319
Accumulated amortisation	(6,021)	(4,659)
Total intangible assets – net book value	8,145	8,660

Accounting policy

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

C1-10 Other

Other assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepayments	124	–	359	–
Total other assets	124	–	359	–

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases land and buildings which include Cardiff Library, Wangi Point Holiday Park, Finnan Oval and Waterboard Oval and other buildings. The leases are generally between 5 and 25 years and some of them include a renewal option to allow Council to renew the non-cancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between three and five years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$774,145 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

	Office and IT Equipment \$ '000	Land and Buildings \$ '000	Total \$ '000
2023			
Opening balance at 1 July	276	609	885
Additions to right-of-use assets	63	10	73
Depreciation charge	(96)	(126)	(222)
Balance at 30 June	243	493	736
2022			
Opening balance at 1 July	326	318	644
Additions to right-of-use assets	39	417	456
Depreciation charge	(89)	(126)	(215)
Balance at 30 June	276	609	885

C2-1 Council as a lessee (continued)

(b) Lease Liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2023	229	475	50	754	754
2022	214	619	65	898	898

(c) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

	2023 \$ '000	2022 \$ '000
Interest on lease liabilities	19	17
Depreciation of right of use assets	222	215
Expenses relating to low-value leases	46	50
Expenses relating to Peppercorn leases	30	28
	317	310

(d) Statement of Cash Flows

Total cash outflow for leases	311	304
	311	304

(e) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for buildings and other structures which are used for:

- fire brigade
- boat ramp
- other infrastructure.

The leases are a month by month rolling term and require payments of a maximum amount of \$8,002 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

None of the leases in place are individually material from a statement of financial position or performance perspective.

C2-1 Council as a lessee (continued)

Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-8)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-7).

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

(i) Assets held as investment property

Investment property operating leases relate to where the asset is held predominantly for rental or capital growth purposes (refer note C1-8).

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

Lease income (excluding variable lease payments not dependent on an index or rate)	3,704	3,541
Total income relating to operating leases for investment property assets	3,704	3,541
Direct operating expenses that generated rental income	922	1,109
Total expenses relating to operating leases	922	1,109

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of meeting Councils service delivery objective, the table below relates to operating leases on assets disclosed in C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	1,313	1,173
Lease income relating to variable lease payments not dependent on an index or a rate	703	623
Total income relating to operating leases for Council assets	2,016	1,796
Direct operating expenses that generated rental income	1,063	914
Total expenses relating to other leases assets	1,063	914

Amount of IPPE leased out by Council under operating leases

Furniture and fittings	49	30
Operational land	30,694	23,948
Community land	6,836	6,115
Crown land	3,512	3,135
Land improvements - non-depreciable	305	305
Land improvements - depreciable	1,542	1,531
Buildings	44,366	44,051
Other structures	129	113
Roads	64	3
Footpaths	3	62
Other open space/recreational assets	46	50
Other infrastructure	75	20
Total amount of IPPE leased out by Council under operating leases	87,621	79,363

C2-2 Council as a lessor (continued)

	2023	2022
	\$ '000	\$ '000
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
< 1 year	2,628	2,550
1–2 years	2,082	1,654
2–3 years	1,034	1,422
3–4 years	426	713
4–5 years	58	178
> 5 years	194	368
Total undiscounted lease payments to be received	6,422	6,885

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepaid rates	4,470	–	3,878	–
Goods and services	17,441	–	15,087	–
Borrowings	149	–	145	–
Accrued expenses	4,233	–	2,142	–
Deposit and retentions	4,510	–	4,215	–
Other	670	–	1,683	–
Total payables	31,473	–	27,150	–

Current payables not anticipated to be settled within the next twelve months

	2023 \$ '000	2022 \$ '000
	2,401	2,293

Accounting policy

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

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

C3-2 Contract Liabilities

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Unexpended capital grants (to construct Council controlled assets)	(i)	9,777	–	8,921	–
Total contract liabilities		9,777	–	8,921	–

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

Revenue recognised that was included in the contract liability balance at the beginning of the period

	2023 \$ '000	2022 \$ '000
Capital grants (to construct Council controlled assets)	5,147	2,331

Significant changes in contract liabilities

Contract Liabilities has increased marginally from the prior year, mainly due to large grants received to upgrade sporting facilities.

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	9,872	194,126	9,353	197,852
Total borrowings	9,872	194,126	9,353	197,852

(1) Loans are secured over the general rating income of Council.

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

(a) Changes in liabilities arising from financing activities

	2022 Opening Balance \$ '000	Cash flows \$ '000	Non-cash movements		2023 Closing balance \$ '000
			Acquisition \$ '000	Other \$ '000	
Loans – secured	207,205	(3,207)	–	–	203,998
Lease liability (Note C2-1b)	898	(144)	–	–	754
Total liabilities from financing activities	208,103	(3,351)	–	–	204,752

	2021 Opening Balance \$ '000	Cash flows \$ '000	Non-cash movements		2022 Closing balance \$ '000
			Acquisition \$ '000	Other \$ '000	
Loans – secured	203,693	3,512	–	–	207,205
Lease liability (Note C2-1b)	652	246	–	–	898
Total liabilities from financing activities	204,345	3,758	–	–	208,103

C3-3 Borrowings (continued)

(b) Financing arrangements

	2023	2022
	\$ '000	\$ '000
The amount of total financing facilities available to council at the report date is:		
Bank overdraft facilities ¹	700	700
Corporate credit cards	1,500	1,500
Total financing arrangements	2,200	2,200
Drawn facilities		
– Bank overdraft facilities	–	–
– Corporate credit cards	71	74
Total drawn financing arrangements	71	74
Undrawn facilities		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	1,429	1,426
Total undrawn financing arrangements	2,129	2,126

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank if any events of non-compliance occur.

