

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022



General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	95
On the Financial Statements (Sect 417 [3])	98

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.

Cover image shows *Ocean Guardians* by Brian Robinson, a recently acquired artwork on Council's Creative Lake art trail. Brian Robinson is part of Maluyligal people of Torres Strait and also has Wuthathi (Shelburne Bay, Cape York) and Dayak (Borneo) heritage. The stingray, yama, is one of their clan totems. Made from cast aluminium with carved mineral, the two stingrays swim and play together reflecting this connection between family and nature.

General Purpose Financial Statements for the year ended 30 June 2022

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 31 October 2022.

Kay Fraser Mayor

31 October 2022

Adam Shultz

Deputy Mayor

31 October 2022

Morven Cameron General Manager

31 October 2022

Bjorn Lategan

Responsible Accounting Officer

A. Switz

31 October 2022

Income Statement

for the year ended 30 June 2022

Original unaudited budget			Actual	Restated Actua
2022 \$ '000		Notes	2022 \$ '000	2021 \$ '000
	Income from continuing operations			
189,285	Rates and annual charges	B2-1	189,620	183,75
22,224	User charges and fees	B2-2	23,344	22,66
8,960	Other revenues	B2-3	9,378	5,77
25,943	Grants and contributions provided for operating purposes	B2-4	34,963	28,37
53,806	Grants and contributions provided for capital purposes	B2-4	66,154	71,15
7,233	Interest and investment income	B2-5	4,259	7,38
5,245	Other income	B2-6	9,515	12,10
312,696	Total income from continuing operations		337,233	331,21
	Expenses from continuing operations			
101,440	Employee benefits and on-costs	B3-1	98,799	95,26
73,816	Materials and services *	B3-2	73.895	68,38
8.765	Borrowing costs	B3-3	4,166	4,32
-,	Depreciation, amortisation and impairment of non-financial	B3-4	•	•
66,561	assets	D0-4	70,815	69,87
14,485	Other expenses *	B3-5	22,287	14,80
_	Net loss from the disposal of assets	B4-1	6,495	5,51
265,067	Total expenses from continuing operations		276,457	258,17
47,629	Operating result from continuing operations		60,776	73,040
47,629	Net operating result for the year attributable to Co	unail	60,776	73,040

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

^(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2021/22.

⁽¹⁾ Refer to Note G4-2 for details regarding the restatement

Statement of Comprehensive Income

for the year ended 30 June 2022

			Restated
		2022	2021
	Notes	\$ '000	\$ '000
Net operating result for the year – from Income Statement		60,776	73,046
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	179,508	44,670
Total items which will not be reclassified subsequently to the operating			
result		179,508	44,670
Total other comprehensive income for the year	_	179,508	44,670
Total comprehensive income for the year attributable to Council		240,284	117,716

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

Statement of Financial Position

as at 30 June 2022

			Restated	Restated
		2022	2021 ¹	1 July 2020 ¹
	Notes	\$ '000	\$ '000	\$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	19,910	17,509	19,847
Investments	C1-2	288,638	242,722	196,840
Receivables	C1-4	20,642	16,647	15,832
Inventories	C1-5	1,060	1,024	1,633
Current assets classified as held for sale	C1-6	81		
Other	C1-10	358	371	1,884
Total current assets		330,689	278,273	236,036
Non-current assets				
Investments	C1-2	34,634	70,973	87,984
Receivables	C1-4	2,225	1,893	1,523
Inventories	C1-5	5,490	5,088	3,416
Infrastructure, property, plant and equipment (IPPE)	C1-7	3,462,406	3,239,755	3,134,609
Investment property	C1-8	50,016	45,621	40,960
Intangible assets	C1-9	8,660	8,320	7,866
Right of use assets	C2-1	885	644	292
Investments accounted for using the equity method	D2-1	550	720	902
Other	C1-10			199
Total non-current assets		3,564,866	3,373,014	3,277,751
Total assets		3,895,555	3,651,287	3,513,787
LIABILITIES				
Current liabilities				
Payables	C3-1	27,150	25,843	24,002
Contract liabilities	C3-2	8,921	5,393	755
Lease liabilities	C2-1	214	166	189
Borrowings	C3-3	9,353	8,680	7,433
Employee benefit provisions *	C3-4	38,183	41,077	42,416
Provisions *	C3-5	42,799	45,876	47,394
Total current liabilities		126,620	127,035	122,189
Non-current liabilities				
Lease liabilities	C2-1	684	486	108
Borrowings	C3-3	197,852	195,013	178,620
Employee benefit provisions *	C3-4	1,257	1,385	1,671
Provisions *	C3-5	24,362	22,872	24,418
Total non-current liabilities		224,155	219,756	204,817
Total liabilities		350,775	346,791	327,006
Net assets		3,544,780	3,304,496	3,186,781
EQUITY				•
Accumulated surplus	C4-1	1,515,033	1,454,257	1,381,212
IPPE revaluation reserve	C4-1	2,029,747	1,850,239	1,805,569
Total equity	· · ·			
i otai equity		3,544,780	3,304,496	3,186,781

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

^(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2021/22.

⁽¹⁾ Refer to Note G4-2 for details regarding the restatement

Statement of Changes in Equity

for the year ended 30 June 2022

			2022			2021	
			IPPE			IPPE	
		Accumulated	revaluation	Total	Accumulated	revaluation	Total
		surplus	reserve	equity	surplus	reserve	equity
	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance at 1 July		1,454,257	1,850,239	3,304,496	1,357,354	1,805,569	3,162,923
Correction of prior period errors 1	G4-2	_	_	_	23,858	_	23,858
Restated opening balance		1,454,257	1,850,239	3,304,496	1,381,212	1,805,569	3,186,781
Net operating result for the year		60,776	-	60,776	73,046	-	73,046
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7		179,508	179,508		44,670	44,670
Other comprehensive income		-	179,508	179,508	_	44,670	44,670
Total comprehensive income		60,776	179,508	240,284	73,046	44,670	117,716
Closing balance		1,515,033	2,029,747	3,544,780	1,454,257	1,850,239	3,304,496

⁽¹⁾ Refer to Note G4-2 for details regarding the restatement.

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

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022			Actual 2022	Actual 2021
\$ '000		Notes	\$ '000	\$ '000
	Cash flows from operating activities			
	Receipts:			
189,285	Rates and annual charges		189,723	183,811
22,224	User charges and fees		24,729	22,810
7,233	Interest received		3,988	8,384
25,943	Grants and contributions		78,969	70,949
25,545	Bonds, deposits and retentions received		1,573	1,367
14,205	Other		13,208	22,854
11,200	Payments:		10,200	22,001
(101,440)	Payments to employees		(101,821)	(96,885)
(73,816)	Payments for materials and services		(75,599)	(78,656)
(8,765)	Borrowing costs		(2,912)	(6,767)
(0,700)	Bonds, deposits and retentions refunded		(1,905)	(1,476)
(14,485)	Other		(14,044)	(15,652)
60,384	Net cash flows from operating activities	G1-1	115,909	110,739
00,004	not out in the mann operating assistance		110,505	110,700
	Cash flows from investing activities			
	Receipts:			
_	Sale of investments		15,039	27,010
_	Redemption of term deposits		165,000	186,000
_	Sale of real estate assets		332	1,817
5,611	Proceeds from sale of IPPE		3,330	2,275
	Payments:			
_	Purchase of investments		(12,684)	(28,301)
_	Acquisition of term deposits		(185,000)	(214,000)
_	Purchase of investment property		(217)	(543)
(58,387)	Payments for IPPE		(100,407)	(101,064)
_	Purchase of real estate assets		(625)	(2,154)
_	Purchase of intangible assets		(1,578)	(1,495)
(52,776)	Net cash flows from investing activities		(116,810)	(130,455)
	On all flower from flower than a district			
	Cash flows from financing activities			
	Receipts:			
14,054	Proceeds from borrowings		12,193	25,075
	Payments:			
(9,716)	Repayment of borrowings		(8,681)	(7,435)
	Principal component of lease payments		(210)	(262)
4,338	Net cash flows from financing activities		3,302	17,378
11,946	Net change in cash and cash equivalents		2,401	(2,338)
19,847	Cash and cash equivalents at beginning of year		17 500	19,847
		C1-1	17,509	
31,793	Cash and cash equivalents at end of year		19,910	17,509
323,272	plus: Investments on hand at end of year Total cash, cash equivalents and investments	C1-2	323,272	313,695