Accounting policy

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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

C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	11,371	–	11,546	–
Sick leave	6,747	–	7,029	–
Long service leave	17,011	1,238	18,326	1,257
Time in lieu	1,414	–	1,282	–
Other	3,500	2,057	–	–
Total employee benefit provisions	40,043	3,295	38,183	1,257

Current employee benefit provisions not anticipated to be settled within the next twelve months

	2023 \$ '000	2022 \$ '000
	22,877	24,659
	22,877	24,659

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Retirement benefit obligations

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

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and

C3-4 Employee benefit provisions (continued)

period of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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

C3-5 Provisions

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Self insurance – workers compensation	2,637	4,478	3,770	4,416
Asset remediation	2,099	53,143	3,524	55,452
Total provisions	4,736	57,621	7,294	59,868

Movements in provisions

	Other provisions		
	Self insurance \$ '000	Asset remediation (Restated) \$ '000	Total ¹ \$ '000
At beginning of year	8,186	58,976	67,162
Changes to provision:			
– Revised costs	(1,071)	3,216	2,145
– Revised discount rate	–	(8,564)	(8,564)
Amounts used	–	(701)	(701)
Unwinding of discount	–	2,315	2,315
Total	7,115	55,242	62,357

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Accounting policy

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

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

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

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

C3-5 Provisions (continued)

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

Self-insurance

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

The fair value of cash and cash equivalents, receivables, investments and financial liabilities approximates the carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk - the risk that movements in interest rates could affect returns
- liquidity risk - the risk that Council will not be able to pay its debts as and when they fall due
- credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisors before placing any cash and investments.

(a) Market risk – interest rate and price risk

	2023	2022
	\$ '000	\$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	3,885	3,432
Possible impact of a 1% movement in price of investments	–	–

D1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

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

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

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The level of outstanding receivables is reported to Council monthly, and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges		Total \$ '000
		< 5 years \$ '000	≥ 5 years \$ '000	
2023	–	8,362	539	8,901
2022	–	7,236	446	7,682

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2023						
Gross carrying amount	12,210	482	716	385	750	14,543
ECL provision	–	–	–	–	–	–
2022						
Gross carrying amount	13,362	828	413	165	446	15,214
ECL provision	–	–	–	–	–	–

D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	Weighted average interest rate %	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2023						
Payables	0.00%	31,324	2,401	–	33,725	31,473
Borrowings	3.99%	12,254	49,586	138,673	200,513	203,998
		<u>43,578</u>	<u>51,987</u>	<u>138,673</u>	<u>234,238</u>	<u>235,471</u>
2022						
Payables	0.00%	27,006	2,293	–	29,299	27,150
Borrowings	3.92%	16,333	65,976	191,299	273,608	207,205
		<u>43,339</u>	<u>68,269</u>	<u>191,299</u>	<u>302,907</u>	<u>234,355</u>

D2-1 Fair value measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as ‘held for sale’

Fair value hierarchy

All assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

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

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

Level 3: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:

D2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy							
		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs ¹		Total	
		2023	2022	2023	2022	2023	2022 Restated	2023	2022 ¹ Restated
Recurring fair value measurements									
Financial assets									
Other financial assets	C1-2	85,103	79,188	–	–	–	–	85,103	79,188
Total financial assets		85,103	79,188	–	–	–	–	85,103	79,188
Investment property									
Commercial land, office and retail	C1-8	–	–	52,967	50,016	–	–	52,967	50,016
Total investment property		–	–	52,967	50,016	–	–	52,967	50,016
Infrastructure, property, plant and equipment									
Plant and equipment	C1-7	–	–	–	–	33,875	34,960	33,875	34,960
Office equipment		–	–	–	–	4,084	4,424	4,084	4,424
Furniture and fittings		–	–	–	–	3,928	3,870	3,928	3,870
Operational land		–	–	272,846	226,414	–	–	272,846	226,414
Community land (including Crown land)		–	–	–	–	229,014	196,067	229,014	196,067
Land under roads (post 01/07/08)		–	–	–	–	38,601	30,499	38,601	30,499
Non-depreciable land improvements		–	–	–	–	10,907	9,784	10,907	9,784
Depreciable land improvements		–	–	–	–	114,390	109,630	114,390	109,630
Buildings		–	–	–	–	234,205	254,108	234,205	254,108
Other structures		–	–	–	–	30,852	24,571	30,852	24,571
Roads		–	–	–	–	939,388	882,935	939,388	882,935
Bridges		–	–	–	–	62,699	47,752	62,699	47,752
Footpaths		–	–	–	–	134,932	122,821	134,932	122,821
Other road assets		–	–	–	–	470,085	442,551	470,085	442,551
Bulk earthworks (non-depreciable)		–	–	–	–	283,824	271,576	283,824	271,576
Stormwater drainage		–	–	–	–	691,277	663,526	691,277	663,526
Swimming pools		–	–	–	–	5,945	6,238	5,945	6,238
Other open space/recreational assets		–	–	–	–	51,335	42,384	51,335	42,384
Other infrastructure		–	–	–	–	36,693	31,540	36,693	31,540
Library books		–	–	–	–	2,142	2,030	2,142	2,030
Remediation asset		–	–	–	–	9,481	10,535	9,481	10,535
Artworks		–	–	–	–	3,555	3,506	3,555	3,506
Total infrastructure, property, plant and equipment		–	–	272,846	226,414	3,391,212	3,195,307	3,664,058	3,421,721

D2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy						Total	
		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs ¹		2023	2022 ¹ Restated
		2023	2022	2023	2022	2023	2022		
Non-current assets classified as held for sale	C1-6								
Land		-	-	120	81	-	-	120	81
Total non-recurring fair value measurements		-	-	120	81	-	-	120	81

(1) Refer to Note F4-1 for details regarding restatement of prior year.

D2-1 Fair value measurement (continued)

Valuation techniques

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

Financial assets

This asset class comprises Council's investments in NSW Treasury Corporation (TCorp) managed funds as well as Council's investment in Arrow Collaborative Services. The carrying amount of these assets is assumed to be approximate to fair value and the gross amount of replacement cost of similar investment.

Investment property

Council obtains valuations of its investment properties on an annual basis. Council's valuer who is a member of the Australian Property Institute determines the valuations.

The best evidence of fair value is the current price in an active market for similar properties in the same location and condition and subject to similar occupancy terms. Adjustments are then made having regard to the property's inherent and external characteristics based on the available market evidence.

For properties deriving income, the key valuation technique is the capitalisation approach, for which the key unobservable input is the capitalisation rate, which is based on investment yields drawn on comparable properties.

Should it be deemed that the investment property value is largely made up of land components, valuations are drawn by direct comparison with comparable properties and / or the summation approach, the key unobservable input for which is the price per square metre.

There have been no changes in the valuation technique during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment and furniture and fittings are valued at historical cost but disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows;

Plant and equipment	Motor vehicles, trucks, trailers, gardening equipment
Office equipment	Audio visual equipment, televisions, cameras
Furniture and fittings	Chairs, desks, shelving units

The key unobservable inputs to the valuation are the useful life, pattern of consumption, asset condition and residual value.

There have been no changes in the valuation technique during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational under the *Local Government Act 1993 (NSW)*. Council operational land is valued using market valuations. A comprehensive valuation was undertaken in the current financial as at 30 June 2023.

Valuations are based off market value of recent sales of land parcels with similar zoning in adjacent areas. They were obtained from a combination of an external valuation as well as in-house qualified experts. Sale prices of comparable land parcels with similar locations and zonings were adjusted for key attributes such as size and configuration.

There have been no changes in the valuation technique during the reporting period.

Community Land

Council's community land (including owned by the Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access, such as dedication under Section 7.11 of the *Environment Planning and Assessment Act 1979 (amended)*.

Valuations of all Council's Community Land and Council controlled Crown land were based on the land values provided by the Valuer-General. As these rates are not considered to be observable market evidence they have been classified as Level 3.

There have been no changes in the valuation technique during the reporting period.

Land under roads (post 01/07/2008)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council recognised this asset for the first time in financial year 2008-2009 in accordance with AASB 1051 Land Under Roads.

D2-1 Fair value measurement (continued)

Values were determined using Valuer-General valuations of adjacent land and applying discount factors. This asset class is classified as Level 3 as significant inputs used in this methodology are unobservable.

Land under roads was previously valued using the adjacent site method, however applying discounting factors allows to reflect the restrictions placed on land under roads and therefore is considered to be a more accurate approach.

Land improvements - Depreciable and non-depreciable

The land improvements asset class consists of car-park upgrades, irrigation, landscaping and paving of public areas.

Land improvements were valued in-house by Council's Asset Management staff on a unit rate basis. Input such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Buildings

This asset class comprises of specialised and non specialised buildings including community halls, administration buildings, caravan parks and residential premises. A comprehensive valuation was undertaken in the current financial as at 30 June 2023.

In determining the current cost of the specialised asset, reference is made to the cost of replacing the assets based in industry unit rates. This approach estimates the replacement cost by breaking the building down into significant components with different useful life and taking into account a range of factors such as the remaining useful life of the asset, condition, pattern of consumption and residual value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Footpaths

This asset class comprises of sealed or non-sealed footpaths and cycle ways.

Footpath assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Bridges

This asset class comprises of Council's bridges.

The assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Roads

This asset class comprises of road asset such as pavement, asphalt, kerb and gutter, street furniture, traffic facilities and retaining walls.

D2-1 Fair value measurement (continued)

The cost approach was utilised to value roads by breaking down each asset into significant components, applying a unit rate and then rolling up these component values to provide an overall road valuation for each road segment within the Council's Asset Management System. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Bulk earthworks (non-depreciable)

This asset class was valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Stormwater drainage

This asset class comprises of pits, pipes, stormwater quality improvement devices and headwalls.

Stormwater drainage assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Swimming pools

This asset class comprises of Council's swimming pools, including caravan park pools.

Swimming pool assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Other open space/recreational assets

This asset class comprises of Council's various outdoor playing fields, sporting facilities, playgrounds and picnic ground facilities.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

D2-1 Fair value measurement (continued)

Other infrastructure

The other infrastructure asset class consists of jetties, retaining walls, boat ramps and seawalls.

Other infrastructure assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Library books

This asset class comprises of assets such as library books, CD's, DVD's, publications etc. Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

There have been no changes to the valuation process during the reporting period.

Remediation asset

This asset class includes the landfill cells at Council's Waste Management site which is recognised and valued at cost. It is recognised that there will be significant costs associated with the closure and post closure management of the landfill site.

Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item. Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption and therefore categorised at Level 3.

There have been no changes in the valuation technique during the reporting period.

Artworks

Assets within this class are collections of the Art Gallery. Market value is used to determine the fair value of the Art Gallery collection, and is valued on a five year cycle.

The asset class is categorised as Level 3 as gross replacement cost, pattern of consumption and estimated remaining useful life require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Non-current assets classified as 'held for sale'

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transactions rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale and are presented separately from the other assets in the Statement of Financial Position. The asset class is categorised as Level 2 as some of the inputs used in the valuation require professional judgement, which are unobservable, combined with observable inputs such as market valuations

D2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

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

	Valuation technique/s	Unobservable inputs
Financial assets		
Investments	Market value	Residual value Gross replacement cost
Total financial assets		
Investment properties		
Commercial land, office and retail	Market value	Investment yields Improved rate per square metre Site rate per square metre
IPPE		
Plant and equipment	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Office equipment	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Furniture and fittings	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Community land	Valuer-General valuations	Market value
Land under roads (post 01/07/08)	Discounted Valuer-General valuations	Market value, discount rate
Non-depreciable land improvements	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Depreciable land improvements	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Buildings	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other structures	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Roads	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bridges	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost

D2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Footpaths	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other road assets	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bulk earthworks (nondepreciable)	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Stormwater drainage	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Swimming pools	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other open space/recreational assets	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other infrastructure	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Library books	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Remediation asset	Cost approach	Discount rate Remaining useful life
Artworks	Market value	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost

D2-1 Fair value measurement (continued)

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	IPPE	
	2023	2022 ¹
	\$ '000	Restated \$ '000
Opening balance	3,195,307	3,008,161
Total gains or losses for the period		
Recognised in other comprehensive income - Revaluation surplus	168,709	156,494
Other movements		
Purchases (GBV)	106,897	119,447
Disposals (WDV)	(11,894)	(9,943)
Depreciation and impairment	(65,514)	(69,688)
Other movements	(2,293)	(9,164)
Closing balance	3,391,212	3,195,307

(1) Refer to Note F4-1 for details regarding restatement of prior year.

There were no transfers between the levels of the fair value hierarchy during the reporting period.

Highest and best use

The following non-financial assets of Council are being utilised at other than their highest and best use:

Certain investment properties are not being used for highest and best use, which for the majority is redevelopment, and may contain structures which are leased until redevelopment proposal commences.

All other assets valued at fair value in this note are being used for their highest and best use.

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

Council provides bank guarantees to the value of \$8.186 million to secure its self-insurance licence for workers' compensation. The guarantee is provided to Icare NSW.