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

Contents for the notes to the Financial Statements for the year ended 30 June 2022

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	14
B1 Functions or activities	14
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
B2 Sources of income	17
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenues	19
B2-4 Grants and contributions	20
B2-5 Interest and investment income	24
B2-6 Other income	24
B3 Costs of providing services	26
B3-1 Employee benefits and on-costs	26
B3-2 Materials and services	27
B3-3 Borrowing costs	28
B3-4 Depreciation, amortisation and impairment of non-financial assets	29
B3-5 Other expenses	30
B4 Gains or losses	31 31
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	
B5 Performance against budget	32
B5-1 Material budget variations	32
C Financial position	34
C1 Assets we manage	34
C1-1 Cash and cash equivalents	34
C1-2 Financial investments	35
C1-3 Restricted and allocated cash, cash equivalents and investments	36
C1-4 Receivables	39
C1-5 Inventories	41
C1-6 Non-current assets classified as held for sale	43
C1-7 Infrastructure, property, plant and equipment	44
C1-8 Investment properties	48
C1-9 Intangible assets	49
C1-10 Other	49
C2 Leasing activities	50
C2-1 Council as a lessee	50
C2-2 Council as a lessor	53
C3 Liabilities of Council	55
C3-1 Payables	55
C3-2 Contract Liabilities	56
C3-3 Borrowings	58

Contents for the notes to the Financial Statements for the year ended 30 June 2022

C3-4 Employee benefit provisions C3-5 Provisions	60 62
C4 Reserves	64
C4-1 Nature and purpose of reserves	64
D Council structure	65
D1 Results by fund	65
D2 Interests in other entities	65
D2-1 Interests in joint arrangements	65
D3 Discontinued operations	66
D3-1 Discontinued operations	66
E Risks and accounting uncertainties	67
E1-1 Risks relating to financial instruments held	67
E2-1 Fair value measurement	70
E3-1 Contingencies	79
F People and relationships	81
F1 Related party disclosures	81
F1-1 Key management personnel (KMP)	81
F1-2 Councillor and Mayoral fees and associated expenses	82
F1-3 Other related parties	83
F2 Other relationships	84
F2-1 Audit fees	84
G Other matters	85
G1-1 Statement of Cash Flows information	85
G2-1 Commitments	86
G3-1 Events occurring after the reporting date	86
G4 Changes from prior year statements	87
G4-1 Changes in accounting policy	87
G4-2 Correction of errors	87
G4-3 Changes in accounting estimates	88
G5 Statement of developer contributions as at 30 June 2022	89
G5-1 Summary of developer contributions	89
G5-2 Developer contributions by plan	90
G5-3 Contributions not under plans	93
G5-4 S7.4 planning agreements	93
G6 Statement of performance measures	94
G6-1 Statement of performance measures – consolidated results	94

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 31 October 2022. 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 2005* (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.

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. Estimated fair values of infrastructure, property, plant and equipment refer Note C1-7
- ii. Estimated fair values of investment property refer Note C1-8
- iii. Estimated provision for asset remediation (tips, quarries and sanitary depots) refer Note C3-5
- iv. Estimated 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

- Impairment of receivables Council has made a significant judgement about the impairment of a number of its receivables - refer Note C1-4
- ii. Interests in other entities Council has used significant judgement about the relationship that it has with external entities to establish treatment and disclosure of these relationships refer Note D2
- iii. 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
- iv. 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 the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The Consolidated Fund and other entities through which Council controls resources to carry on its functions have been included in the financial statements of the Council.

The Consolidated Fund consists of General Purpose Operations only.

The Trust Fund

In accordance with the provisions of Section 411 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

continued on next page ... Page 11 of 105

A1-1 Basis of preparation (continued)

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.

Trust monies and property held by Council but not subject to control of Council, have been excluded from 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 (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

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

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

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent – 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 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability
 are substantially different from the terms of the original financial liability,

continued on next page ... Page 12 of 105

A1-1 Basis of preparation (continued)

- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning
 the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2021:

- AASB 2020-8 Amendments to Australian Accounting Standards Interest Rate Benchmark Reform Phase 2
- AASB 2020-9 Amendments to Australian Accounting Standards Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
- AASB 2020-7 Amendments to Australian Accounting Standards COVID-19 Related Rent Concessions: Tier 2 disclosures [AASB 16 and AASB 1060]
- AASB 2021-3 Amendments to Australian Accounting Standards COVID-19 Related Rent Concessions beyond 30
 June 2021
- AASB 2021-1 Amendments to Australian Accounting Standards Transition to Tier 2: Simplified Disclosures for Notfor-Profit Entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at G4-1.

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, expen	ncome, expenses and assets have been directly attributed to the			e lollowing function	is of activities. I	Details of those full	CHOITS OF ACTIVIT	lies are provided i	I NOTE D 1-2.
	Incor	Income		Expenses		Operating result		ntributions	Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
		Restated		Restated		Restated		Restated		Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Functions or activities										
Unique Landscape	24,074	21,616	42,055	40,608	(17,981)	(18,992)	1,167	1,116	18,699	14,037
Lifestyle and Wellbeing	60,568	64,461	104,538	99,797	(43,970)	(35,336)	31,849	25,073	542,651	993,332
Mobility and Accessibility	48,181	50,046	63,322	60,257	(15,141)	(10,211)	38,207	31,962	2,946,208	2,297,014
Diverse Economy	18,741	16,284	23,520	19,115	(4,779)	(2,831)	443	86	186,208	184,223
Connected Communities	3,848	3,770	15,262	16,416	(11,414)	(12,646)	4,070	3,531	48,694	29,009
Creativity	1,522	2,542	10,200	10,541	(8,678)	(7,999)	1,379	2,210	14,024	8,535
Shared Decision-Making	91	62	4,555	3,403	(4,464)	(3,341)	26	15	_	_
Organisational Support	2,347	3,874	13,005	7,852	(10,658)	(3,978)	1,851	1,191	139,071	124,418
Shares of gains or losses in joint ventures										
and associates using the equity method	_	_	_	182	-	(182)	-	_	_	719
General purpose income	177,861	168,562	-	_	177,861	168,562	22,125	16,286	_	_
Other	_		_	_			_	18,060		_
Total functions and activities	337,233	331,217	276,457	258,171	60,776	73,046	101,117	99,530	3,895,555	3,651,287

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, developer 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

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	126,581	123,217
Farmland	84	82
Mining	1,196	941
Business	20,363	19,913
Other	9	_
Less: pensioner rebates (mandatory)	(3,156)	(3,219)
Rates levied to ratepayers	145,077	140,934
Pensioner rate subsidies received	1,747	1,769
Total ordinary rates	146,824	142,703
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	39,997	37,966
Waste management services (non-domestic)	2,537	2,435
Section 611 charges	56	61
Less: pensioner rebates (mandatory)	(988)	(996)
Domestic waste – sanitary / sullage services	645	1,038
Annual charges levied	42,247	40,504
Pensioner subsidies received:		
 Domestic waste management 	549	545
Total annual charges	42,796	41,049
Total rates and annual charges	189,620	183,752