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, employers are required to contribute 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each pooled employer is a share of the total past service contributions of \$20 million for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

D3-1 Contingencies (continued)

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$982,481.34. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$540,632.40. Council's expected contribution to the plan for the next annual reporting period is \$897,581.76.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 2.70%.

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 2023 2.5% per annum thereafter

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023.

Legal Matters

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

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

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

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	2,552	2,411
Post-employment benefits	248	206
Termination benefits	2	–
Total	2,802	2,617

Other Transactions with KMP and their related parties

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

Other transactions with KMP and their related parties

Nature of the transaction	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	The expense recognised during the period relating to bad or doubtful debts due from related parties \$ '000
2023					
Payments for media production services ¹	7	–	7 days	–	–
2022					
Payments for media production services ¹	2	–	7 days	–	–

(1) Council engaged the media production services of Oasis Media Pty Ltd, a company of which a KMP is a director. The agreement was entered into following the completion of a 'request for quote'.

E1-2 Councillor and Mayoral fees and associated expenses

	2023 \$ '000	2022 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	142	122
Councillors' fees	434	377
Councillors' (including Mayor) expenses	169	122
Total	745	621

E1-3 Other related parties

	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	The expense recognised during the period relating to bad or doubtful debts due from related parties \$ '000
2023					
Payments for recycling bin services ¹	7,140	608	Standard procurement terms and conditions	–	–
Payments for legal services	14	–	Provided under the Joint Venture arrangement	–	–
Payments for strategic services ²	1,072	–	Funding provided for economic development	–	–
2022					
Payments for recycling bin services ¹	6,681	–	Standard procurement terms and conditions	–	–
Payments for legal services	14	–	Provided under the Joint Venture arrangement	–	–
Payments for strategic services ²	1,098	–	Funding provided for economic development	–	–

(1) Relates to Hunter Resource Recovery which has been consolidated in Council's financial statements.

(2) Relates to Lake Macquarie Economic Development Corporation (Dantia) which has been consolidated in Council's financial statements.

E2 Other relationships

E2-1 Audit fees

	2023 \$ '000	2022 \$ '000
Audit and other assurance services: Auditors of NSW Council - NSW Auditor-General:		
Audit of financial statements	155	111
Total fees paid or payable to the Auditor-General	155	111

F Other matters

F1-1 Statement of Cash Flows information

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

	2023 \$ '000	2022 \$ '000
Net operating result from Income Statement	80,835	66,115
Add / (less) non-cash items:		
Depreciation and amortisation	67,098	70,757
(Gain) / loss on disposal of assets	9,504	6,495
Non-cash capital grants and contributions and dedications	(16,084)	(27,467)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(4,660)	8,068
– Investment property	(2,123)	(4,178)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	58
Unwinding of discount rates on reinstatement provisions	(6,249)	1,227
Share of net (profits)/losses of associates/joint ventures using the equity method	–	170
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(548)	(4,249)
Increase / (decrease) in provision for impairment of receivables	23	(78)
(Increase) / decrease of inventories	(55)	(21)
(Increase) / decrease of other current assets	235	13
Increase / (decrease) in payables	2,354	(1,683)
Increase / (decrease) in accrued interest payable	4	27
Increase / (decrease) in other liabilities	1,965	2,963
Increase / (decrease) in contract liabilities	856	3,528
Increase / (decrease) in employee benefit provision	3,898	(3,022)
Increase / (decrease) in other provisions	1,444	(2,814)
Net cash flows from operating activities	138,497	115,909

(b) Non-cash investing and financing activities

Bushfire grants	1,435	1,348
Dedications	16,084	21,971
Total non-cash investing and financing activities	17,519	23,319

F2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Infrastructure	2,320	3,874
Sporting and recreational facilities	42,435	6,015
Plant acquisition	10,696	7,955
Buildings	1,549	920
Community facilities	6,358	11,458
Information technology	412	209
Property acquisition	-	3
Total commitments	63,770	30,434

Details of capital commitments

- Infrastructure commitments include extension of the Fernleigh Awabakal Shared Track, Wangi Wangi Beach Road embankment stabilisation and installation of traffic lights at Alton Road and Freemans Drive, Cooranbong intersection.
- Sporting and recreational facilities commitments include extension of the Hunter Sports Centre and the implementation of Belmont Sporting Complex Master Plan.
- Plant acquisition commitments include trucks, mowers, trailers and light commercial vehicles under the plant replacement program.
- Buildings commitments include the installation of a microgrid energy system at the Works Depot and the Toronto Commercial Centre tile replacement works.
- Community facilities commitments include improvements at libraries, holiday parks, neighbourhood centres and art galleries, including the construction of Windale Hub Community Facility.
- Information technology commitments include purchase and installation of equipment such as laptops and meeting room equipment and bulk waste collection software.

F3-1 Events occurring after the reporting date

Council is unaware of any material or significant events after the reporting date that are not disclosed.

F4 Changes from prior year statements

F4-1 Correction of errors

Nature of prior period error

Council failed to recognise \$28.4 million of prior year non-cash contributions of dedicated assets in the year in which they were dedicated to Council. This understated prior year capital contribution revenue and due to their material value Council are unable to recognise these contributions in the current year.

This prior period error has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of the error. The impact on each line item at 1 July 2021 is shown in the table below.

Changes to the opening Statement of Financial Position at 1 July 2021

Statement of Financial Position

	Original Balance 1 July, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2021 \$ '000
Infrastructure, property, plant and equipment (IPPE)	3,239,755	22,178	3,261,933
Total assets	3,651,287	22,178	3,673,465
Net assets	3,304,496	22,178	3,326,674
Accumulated Surplus	1,454,257	22,178	1,476,435
Total equity	3,304,496	22,178	3,326,674

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

	Original Balance 30 June, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2022 \$ '000
Infrastructure, property, plant and equipment (IPPE)	3,462,406	28,400	3,490,806
Total assets	3,895,556	28,400	3,923,956
Net assets	3,544,780	28,400	3,573,180
Accumulated Surplus	1,515,033	27,517	1,542,550
IPPE revaluation reserve	2,029,747	883	2,030,630
Total equity	3,544,780	28,400	3,573,180

F4-1 Correction of errors (continued)