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

Community Comm		Timing	2022 \$ '000	2021 \$ '000
Domestic waste management services (non-domestic) 2 263 230 Waste management services (non-domestic) 2 170 154 Sullage 2 258 265 Total specific user charges 691 649 Other user charges and fees (i) Fees and charges – statutory and regulatory functions (per s.608) Inspection services 2 105 153 Section 10.7 certificates (EP&A Act) 2 533 561 Section 603 certificates 2 408 460 Animal enforcement 2 177 243 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 1,413 1,020 Tipping 2 1,413 1,020 Caravan parks 1 8,489 8,603 Restoration ch	Specific user charges			
Waste management services (non-domestic) 2 170 154 Sullage 2 258 265 Total specific user charges 691 649 Other user charges and fees (i) Fees and charges – statutory and regulatory functions (per s.608) 5 Inspection services 2 105 153 Section 10.7 certificates (EP&A Act) 2 533 561 Section 603 certificates 2 408 460 Animal enforcement 2 1,77 243 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 8 Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming	(per s.502 - specific 'actual use' charges)			
Sullage 2 258 265 Total specific user charges 691 649 Other user charges and fees (i) Fees and charges – statutory and regulatory functions (per s.608) section flo.7 certificates (EP&A Act) 2 105 153 Section 10.7 certificates (EP&A Act) 2 533 561 Section 603 certificates 2 408 460 Animal enforcement 2 1,209 984 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 2,885 2,526 Health inspection 2 2,849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 2 185 95 Swimming centres 1 1,720 1,943 20 Community	Domestic waste management services	2	263	230
Total specific user charges 691 649 Other user charges and fees (i) Fees and charges – statutory and regulatory functions (per s.608) Inspection services 2 105 153 561 523 561 562 533 561 562 562 533 561 562 533 561 562 <td>Waste management services (non-domestic)</td> <td>2</td> <td>170</td> <td>154</td>	Waste management services (non-domestic)	2	170	154
Other user charges and fees (i) Fees and charges – statutory and regulatory functions (per s.608) Inspection services 2 105 153 Section 10.7 certificates (EP&A Act) 2 533 561 Section 603 certificates 2 408 460 Animal enforcement 2 1,709 984 Building assessment and compliance 2 2,885 2,526 Bealth inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 Total fees and charges – other (incl. general user charges (per s.608)) Caravan parks 1 8,489 8,603 Restoration charges 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 792 1,076 Total other user charges and fees 22,653 <t< td=""><td>Sullage</td><td>2</td><td>258</td><td>265</td></t<>	Sullage	2	258	265
(i) Fees and charges – statutory and regulatory functions (per s.608) Inspection services 2 105 153 Section 10.7 certificates (EP&A Act) 2 533 561 Section 603 certificates 2 408 460 Animal enforcement 2 177 243 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 8 Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 792 1,076 Other 2 1,177 845	Total specific user charges		691	649
Section 10.7 certificates (EP&A Act)	Other user charges and fees			
Section 10.7 certificates (EP&A Act) 2 533 561 Section 603 certificates 2 408 460 Animal enforcement 2 177 243 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Leath inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 8,603 Restoration charges 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 <	(i) Fees and charges – statutory and regulatory function	ns (per s.608)		
Section 603 certificates 2 408 460 Animal enforcement 2 177 243 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 8,489 8,603 Restoration charges 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees 23,344 <	Inspection services	2	105	153
Animal enforcement 2 177 243 Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 792 1,076 Total fees and charges – other 12,363 12,562 Total other user charges and fees Total user charges and fees 2 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Section 10.7 certificates (EP&A Act)	2	533	561
Building assessment and compliance 2 1,209 984 Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees Total user charges and fees 2 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Section 603 certificates	2	408	460
Development assessment 2 2,885 2,526 Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 8 8,489 8,603 Caravan parks 1 8,489 8,603 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees 23,344 22,668 User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Animal enforcement	2	177	243
Health inspection 2 849 723 Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 3 8,489 8,603 Caravan parks 1 8,489 8,603 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees 23,344 22,668 Timing of revenue recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Building assessment and compliance	2	1,209	984
Subdivision assessment 2 1,413 1,020 Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) 8,489 8,603 Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Development assessment	2	2,885	2,526
Tipping 2 2,711 2,787 Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 2 1,177 845 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Health inspection	2	849	723
Total fees and charges – statutory/regulatory 10,290 9,457 (ii) Fees and charges – other (incl. general user charges (per s.608)) Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Subdivision assessment	2	1,413	1,020
(ii) Fees and charges – other (incl. general user charges (per s.608)) Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Tipping	2	2,711	2,787
Caravan parks 1 8,489 8,603 Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Total fees and charges – statutory/regulatory		10,290	9,457
Restoration charges 2 185 95 Swimming centres 1 1,720 1,943 Community facilities 2 792 1,076 Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	• • • • • • • • • • • • • • • • • • • •	s (per s.608))		
Swimming centres Community facilities Community facilities Other Total fees and charges – other Total other user charges and fees Total user charges and fees Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) User charges and fees recognised at a point in time (2) 1,943 2 792 1,076 12,363 12,562 12,019 12,668 13,344 22,668	·	1	8,489	8,603
Community facilities Other Other 2 1,177 845 Total fees and charges – other Total other user charges and fees Total user charges and fees Total user charges and fees User charges and fees recognised over time (1) User charges and fees recognised at a point in time (2) 1,076 2 1,177 845 2 2,663 22,019 23,344 22,668		2	185	95
Other 2 1,177 845 Total fees and charges – other 12,363 12,562 Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	-	1	1,720	1,943
Total fees and charges – other Total other user charges and fees Total user charges and fees Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) User charges and fees recognised at a point in time (2) 12,363 12,562 22,019 23,344 22,668 10,209 10,545 12,123	•	2	792	1,076
Total other user charges and fees 22,653 22,019 Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) User charges and fees recognised at a point in time (2) 10,209 10,545 12,123	Other	2	1,177	845
Total user charges and fees 23,344 22,668 Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) User charges and fees recognised at a point in time (2) 10,209 10,545 12,123	Total fees and charges – other		12,363	12,562
Timing of revenue recognition for user charges and fees User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Total other user charges and fees		22,653	22,019
User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Total user charges and fees	_	23,344	22,668
User charges and fees recognised over time (1) 10,209 10,545 User charges and fees recognised at a point in time (2) 13,135 12,123	Timing of revenue recognition for user charges and fee	s		
User charges and fees recognised at a point in time (2) 13,135 12,123	User charges and fees recognised over time (1)		10,209	10,545
	User charges and fees recognised at a point in time (2)			
	Total user charges and fees		23,344	22,668

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	2022	2021
		\$ '000	\$ '000
Legal fees recovery – rates and charges (extra charges)	2	59	5
Legal fees recovery – other	2	_	182
Insurance claims recoveries	2	524	328
Recycling income (non-domestic)	2	204	206
Fines – parking, animal and littering	2	1,243	925
Canteen sales	2	239	227
Other	2	888	587
Sale of merchandise	2	55	66
Sundry sales and services	2	379	292
Commissions received	2	39	42
External works	2	5,904	2,863
Movement in provision for real estate inventories	2	(156)	51
Total other revenue		9,378	5,774
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		_	_
Other revenue recognised at a point in time (2)		9,378	5,774
Total other revenue	_	9,378	5.774
		- ,	-,

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 2022	Operating 2021	Capital 2022	Capital 2021
	Timoina	¢ 1000	Restated	¢ '000	Restated
	Timing	\$ '000	\$ '000	\$ '000	\$ '000
General purpose grants and non-developer con	tribution	s (untied)			
General purpose (untied) Current year allocation					
Financial assistance – general component	2	7,211	6,473	_	
Financial assistance – local roads component	2	1,511	1,394	_	
Payment in advance - future year allocation ¹	2	1,311	1,094	_	_
Financial assistance grant received in advance –					
equalisation component	2	11,093	6,924	_	_
Financial assistance – local roads component	2	2,309	1,496	_	_
Amount recognised as income during current	-				
year		22,124	16,287	_	_
Special purpose grants and non-developer con	tribution	s (tipd)			
Cash contributions	inbution	3 (tica)			
Previously specific grants:					
Bushfire and emergency services	4	1,341	1,098	229	
Economic development	1	1,341	1,090	229	_
Storm/flood damage			_	_	_
Community facilities and services		1,000	2.004	- 717	1 116
Environmental	1	2,671	2,994		1,116
	1	471	1,366	922	185
Heritage	1	(7)	52	_	40
Library and arts	1	1,285	873	285	1,331
Recreation	1	84	71	6,659	6,002
Waterways	1	_	_	124	301
Transport for NSW	1	1,431	1,732	14,207	7,682
Other specific grants	1	379	288	174	50
Previously contributions:					
Bushfire services	2	8	1	_	_
Community services	2	1	4	_	_
Drainage		_	_	107	_
Kerb and gutter	2	_	_	70	402
Recreation and culture	2	11	7	68	216
Roads and bridges	2	618	_	186	899
Transport for NSW	2	55	65	_	220
Other contributions	2	551	767	29	536
Environmental	2	279	926	_	_
Community facilities	2	_	_	18	26
Administration	2	1,806	1,127	_	_
Economic development	2	15	9	_	_
Total special purpose grants and	_				
non-developer contributions – cash		12,086	11,380	23,795	19,006
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 & s7.11					
- EP&A Act, s64 of the LGA)	2	157	200	19,402	32,665
Total other contributions – non-cash	_	157	200	19,402	32,665
Total special purpose grants and					
non-developer contributions (tied)		12,243	11,580	43,197	51,671
Total grants and non-developer					
		04.00=	07.007	40 40=	E4 074
contributions		34,367	27,867	43,197	51,671
Comprising:					
- Commonwealth funding		24,644	19,411	4,748	6,279
<u> </u>		,	,	-,	-,0

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B2-4 Grants and contributions (continued)

		Operating 2022	Operating 2021	Capital 2022	Capital 2021
			Restated		Restated
	Timing	\$ '000	\$ '000	\$ '000	\$ '000
- Other funding		3,045	2,024	19,880	34,214
		34,367	27,867	43,197	51,671

⁽¹⁾ The Financial Assistance Grant received in advance related to the 2022/23 allocation of funding from the Commonwealth government. This amount was not expended in the current financial year and has been restricted in Note C1-3.

continued on next page ... Page 21 of 105

B2-4 Grants and contributions (continued)

Developer contributions

			Operating 2022	Operating 2021	Capital 2022	Capital 2021 Restated
	Notes	Timing	\$ '000	\$ '000	\$ '000	\$ '000
Developer contributions (s7.4 & s7.11 - EP&A Act, s64 of the LGA)	G5-1					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	596	512	19,215	17,861
S 7.12 – fixed development consent levies		2			1,173	1,183
Total developer contributions – cash			596	512	20,388	19,044
Non-cash contributions Dedications of land and other assets in lieu						
of cash contributions		2			2,569	436
Total developer contributions			596	512	22,957	19,480
Total contributions			596	512	22,957	19,480
Total grants and contributions			34,963	28,379	66,154	71,151
Timing of revenue recognition for grant contributions	s and					
Grants and contributions recognised over time Grants and contributions recognised at a point in	` '		8,743	8,474	23,317	16,708
(2)	ii uiiie		26,220	19,905	42,837	54,443
Total grants and contributions			34,963	28,379	66,154	71,151
· ·						,

continued on next page ... Page 22 of 105

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	Operating	Capital	Capital
	2022	2021	2022	2021
	\$ '000	\$ '000	\$ '000	\$ '000
Unspent grants and contributions				
Unspent funds at 1 July ¹	2,582	2,741	10,730	2,351
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with	·	·	·	·
the conditions	2,735	756	1,304	4,540
Add: Funds received and not recognised as			5.050	5.000
revenue in the current year Less: Funds recognised as revenue in previous years that have been spent during the reporting	-	_	5,859	5,288
year	(939)	(915)	(4,873)	(967)
Less: Funds received in prior year but revenue		, ,		` ,
recognised and funds spent in current year	_	_	(2,331)	(482)
Unspent funds at 30 June	4,378	2,582	10,689	10,730

⁽¹⁾ Developer contributions are not included here. Developer contributions are recognised as revenue in the reporting year they are received. Full details of developer contributions revenue, expenditure and unspent amounts can be found in Note G5

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations vary according to the agreement but include [provide examples of performance obligations within AASB 15 grants e.g. events, vaccinations). 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils 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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

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

B2-4 Grants and contributions (continued)

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*.

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

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

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

	2022	2021
	\$ '000	\$ '000
Interest on financial assets measured at amortised cost		
 Overdue rates and annual charges (incl. special purpose rates) 	401	229
 Cash and investments 	5,725	4,659
 Interest on section 7.11 contributions 	(1,867)	2,500
Total interest and investment income (losses)	4,259	7,388

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.

Interest and investment income applied to Developer Contributions is based on the overall investment portfolio return. In 2021/22, the negative returns are record under 'Interest and Investment Income earned' found in Note G5-1 - Summary of developer contributions.

B2-6 Other income

		2022	2021
	Notes	\$ '000	\$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		4,178	7,318
Total fair value increment on investment properties	C1-8	4,178	7,318
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an			
index or rate)		3,541	3,160
Total Investment properties		3,541	3,160
Other lease income			
Lease income (excluding variable lease payments not dependent on an			
index or rate)		1,173	1,099

continued on next page ... Page 24 of 105

B2-6 Other income (continued)

		2022	2021
	Notes	\$ '000	\$ '000
Lease income relating to variable lease payments not dependent on an			
index or a rate		623	528
Total other lease income		1,796	1,627
Total rental income	C2-2	5,337	4,787
Total other income		9,515	12,105

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022	2021
	\$ '000	\$ '000
Salaries and wages	87,778	89,857
Employee termination costs	1,086	561
Employee leave entitlements (ELE)	13,903	12,974
Superannuation	13,147	12,974
Workers' compensation insurance	4,792	3,080
Fringe benefit tax (FBT)	400	414
Other	728	714
Total employee costs	121,834	120,574
Less: capitalised costs	(23,035)	(25,314)
Total employee cost expensed	98,799	95,260

Accounting policy

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

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.

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however sufficient information to account for the plan as a defined benefit is not available. 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 E3-1 for more information.

B3-2 Materials and services *

	Natas	2022	2021
	Notes	\$ '000	\$ '000
Raw materials and consumables		32,393	28,180
Contractor costs			
 Kerbside recycling 		6,561	5,391
Greenwaste collection and processing		8,532	8,096
– Effluent removal		852	1,254
– Caravan park managers		2,042	1,788
– Cleaning		692	689
- Other		429	436
Consultancy costs			
 Development assessment 		134	144
– Planning		392	700
 Asset management planning 		336	206
Environmental		98	452
- Other consultants		613	792
Audit Fees	F2-1	121	103
Expenses from Peppercorn leases		28	15
Expenses from leases of low value assets		50	50
Expenses from short-term leases		_	_
Councillor and Mayoral fees and associated expenses	F1-2	621	557
Advertising		680	638
Bank charges		525	524
Election expenses		1,196	_
Electricity and heating		1,565	1,397
Insurance		3,132	2,897
Postal charges		354	296
Street lighting		2,900	3,119
Telephone and communications		1,149	1,143
Travel expenses		496	491
Training costs (other than salaries and wages)		914	1,106
Valuation fees		557	545
Subscriptions , memberships and publications		942	842
Other expenses		675	656
Legal expenses			
– Legal expenses: other		947	1,188
Operating leases expense			
- Computers		95	199
– Others		43	35
Family day care		2,167	2,601
RSPCA payments		14	189
Vehicle registrations		444	431
Water charges		1,206	1,236
Total materials and services		73,895	68,386

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

^(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2021/22.