Income Statement

	Original Balance 30 June, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2022 \$ '000
Grants and contributions provided for capital purposes	66,154	5,665	71,819
Total income from continuing operations	337,233	5,665	342,898
Depreciation, amortisation and impairment of non-financial assets	70,815	326	71,141
Total expenses from continuing operations	276,457	326	276,783
Net operating result for the year	60,776	5,339	66,115

Statement of Comprehensive Income

	Original Balance 30 June, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2022 \$ '000
Net operating result for the year	60,776	5,339	66,115
Gain (loss) on revaluation of infrastructure, property, plant and equipment	179,508	883	180,391
Other comprehensive income	179,508	883	180,391
Total comprehensive income for the year	240,284	6,222	246,506

F5 Statement of development contributions as at 30 June 2023

F5-1 Summary of development contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000				
Drainage	1,601	–	–	–	38	(2)	–	1,637
Traffic facilities	15,696	1,336	–	–	402	146	–	17,580
Parking	4,781	–	–	–	99	(634)	–	4,246
Open space	78,571	15,952	–	–	1,979	(8,144)	–	88,358
Community facilities	19,885	3,406	–	–	458	(5,064)	–	18,685
Other	114	623	–	–	3	(623)	–	117
S7.11 contributions – under a plan	120,648	21,317	–	–	2,979	(14,321)	–	130,623
S7.12 levies – under a plan	3,232	1,502	–	–	95	–	–	4,829
Total S7.11 and S7.12 revenue under plans	123,880	22,819	–	–	3,074	(14,321)	–	135,452
S7.11 not under plans	1,744	27	–	–	38	1	–	1,810
S7.4 planning agreements	5,838	6,194	222	2,007	214	(70)	–	12,176
Total contributions	131,462	29,040	222	2,007	3,326	(14,390)	–	149,438

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Interest and investment income applied to development contributions is based on the overall investment portfolio return.

F5-2 Development contributions by plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000				
CONTRIBUTION PLAN CITY WIDE PLAN 2004								
Drainage	1,099	-	-	-	26	-	-	1,125
Total	1,099	-	-	-	26	-	-	1,125
CONTRIBUTION PLAN NO. 2 NORTHLAKES URBAN RELEASE AREA								
Drainage	500	-	-	-	12	(2)	-	510
Traffic facilities	8,185	776	-	-	206	(9)	-	9,158
Open space	6,946	2,954	-	-	202	3	-	10,105
Community facilities	1,792	432	-	-	21	(2,223)	-	22
Other	116	50	-	-	3	(52)	-	117
Total	17,539	4,212	-	-	444	(2,283)	-	19,912
CONTRIBUTION PLAN NO. 3 GARDEN SUBURBS								
Drainage	2	-	-	-	-	-	-	2
Total	2	-	-	-	-	-	-	2

F5-2 Development contributions by plan (continued)

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000				
CONTRIBUTION PLAN NO. 4 COMMERCIAL AREAS CARPARKING								
Traffic facilities	9	-	-	-	4	160	-	173
Parking	206	-	-	-	1	(160)	-	47
Total	215	-	-	-	5	-	-	220
CONTRIBUTION PLAN NO. 5 NORTH WALLARAH PENINSULAR								
Traffic facilities	375	-	-	-	9	2	-	386
Open space	2,942	-	-	-	57	(1,102)	-	1,897
Other	(2)	-	-	-	-	2	-	-
Total	3,315	-	-	-	66	(1,098)	-	2,283
CONTRIBUTION PLAN NO. 6 HILLSBOROUGH ROAD								
Traffic facilities	24	-	-	-	1	-	-	25
Total	24	-	-	-	1	-	-	25
CONTRIBUTION PLAN NO. 7 MORISSET CONTRIBUTIONS CATCHMENT								
Traffic facilities	4,220	219	-	-	112	301	-	4,852
Parking	445	-	-	-	2	(365)	-	82
Open space	17,989	3,218	-	-	467	(281)	-	21,393
Community facilities	6,281	1,082	-	-	164	(3)	-	7,524
Other	-	121	-	-	-	(121)	-	-
Total	28,935	4,640	-	-	745	(469)	-	33,851
CONTRIBUTION PLAN NO. 8 GLENDALE CATCHMENT								
Traffic facilities	1,322	268	-	-	34	(84)	6	1,546
Parking	560	-	-	-	13	(1)	-	572
Open space	19,328	4,651	-	-	493	(2,246)	-	22,226
Community facilities	5,755	1,123	-	-	134	(1,481)	-	5,531
Other	-	201	-	-	-	(201)	-	-
Total	26,965	6,243	-	-	674	(4,013)	6	29,875

F5-2 Development contributions by plan (continued)

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000				
CONTRIBUTION PLAN NO. 9 CHARLESTOWN CATCHMENT								
Traffic facilities	1,555	57	–	–	36	(214)	–	1,434
Parking	3,570	–	–	–	83	(108)	–	3,545
Open space	4,162	1,236	–	–	87	(2,312)	–	3,173
Community facilities	2,549	241	–	–	49	(1,362)	–	1,477
Other	–	82	–	–	–	(82)	–	–
Total	11,836	1,616	–	–	255	(4,078)	–	9,629
CONTRIBUTION PLAN NO. 10 TORONTO CATCHMENT								
Traffic facilities	–	15	–	–	–	(9)	(6)	–
Open space	13,072	1,570	–	–	309	(1,953)	–	12,998
Community facilities	402	119	–	–	11	8	–	540
Other	–	93	–	–	–	(93)	–	–
Total	13,474	1,797	–	–	320	(2,047)	(6)	13,538
CONTRIBUTIONS PLAN NO. 11 BELMONT CATCHMENT								
Traffic facilities	6	1	–	–	–	(1)	–	6
Open space	14,132	2,323	–	–	364	(253)	–	16,566
Community facilities	3,106	409	–	–	79	(3)	–	3,591
Other	–	76	–	–	–	(76)	–	–
Total	17,244	2,809	–	–	443	(333)	–	20,163
Section 7.12 Levies								
Other	3,232	1,502	–	–	95	–	–	4,829
Total	3,232	1,502	–	–	95	–	–	4,829

F5-3 Contributions not under plans

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000				
S7.11 CONTRIBUTIONS – NOT UNDER A PLAN								
Drainage	64	-	-	-	2	(1)	-	65
Roads	1,109	27	-	-	27	1	-	1,164
Parking	370	-	-	-	9	10	-	389
Open space	9	-	-	-	-	(9)	-	-
Community facilities	5	-	-	-	-	2	-	7
Other	187	-	-	-	-	(2)	-	185
Total	1,744	27	-	-	38	1	-	1,810