B3-3 Borrowing costs

		2022	2021
	Notes	\$ '000	\$ '000
(i) Interest bearing liability costs			
Interest on leases		17	13
Interest on loans		7,566	7,173
Total interest bearing liability costs		7,583	7,186
Total interest bearing liability costs expensed		7,583	7,186
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
 Remediation liabilities 	C3-5	(3,417)	(2,857)
Total borrowing costs expensed	_	4,166	4,329

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

		2022	2021 Restated	
	Notes	\$ '000	\$ '000	
Depreciation and amortisation				
Plant and equipment		6,009	5,834	
Office equipment		1,812	1,174	
Furniture and fittings		596	446	
Land improvements (depreciable)		3,178	2,636	
Infrastructure	C1-7	0,110	_,000	
- Buildings		6,410	6,200	
- Other structures		2,278	1,938	
- Roads		23,977	23,558	
- Bridges		671	649	
- Footpaths		2,471	2,251	
- Other road assets		7,185	6,865	
- Stormwater drainage		10,018	10,881	
– Swimming pools		294	364	
- Other open space/recreational assets		2,153	1,952	
- Other infrastructure		814	767	
Right of use assets	C2-1	215	265	
Other assets				
 Library books 		384	439	
 Remediation assets 	C3-5,C1-7	1,054	1,054	
- Intangible assets	C1-9	1,238	1,041	
Total depreciation and amortisation costs		70,757	68,314	
Impairment / revaluation decrement of IPPE				
Land improvements (depreciable)		_	958	
- Swimming pools		_	605	
- Buildings		58	-	
Total depreciation, amortisation and impairment of				
non-financial assets		70,815	69,877	

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. Useful lives are included in Note C1-7 for IPPE assets and Note C1-9 for Intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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. Where an asset is not held principally for cash generating purposes and would be replaced if Council was deprived of it, depreciated replacement cost is used as value in use. Otherwise, value in use is estimated by using a discounted cash flow model.

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

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

B3-5 Other expenses *

	Notes	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Other		6	8
Total impairment of receivables	C1-4	6	8
Net share of interests in joint ventures and associates using the method	equity		
Arrow Collaborative Services Limited		170	182
Total net share of interests in joint ventures and associates			
using the equity method	D2-1	170	182
Fair value decrement on investments			
Fair value decrement on investments through profit and loss *		8,068	_
Total Fair value decrement on investments	C1-2	8,068	_
Other			
Contributions/levies to other levels of government			
 Contributions to state government – EPA 		8,460	8,501
 Emergency services levy (includes FRNSW, SES, and RFS levies) 		302	396
 NSW rural fire service levy 		1,048	1,421
 Contributions to state government – BFB and State Fire brigades 		2,921	3,152
Donations, contributions and assistance to other organisations (Section 356)		1,312	1,149
Total other expenses		22,287	14,809

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

Impairment expenses are recognised when identified.

^(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2021/22.

B4 Gains or losses

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

	NI-4	2022	2021
	Notes	\$ '000	\$ '000
Infrastructure & other assets	C1-7		
Proceeds from disposal – Infrastructure & other assets		3	_
Less: carrying amount of Infrastructure and other assets sold/written off		(4,504)	(3,242)
Gain (or loss) on disposal		(4,501)	(3,242)
Real Estate Assets	C1-5		
Proceeds from disposal – real estate assets		332	1,817
Less: carrying amount of real estate assets sold/written off		(208)	(1,085)
Gain (or loss) on disposal		124	732
Other Land & Land improvements			
Proceeds from disposal – Land & Land improvements		316	8
Less: carrying amount of Land & Land improvements assets sold/written off		(79)	(172)
Gain (or loss) on disposal		237	(164)
Other Buildings			
Proceeds from disposal – Buildings		_	_
Less: carrying amount of Buildings assets sold/written off		(3,119)	(3,450)
Gain (or loss) on disposal		(3,119)	(3,450)
Plant & Equipment			
Proceeds from disposal – Plant & Equipment		3,011	2,267
Less: carrying amount of Plant & Equipment assets sold/written off		(2,247)	(1,653)
Gain (or loss) on disposal		764	614
Net gain (or loss) from disposal of assets		(6,495)	(5,510)

The loss on disposal of \$6.4 million includes amounts totalling \$2.8 million for refurbishment works for sports and recreation facilities throughout the City. The loss also includes \$3.4 million relating to roads and stormwater drainage which have been replaced or rehabilitated as part of capital works projects completed throughout the City.

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 28/06/2021 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.

	2022	2022	2022
\$ '000	Budget	Actual	Variance
Davis			

Revenues

User charges and fees 22,224 23,344

User fees and charges performed favourably at \$1.12 million above budget largely a result of the increased level of development activity within the region.

Other revenues 8,960 9,378 418 5% F

Other revenue was above budget as a result of increased external works for Transport for NSW (\$882 thousand) together with an insurance recovery for the Awaba House fire event. This was offset by a decrease in legal costs recovered during 2021/22.

Capital grants and contributions

53,806 66,154 12,348 23% I

1.120

5%

(41)%

F

Capital grants and contributions income performed above budget largely as a result of increased developer contributions (\$3.5 million) and an additional payment in advance for the Financial Assistance Grant (\$5 million). Additional grants of approximately \$4 million were received mainly for recreation (playground projects), flood recovery and transport infrastructure.

Interest and investment revenue 7,233 4,259 (2,974)

The \$3 million lower than budgeted return on Council's investment portfolio was mainly due to negative returns on the TCorp Medium and TCorp Long Term Growth Managed Funds. As at 30 June 2022, the carrying value of cash and investments held was \$343 million.

Other income 5,245 9,515 4,270 81% F

Other income was above budget mainly due to an unbudgeted fair value gain on investment properties of \$4.2 million attributable to improved property market conditions.

continued on next page ... Page 32 of 105

B5-1 Material budget variations (continued)

	2022	2022	2022
\$ '000	Budget	Actual	Variance

Expenses

8.765 4,166 4.599 52% **Borrowing costs**

Borrowing costs are \$4.6 million under budget due to a \$5 million reduction in the remediation costs for contaminated landfill

Depreciation, amortisation and impairment of 70,815 66,561 (4,254)non-financial assets

Depreciation, amortisation and impairment of non-financial assets are \$4.3 million over budget mainly due to the recognition of infrastructure assets dedicated to Council, including prior period adjustment.

Net losses from disposal of assets

No budget is placed on the disposal of assets. Of the \$6.4 million net loss on disposal, \$3 million relates to the refurbishment of sports and recreational facilities, and an additional \$3.4 million relates to roads and stormwater drainage which have been replaced or rehabilitated.

6,495

(6,495)

Statement of cash flows

Cash flows from operating activities

60.384 115.909 The variance in cash flows from operating activites against the original unaudited 2022 budget figures is largely due to an increase in capital grants and contributions. Information provided above under Capital Grants and contributions explains this variance against the revised 2022 Budget (adopted as at end of March 2022).

Cash flows from investing activities

(52,776)121% U (116,810)(64,034)The variance in cash flows from investing activites against the original unaudited 2022 budget figures is largely due to negative returns on Council's medium and long term managed funds in 2021-22. Information outlined above under Interest and investment revenue explains this variance against the revised 2022 Budget (adopted as at end of March 2022).

Cash flows from financing activities

4,338 3,302 (1,036)(24)% This variance in cash flows from financing activites largely due Council borrowing less in 2021-2022 compared to planned borrowing under the original unaudited 2022 budget figures.