F5-4 S7.4 planning agreements

S7.4 planning agreements

Roads	2,558	559	-	-	68	(3)	-	3,182
Parking	657	-	-	-	16	-	-	673
Open space	1,655	1,357	222	2,007	56	-	-	3,068
Community facilities	957	349	-	-	27	-	-	1,333
Other	36	3,929	-	-	47	(92)	-	3,920
Total	5,863	6,194	222	2,007	214	(95)	-	12,176

F6 Statement of performance measures

F6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	2021	
\$ '000					
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	11,799	3.97%	1.84%	0.73%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	297,308				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	256,792	69.57%	68.47%	69.27%	> 60.00%
Total continuing operating revenue ¹	369,113				
3. Unrestricted current ratio					
Current assets less all external restrictions	203,169	3.95x	6.10x	4.14x	> 1.50x
Current liabilities less specific purpose liabilities	51,449				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	86,513	5.03x	6.14x	6.19x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	17,187				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	9,279	4.52%	4.07%	3.97%	< 10.00%
Rates and annual charges collectable	205,420				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	249,402	12.35 months	12.92 months	11.50 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	20,192				

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lake Macquarie City Council

To the Councillors of Lake Macquarie City Council

Opinion

I have audited the accompanying financial statements of Lake Macquarie City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the special Schedules (the Schedules).

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 November 2023
SYDNEY



Cr Kay Fraser
 Mayor
 Lake Macquarie City Council
 PO Box 1906
 HUNTER REGIONAL MAIL CENTRE NSW 2310

Contact: Somaiya Ahmed
 Phone no: 9275 7424
 Our ref: R008-16585809-36546

20 November 2023

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2023
 Lake Macquarie City Council**

I have audited the general purpose financial statements (GPFS) of the Lake Macquarie City Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2023	2022*	Variance
	\$m	\$m	%
Rates and annual charges revenue	196.9	189.6	↑ 3.9
Grants and contributions revenue	112.3	106.8	↑ 5.1
Operating result from continuing operations	80.8	66.1	↑ 22.2
Net operating result before capital grants and contributions	9.0	(5.7)	↑ 257.9

* The 2022 comparatives have been restated to correct a prior period error. Note F4-1 of the financial statements provides details of the prior period error.

Rates and annual charges revenue (\$196.9 million) increased by \$7.3 million (3.85 per cent) in 2022–23 mainly due to rate peg increase of 2.5 per cent, growth from supplementary levies processed due to new properties being created from subdivisions, and increase of \$3.7 million in domestic waste management services revenue.

Grants and contributions revenue (\$112.3 million) increased by \$5.5 million (5.1 per cent) in 2022–23 mainly due to:

- increase of \$8.2 million of developer contributions recognised during the year offset by \$5.7 million adjustment to the 2021-22 balance due to a prior period error
- receiving 96 per cent of the financial assistance grants for 2023-24 in advance (75 per cent in 2021-22)

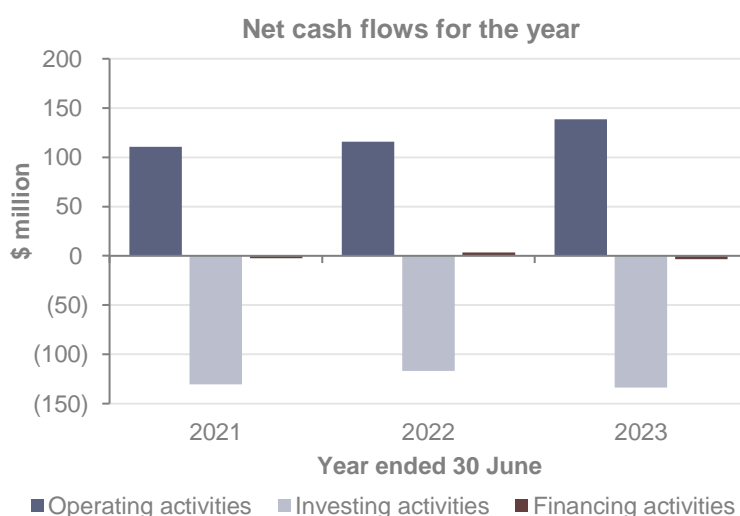
The Council's operating result from continuing operations (\$80.8 million including depreciation, amortisation and impairment expense of \$67.1 million) was \$14.7 million higher than the 2021–22 result. This was mainly attributable to an increase in Rates and annual charges (\$7.3 million), User charges and fees (\$2.5 million), Other revenues (\$7.6 million), Grants and contributions (\$5.5 million), Interest and investment income (\$7.1 million), Other income (\$3.0 million), decrease in Other expenses (\$6.2 million), offset by an increase in Employee benefits and on-costs (\$12.9 million), Materials and services (\$9.2 million).

The net operating result before capital grants and contributions (\$9.0 million) was \$14.7 million higher than the 2021–22 result.

STATEMENT OF CASH FLOWS

The increase in cash and cash equivalents of \$1.5 million was mainly due to:

- net cash inflows from operating activities of \$138.5 million
- net cash outflows from investing activities (\$133.6million)
- net cash outflows from financing activities (\$3.4 million)



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	389.0	343.7	Externally restricted balances comprise mainly of developer contributions and domestic waste management.
Restricted and allocated cash, cash equivalents and investments:			Internal allocations are determined by council policies or decisions, which are subject to change.

• External restrictions	205.9	181.3	Internal allocations increased mainly due to the increase in Replacement of assets (13.7 million) and Other General Fund (\$7.7 million), offset by decrease in Community Land (\$2.6 million) and unexpended loan funds (\$3.2 million)
• Internal allocations	158.7	146.2	

Debt

As at 30 June 2023, Council had:

- \$204.0 million in secured loans (\$207.2 million in 2021-22)
- \$0.7 million in approved overdraft facilities, with nil drawn down
- \$1.5 million in credit card facilities, with \$0.71 million used.

PERFORMANCE

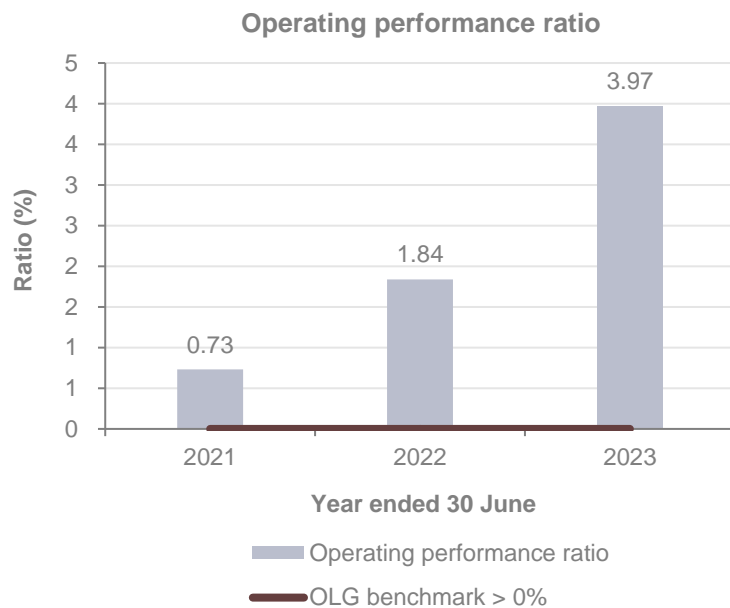
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error. The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

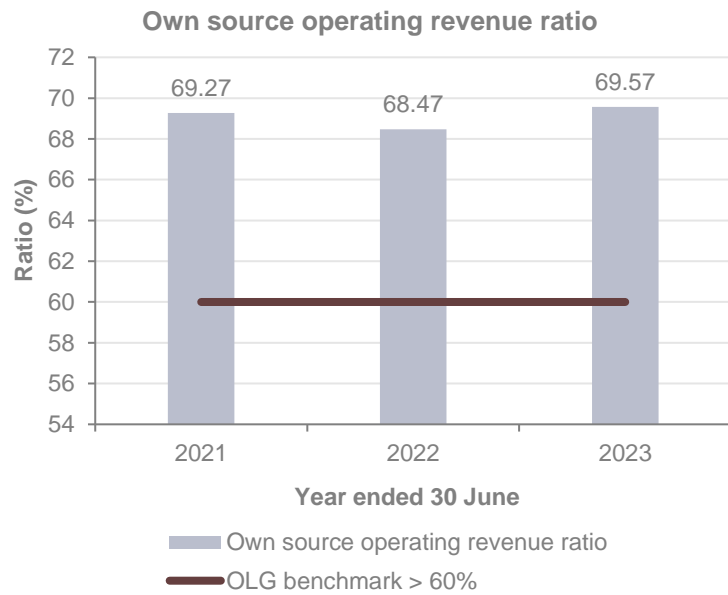


Own source operating revenue ratio

The Council exceeded the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

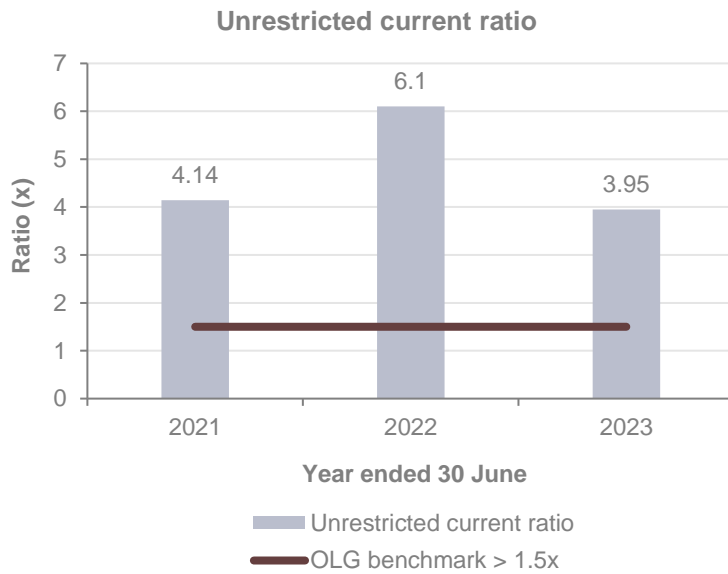


Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

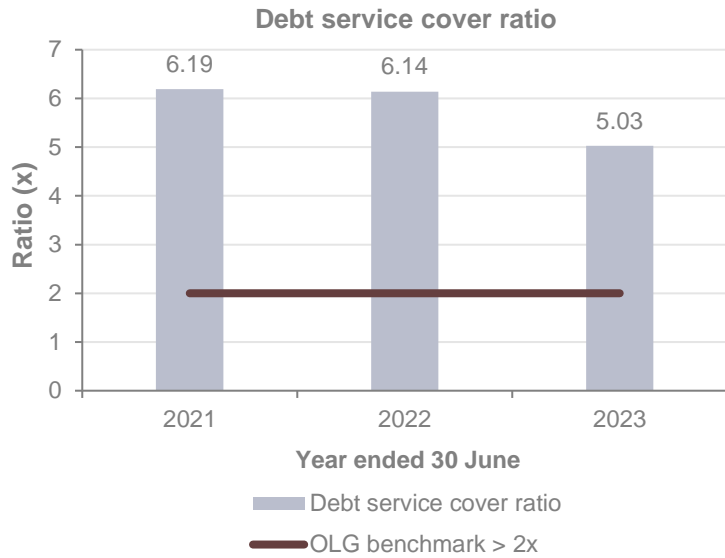
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

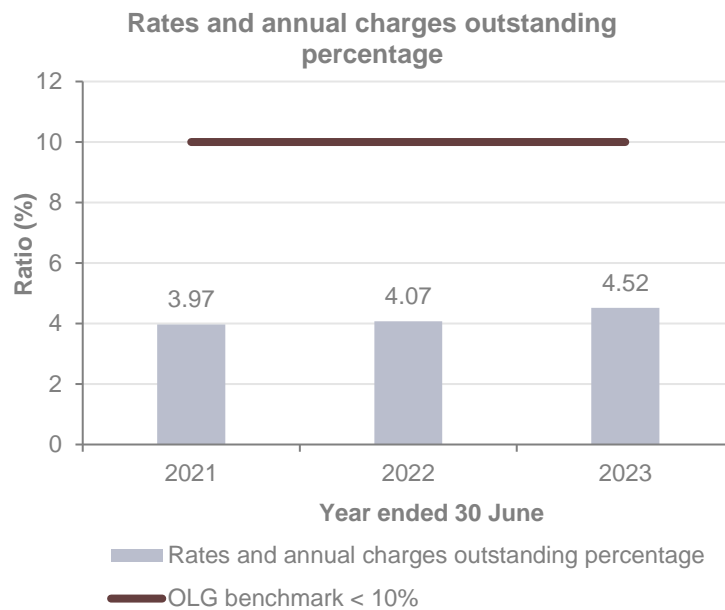
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