(6)%

U

U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022	2021
	\$ '000	\$ '000
Cash assets		
Cash on hand and at bank	10,365	8,503
Cash equivalent assets	,	
- Deposits at call	9,545	9,006
Total cash and cash equivalents	19,910	17,509
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	19,910	17,509
Balance as per the Statement of Cash Flows	19,910	17,509

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

2022	2022	2021	2021
Current	Non-current	Current	Non-current
\$ '000	\$ '000	\$ '000	\$ '000
and loss			
78,638	_	76,722	_
78,638	_	76,722	_
195,000	6,000	151,000	30,000
15,000	23,903	4,000	36,205
_	2,482	_	2,519
_	2,249	11,000	2,249
210,000	34,634	166,000	70,973
288.638	34.634	242.722	70,973
	Current \$ '000 and loss 78,638 78,638 195,000 15,000	Current \$ '000 \$ '000 and loss 78,638	Current \$ '000 Non-current \$ '000 Current \$ '000 and loss 78,638 - 76,722 78,638 - 76,722 195,000 6,000 151,000 15,000 23,903 4,000 - 2,482 - - 2,249 11,000 210,000 34,634 166,000

Investment policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an Investment Policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds. Council amended its Policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments Council holds are no longer prescribed, however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

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 3 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.

C1-2 Financial investments (continued)

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 managed funds in the statement of financial position.

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

		2022	2021
		\$ '000	\$ '000
(a)	Externally restricted cash, cash equivalents and investments		
Total	cash, cash equivalents and investments	343,182	331,204
Less: E	Externally restricted cash, cash equivalents and investments	(181,278)	(182,694)
	cash equivalents and investments not subject to external		·
restri	ctions	161,904	148,510

continued on next page ... Page 36 of 105

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

	2022 \$ '000	2021 \$ '000
External restrictions – included in liabilities	·	
External restrictions included in cash, cash equivalents and investments above comprise.	:	
Specific purpose unexpended grants – general fund	8,921	5,393
External restrictions – included in liabilities	8,921	5,393
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Caravan parks reserve	2,345	3,248
Crown reserve	495	320
DWM land infrastructure ^c	5,977	5,336
DWM site rehabilitation ^c	11,651	10,639
Waste and sustainability improvement	89	28
Developer contributions – general ^A	131,462	132,617
Specific purpose unexpended grants and sundry contributions (recognised as		
revenue) – general fund ^B	6,146	7,918
Trust - Restricted Asset	4,092	4,416
Domestic waste management ^C	9,612	11,252
Contractor Retentions	121	130
RID Squad	139	865
Section 90	228	532
Total external restrictions	181,278	182,694

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.

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

	2022 \$ '000	2021 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external		
restrictions	161,904	148,510
Less: Internally restricted cash, cash equivalents and investments	(146,155)	(129,668)
Unrestricted and unallocated cash, cash equivalents and investments	15,749	18,842
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Sustainability environmental levy	_	3
Wangi Point Lakeside Holiday park	1,315	1,128
Elections	1,346	2,132
Roads and drainage	15	24
Community facilities	1,331	1,309
Replacement of assets	57,382	38,981
Open space acquisition	3,639	3,688
Strategic property reserve	17,518	19,969
Unexpended loan funds	16,295	14,668

continued on next page ... Page 37 of 105

⁽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).

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

	2022	2021
	\$ '000	\$ '000
Matching funds Sec 7.11	7,917	7,902
Grant matching funds	4,248	5,003
Cemeteries improvement	1,589	1,363
General fund carried forward works	12,715	12,516
Community land	12,534	13,340
IT replacement	2,132	1,554
Charlestown open space endowment fund	2,891	2,957
Cardiff town park endowment fund	2,181	2,197
Insurance proceeds	735	616
Water and energy reduction strategies	372	318
Total internal allocations	146,155	129,668

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

		2022 \$ '000	2021 \$ '000
(c)	Unrestricted and unallocated		
Unres	stricted and unallocated cash, cash equivalents and investments	15.749	18.842

C1-4 Receivables

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Rates and annual charges	5,725	1,957	5,641	1,710
Interest and extra charges	178	185	111	199
User charges and fees	2,413	108	3,815	91
Contributions to works	334	_	278	_
Accrued revenues				
- Interest on investments	605	_	387	_
 Other income accruals 	513	_	141	_
Fines	199	_	85	_
Government grants and subsidies	5,535	_	1,987	_
Net GST receivable	1,607	_	2,115	_
RMS	2,902	_	1,647	_
External works	212	_	70	_
Other debtors	423	_	370	_
Total	20,646	2,250	16,647	2,000
Less: provision for impairment				
Rates and annual charges	_	(3)	_	(64)
Other debtors	(4)	(22)	_	(43)
Total net receivables	20,642	2,225	16,647	1,893
		, _		,
Externally restricted receivables				
Domestic waste management	1,622	_	1,487	_
Total external restrictions	1,622	_	1,487	_
Unrestricted receivables	19,020	2,225	15,160	1,893
Total net receivables	20,642	2,225	16,647	1,893
			,	.,

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

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

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

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

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

continued on next page ... Page 39 of 105

C1-4 Receivables (continued)

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

Total unrestricted assets

Total inventories

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
(i) At cost				
Real estate for resale	_	4,250	_	4,103
Stores and materials	1,037	_	1,015	_
Trading stock – pools	8	_	9	_
(ii) Inventories at net realisable value (NRV)				
Real estate for resale	15	1,240	_	985
Total inventories at net realisable value (NRV)	15	1,240	_	985
Total inventories	1,060	5,490	1,024	5,088
Externally restricted assets				
Externally restricted assets	2022	2022	2021	2021
Externally restricted assets	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Domestic waste management	Current	Non-current	Current	Non-current
·	Current	Non-current	Current	Non-current
Domestic waste management	Current \$ '000	Non-current	Current \$ '000	Non-current
Domestic waste management Stores and materials	Current \$ '000	Non-current	Current \$ '000	Non-current
Domestic waste management Stores and materials	Current \$ '000	Non-current	Current \$ '000	Non-current

961

1,060

5,490

5,490

919

1,024

5,088

5,088

continued on next page ... Page 41 of 105

C1-5 Inventories (continued)

(i) Other disclosures

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
(a) Details for real estate development				
Residential	15	3,077	_	2,756
Industrial/commercial	_	1,443	_	1,872
Other properties	_	970	_	460
Total real estate for resale	15	5,490	_	5,088
Acquisition costs	15	4,013	_	3,648
Development costs	_	1,477	_	1,440
Total costs	15	5,490	_	5,088
Total real estate for resale	15	5,490	_	5,088

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. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Non-current assets held for sale				
Land	81			
Total	81	_	_	_

Accounting policy
Non-current assets 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 are not depreciated or amortised while they are classified as held for sale.

C1-7 Infrastructure, property, plant and equipment

		At 1 July 2021		Asset movements during the reporting period							At 30 June 2022		
By aggregated	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount 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	Accumulated depreciation and impairment	Net carrying amount
asset class	\$ '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:													
- Crown land	50,073	_	50,073	68	4	(33)	_	_	_	5,913	56,025	_	56,025
- 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
- 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	163,010	(55,066)	107,944	163	1,831	(40)	(3,178)	_	352	2,410	169,018	(59,536)	109,482
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	56,756	(33,072)	23,684	1,313	2,127	(268)	(2,278)	_	(8)	_	59,123	(34,553)	24,570
– Roads	1,373,081	(532,750)	840,331	21,875	5,850	(2,452)	(23,977)	_	(3,072)	39,413	1,458,442	(580,474)	877,968
- Bridges	71,994	(25,710)	46,284	1,643	113	(35)	(671)	_	418	_	74,088	(26,336)	47,752
Footpaths	154,880	(49,941)	104,939	2,510	10,013	(293)	(2,471)	_	(9)	5,391	174,883	(54,803)	120,080
 Other road assets (including bulk 													
earthworks)	635,104	(224,130)	410,974	1,969	7,688	(258)	(7,185)	_	175	19,428	675,559	(242,768)	432,791
 Bulk earthworks (non-depreciable) 	259,385	_	259,385	-	-	-	-	-	-	12,191	271,576	-	271,576
 Stormwater drainage 	998,760	(377,597)	621,163	1,097	12,046	(401)	(10,018)	_	(445)	29,301	1,058,333	(405,590)	652,743
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	976	(83)	(814)	-	-	-	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 ²	4,760,051	(1,520,296)	3,239,755	50,981	72,266	(9,949)	(69,304)	(58)	(793)	179,508	5,112,086	(1,649,680)	3,462,406

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

continued on next page ... Page 44 of 105

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

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

_		At 1 July 2020				Asset moveme	ents during the re	eporting period				At 30 June 2021	
By aggregated	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount 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 Restated	Net carrying amount Restated
asset class	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	52,510	_	52,510	4,569	7,362	_	_				64,441	_	64,441
Plant and equipment	68,502	(35,506)	32,996	4,785	1,687	(1,653)	(5,834)	_	7	_	68,580	(36,592)	31,988
Office equipment		, ,	1,674	,		, ,	,	_			10,982	,	4,335
Furniture and fittings	8,445	(6,771)		1,318	2,830	(8)	(1,174)	_	(305)	_		(6,647)	,
Land:	6,587	(4,853)	1,734	2,759	248	(585)	(446)	_	160	_	7,592	(3,722)	3,870
– Operational land	170.000	_	170.000	31	0.505	(0)			7.445	200	189,331		189,331
- Community land	179,029 128,666		179,029	31	2,535 936	(9)	_	_	, -	300 11,221		-	,
– Community land – Crown land	,	_	128,666			(9)	_	_	(5,683)	,	135,162	-	135,162
- Land under roads (post 30/6/08)	46,684	_	46,684	_		_	_	_	(23)	3,412	50,073	_	50,073
,	26,115	_	26,115	_	2,392	_	_	_	13	_	28,520	_	28,520
Land improvements – non-depreciable	13,383	(2,666)	10,717	382	425	(8)	_	_	(3,765)	(1,198)	7,595	(1,042)	6,553
Land improvements – depreciable	134,795	(45,327)	89,468	697	2,016	(153)	(2,636)	(958)	(3,703)	19,685	163,010	(55,066)	107,944
Infrastructure:	134,793	(43,321)	09,400	097	2,010	(133)	(2,030)	(936)	(173)	19,000	103,010	(33,000)	107,944
- Buildings	309,205	(102,318)	206,887	17,979	4,851	(3,450)	(6,200)	_	785	692	329,813	(108,269)	221,544
- Other structures	49,493	(24,783)	24.710	755	1.044	(173)	(1,938)	_	(437)	(277)	56,756	(33,072)	23,684
– Roads	1,345,343	(510,216)	835,127	13,858	12,688	(1,194)	(23,558)	_	3,020	390	1,373,081	(532,750)	840,331
- Bridges	71,531	(25,085)	46,446	13,030	495	(8)	(649)	_	5,020	390	71,994	(25,710)	46,284
- Footpaths	142,666	(47,839)	94,827	2,093	10,051	(223)	(2,251)	_	398	44	154,880	(49,941)	104,939
Other road assets (including bulk	142,000	(47,039)	94,021	2,093	10,031	(223)	(2,231)	_	390	44	134,000	(49,941)	104,939
earthworks)	625,882	(218,306)	407,576	2,403	8,005	(562)	(6,865)	_	417	_	635,104	(224,130)	410,974
 Bulk earthworks (non-depreciable) 	256,951	(= 10,000)	256,951		2,434	()	(=,===)	_	_	_	259,385	(== 1, 111)	259,385
– Stormwater drainage	982,981	(367,117)	615,864	1,975	13,983	(239)	(10,881)	_	461	_	998,760	(377,597)	621,163
– Swimming pools	11,867	(3,306)	8,561	479	11	(11)	(364)	(605)	(4)	(2,219)	11,089	(5,241)	5,848
Other open space/recreational	,	(0,000)	0,001			()	(00.)	(000)	(.)	(=,= : 0)	,000	(0,2)	0,010
assets	55,878	(23,222)	32,656	2,641	1,218	(78)	(1,952)	_	(1,080)	2,035	63,639	(28,199)	35,440
– Other infrastructure	33,410	(14,516)	18,894	2,119	1,146	(15)	(767)	_	220	9,552	43,270	(12,121)	31,149
Other assets:	•	, , ,	•		•	. ,	. ,				•	, ,	•
– Library books	7,326	(5,775)	1,551	112	423	(139)	(439)	_	_	538	8,671	(6,625)	2,046
– Artworks	2,324	_	2,324	_	343	_	_	_	_	495	3,162	_	3,162
 Other remediation assets 	25,162	(12,519)	12,643	_	_	_	(1,054)	_	-	_	25,161	(13,572)	11,589
Totals	4,584,735	(1,450,125)	3,134,610	58,986	77,123	(8,517)	(67,008)	(1,563)	1.454	44,670	4,760,051	(1,520,296)	3,239,755

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

continued on next page ... Page 45 of 105

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

Accounting policy

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

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

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

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	10 - 100 years
Other Structures	3 - 50 years
Roads	12 - 300 years
Bridges	40 - 120 years
Footpaths	30 - 92 years
Other Road Assets	30 - 100 years
Stormwater Drainage	15 - 672 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. Council made changes to the accounting estimates during the current year with regards to Road and Stormwater Drainage assets useful lives. For more information, please see Note G4-3.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act 1993 (NSW).

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.

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.

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed". Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise Rural Fire Service assets including land, buildings, plant and vehicles.

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

	2022	2021
	\$ '000	\$ '000
Owned investment property	50,016	45,621
Total owned investment property	50,016	45,621
Owned investment property		
Reconciliation of annual movement		
Opening balance at 1 July	45,621	40,960
Acquisitions	_	_
Capitalised subsequent expenditure	82	492
Classified as held for sale	_	_
Disposals during year	_	_
Net gain/(loss) from fair value adjustments	4,178	7,318
 Transfers from/(to) inventories and owner-occupied property 	_	(3,200)
Other movements	135	51
Closing balance at 30 June	50,016	45,621

Accounting policy

Investment property, principally comprising commercial centres, retail buildings and land, is held for long-term rental yields and/or capital appreciation and is not occupied by Council. Changes in fair values are recorded in the Income Statement as part of other income.

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

C1-9 Intangible assets

Intangible assets are as follows:

	2022	2021
	\$ '000	\$ '000
Software & Digital Library Collection		
Opening values at 1 July		
Gross book value	11,741	10,246
Accumulated amortisation	(3,421)	(2,380)
Net book value – opening balance	8,320	7,866
Movements for the year		
Purchases	373	619
Development costs	988	1,141
Amortisation charges	(1,238)	(1,041)
Other capitalised costs	216	(265)
Closing values at 30 June		
Gross book value	13,319	11,741
Accumulated amortisation	(4,659)	(3,421)
Total Software & Digital Library Collection – net book value	8,660	8,320
Total intensible accets and back value		0.000
Total intangible assets – net book value	8,660	8,320

Accounting policy

IT development and software

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

Other assets				
	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Prepayments	358	_	371	_
Total other assets	358		371	
	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Total unrestricted assets	358		371	
Total other assets	358	_	371	_

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 & 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 3 and 5 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 \$760,443 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	l and and	
	Office and IT	Land and	Total
	Equipment	Buildings	Total
	\$ '000	\$ '000	\$ '000
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
2021			
Opening balance at 1 July	146	146	292
Additions to right-of-use assets	320	298	618
Depreciation charge	(140)	(125)	(265)
Other movement	` <u>-</u>	(1)	(1)
Balance at 30 June	326	318	644

continued on next page ... Page 50 of 105

C2-1 Council as a lessee (continued)

(b) Lease liabilities

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Lease liabilities	214	684	166	486
Total lease liabilities	214	684	166	486

(c) (i) The maturity analysis

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
2022 Cash flows	214	619	65	898	898
2021 Cash flows	166	406	80	652	652

(d) Income Statement

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

	2022	2021
	\$ '000	\$ '000
Interest on lease liabilities	17	13
Depreciation of right of use assets	215	265
Expenses relating to low-value leases	50	50
Expenses relating to Peppercorn leases	28	15
	310	343

(e) Statement of Cash Flows

Total cash outflow for leases	304	340
	304	340

(f) 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
- and other infrastructure.