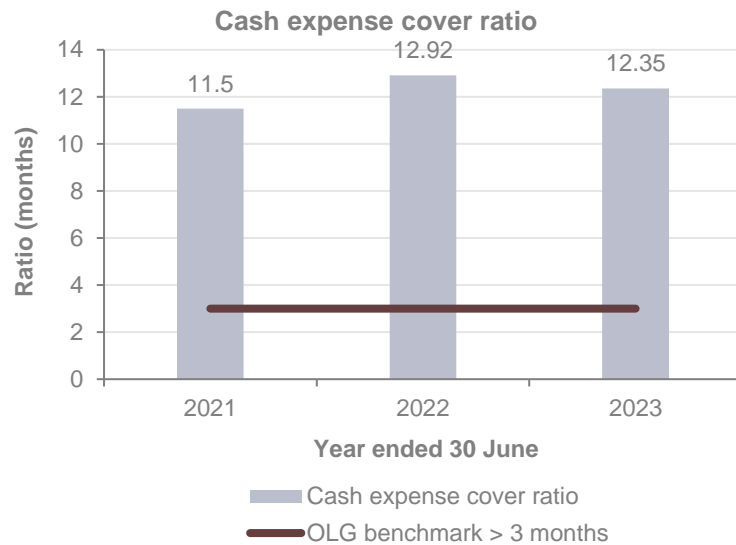
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the OLG benchmark for the current reporting period.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Council renewed \$46.4 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads and bridges. The level of asset renewals is consistent with prior year (\$42.9 million in 2021-22 financial year).

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Lake Macquarie City Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



Lake Macquarie City Council

Special Schedules

for the year ended 30 June 2023

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Lake Macquarie City Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	148,338	152,689
Plus or minus adjustments ²	b	745	583
Notional general income	c = a + b	149,083	153,272
Permissible income calculation			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	i = e x (c + g)	3,727	5,671
Sub-total	k = (c + g + h + i + j)	152,810	158,943
Plus (or minus) last year's carry forward total	l	–	10
Less valuation objections claimed in the previous year	m	(117)	(6)
Sub-total	n = (l + m)	(117)	4
Total permissible income	o = k + n	152,693	158,947
Less notional general income yield	p	152,689	158,929
Catch-up or (excess) result	q = o – p	4	18
Plus income lost due to valuation objections claimed ⁴	r	6	7
Carry forward to next year ⁶	t = q + r + s	10	25

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Lake Macquarie City Council

To the Councillors of Lake Macquarie City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Lake Macquarie City Council (the Council) for the year ending 30 June 2024.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 November 2023
SYDNEY

Lake Macquarie City Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Buildings	6,367	3,417	11,960	11,316	234,205	394,955	26.5%	50.5%	15.0%	7.0%	1.0%
	Sub-total	6,367	3,417	11,960	11,316	234,205	394,955	26.5%	50.5%	15.0%	7.0%	1.0%
Other structures	Other structures	1,870	575	331	363	30,852	72,960	26.5%	46.0%	21.0%	4.9%	1.6%
	Sub-total	1,870	575	331	363	30,852	72,960	26.5%	46.0%	21.0%	4.9%	1.6%
Roads	Roads	39,720	25,180	10,134	10,818	939,389	1,572,477	0.5%	2.8%	51.9%	38.7%	6.1%
	Bridges	–	8,535	373	243	62,699	93,800	22.2%	97.3%	9.5%	1.0%	(30.0%)
	Footpaths	–	552	1,129	821	134,932	195,752	31.9%	51.0%	15.9%	1.3%	(0.1%)
	Other road assets (including bulk earthworks)	1,506	346	5,087	5,792	753,908	1,018,562	18.4%	33.3%	47.0%	1.1%	0.2%
	Sub-total	41,226	34,613	16,723	17,674	1,890,928	2,880,591	9.7%	19.9%	46.3%	21.6%	2.5%
Stormwater drainage	Stormwater drainage	–	1,741	5,607	2,874	691,275	1,120,336	79.2%	16.4%	3.1%	0.8%	0.5%
	Sub-total	–	1,741	5,607	2,874	691,277	1,120,336	79.2%	16.4%	3.1%	0.8%	0.5%
Open space / recreational assets	Swimming pools	1,091	–	1,214	1,047	5,945	11,786	22.2%	30.8%	45.8%	0.0%	1.2%
	Other open space / recreational assets	–	1,507	15,873	12,333	51,335	86,247	47.6%	33.0%	16.7%	2.2%	0.5%
	Sub-total	1,091	1,507	17,087	13,380	57,280	98,033	44.5%	32.7%	20.2%	1.9%	0.7%
Other infrastructure assets	Other	–	200	387	268	36,693	52,230	49.8%	24.8%	21.6%	1.7%	2.1%
	Sub-total	–	200	387	268	36,693	52,230	49.8%	24.8%	21.6%	1.7%	2.1%
Total – all assets		50,554	42,053	52,095	45,875	2,941,235	4,619,105	29.4%	22.4%	31.9%	14.4%	1.9%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required

Lake Macquarie City Council

Report on infrastructure assets as at 30 June 2023 (continued)

3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Lake Macquarie City Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	2021	
\$ '000					
Buildings and infrastructure renewals ratio					
Asset renewals ¹	<u>46,354</u>	88.90%	75.76%	79.93%	> 100.00%
Depreciation, amortisation and impairment	<u>52,142</u>				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>50,554</u>	1.72%	1.84%	2.27%	< 2.00%
Net carrying amount of infrastructure assets	<u>2,941,235</u>				
Asset maintenance ratio					
Actual asset maintenance	<u>45,875</u>	88.06%	87.40%	87.05%	> 100.00%
Required asset maintenance	<u>52,095</u>				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>42,053</u>	0.91%	0.97%	0.96%	
Gross replacement cost	<u>4,619,105</u>				

(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