The leases are a month by month rolling term and require payments of a maximum amount of \$727 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. Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

continued on next page ... Page 51 of 105

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.

Operating leases

Council leases out a number of properties to businesses and community groups; these leases have been classified as operating leases for financial reporting purposes. Assets relating to commercial property are included as investment property (refer note C1-7) in the Statement of Financial Position.

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

(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 C1-7). Lease income (excluding variable lease payments not dependent on an index or rate) Lease income relating to variable lease payments not dependent on an index or a rate Lease income relating to operating leases for investment property assets Jicat lancome relating to operating leases for investment property assets Jicat lease expenses Direct operating expenses that generated rental income Total expenses relating to 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 C1-6. Lease income (excluding variable lease payments not dependent on an index or a rate Lease income (excluding variable leases payments not dependent on an index or rate) Lease income (excluding variable leases payments not dependent on an index or a rate Lease income relating to operating leases on Council saviers Lease income relating to operating leases for Council assets Lease income relating to operating leases for Council assets Direct operating expenses that generated rental income Total income relating to operating leases or Council assets Jicat Special Sp		2022 \$ '000	2021 \$ '000
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Other Open Space/Recreational Assets 50 53 Other Infrastructure 20 10			103
Other Infrastructure	·		
			
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continued on next page ... Page 53 of 105

C2-2 Council as a lessor (continued)

	2022	2021
	\$ '000	\$ '000
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	2,550	1,680
1–2 years	1,654	854
2–3 years	1,422	476
3–4 years	713	393
4–5 years	178	223
> 5 years	368	1,515
Total undiscounted lease payments to be received	6,885	5,141

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

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Prepaid rates	3,878	_	3,383	_
Goods and services	15,087	_	16,770	_
Borrowings	145	_	118	_
Accrued expenses	2,142	_	407	_
Deposit and retentions	4,215	_	4,546	_
Other	1,683	_	619	_
Total payables	27,150	_	25,843	_

Payables relating to restricted assets

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Externally restricted assets				
Domestic waste management	762	_	1,273	_
Payables relating to externally restricted assets	762	_	1,273	_
Total payables relating to restricted assets	762		1,273	_
Total payables relating to unrestricted assets	26,388		24,570	_
	23,000		24,010	
Total payables	27,150	_	25,843	_

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

	2022	2021
	\$ '000	\$ '000
	2,293	2,492
Total payables	2,293	2,492

Accounting policyCouncil 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

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

		2022	2022	2021	2021
		Current	Non-current	Current	Non-current
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Grants and contributions receive advance:	ed in				
Unexpended capital grants (to construct Council controlled assets)	(i)	8,921	-	5,393	-
Total grants received in advance		8,921		5,393	_
Total contract liabilities		8,921	_	5,393	_

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.
- (ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.
- (iii) Upfront user charges and fees received are recorded as a contract liability on receipt and recognised as revenue over the expected life of the contract.

Contract liabilities relating to restricted assets

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Externally restricted assets				
Unspent grants held as contract liabilities	8,921	_	5,393	_
Contract liabilities relating to externally	· .			
restricted assets	8,921	-	5,393	_
Total contract liabilities relating to				
restricted assets	8,921	-	5,393	_
Total contract liabilities	8,921		5,393	_

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

	2022 \$ '000	2021 \$ '000
Grants and contributions received in advance: Capital grants (to construct Council controlled assets)	2,331	482
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,331	482

Significant changes in contract liabilities

The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. The significant change to contract liabilities compared to the prior year is largely due to economic stimulus grants being provided in response to the COVID-19 global pandemic.

continued on next page ... Page 56 of 105

C3-2 Contract Liabilities (continued)

Accounting policy

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of 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

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Loans – secured 1	9,353	197,852	8,680	195,013
Total borrowings	9,353	197,852	8,680	195,013

⁽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 E

Borrowings relating to restricted assets

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Externally restricted assets				
Domestic waste management	2,497	51,499	2,314	50,411
Borrowings relating to externally restricted	· ·	· .		·
assets	2,497	51,499	2,314	50,411
Total borrowings relating to restricted				
assets	2,497	51,499	2,314	50,411
Total borrowings relating to				
unrestricted assets	6,856	146,353	6,366	144,602
Total borrowings	9,353	197,852	8,680	195,013
	3,000	107,002		100,010

(a) Changes in liabilities arising from financing activities

	2021			Non-cash i	novements		2022
	Opening	_		Fair value	Acquisition due to change	Other non-cash	Closing
	Balance	Cash flows	Acquisition	changes	policy	movement	balance
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Loans – secured	203,693	3,512	_	_	_	_	207,205
Loan - unsecured	_	_	_	_	_	_	_
Lease liability (Note C2-1b)	652	246	_	_	_	_	898
Other	_	_	_	_	_	_	_
Total liabilities from financing activities	204,345	3,758	_	_	_	_	208,103

	2020			Non-cash m	ovements		2021
	Opening Balance \$ '000	Balance Cash flows	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured Lease liability (Note C2-1b)	186,053 297	17,640 355	_	_	_	-	203,693 652
Total liabilities from financing activities	186,350	17,995	_	_	_	_	204,345

continued on next page ... Page 58 of 105

C3-3 Borrowings (continued)

(b) **Financing arrangements** 2022 2021 \$ '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 74 99 **Total drawn financing arrangements** 74 99 Undrawn facilities - Bank overdraft facilities 700 700 - Credit cards/purchase cards 1,426 1,401 Total undrawn financing arrangements 2,126 2,101

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.

Breaches and defaults

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

Security over loans

Council loans are secured by future cash flows. Lease liabilities are secured by the underlying leased assets.

⁽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.

C3-4 Employee benefit provisions

Non-curren \$ '000
\$ '00
-
-
1,38
1,385
55
55
1,330
1,385
1,077

24,659

24,659

27,180

27,180

continued on next page ... Page 60 of 105

Description of and movements in non-employee benefit provisions

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 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

	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
	\$ '000	\$ '000	\$ '000	\$ '000
Other provisions				
Self insurance – workers compensation	3,770	4,416	1,371	4,510
Asset remediation/restoration (future works)	39,029	19,946	44,505	18,362
Total provisions	42,799	24,362	45,876	22,872

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

	2022 \$ '000	2021 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Other	40,400	45,876
	40,400	45,876

Description of and movements in provisions

	Other provisions			
	Self insurance \$ '000	Asset remediation (Restated) \$ '000	Total ¹ \$ '000	
2022				
At beginning of year	5,881	62,867	68,748	
Changes to provision:				
- Revised costs	_	(4,643)	(4,643)	
- Revised discount rate	_	1,227	1,227	
Amounts used (payments)	_	(474)	(474)	
Other	2,305	-	2,305	
Total other provisions at end of year	8,186	58,977	67,163	
2021				
At beginning of year	5,227	66,585	71,812	
Changes to provision:				
 Revised costs 	654	(409)	245	
- Revised discount rate	_	(2,448)	(2,448)	
Amounts used (payments)		(861)	(861)	
Total other provisions at end of year	5,881	62,867	68,748	

Nature and purpose of provisions

Self-insurance

The provision for self-insurance represents future estimated payments required to settle outstanding workers compensation claims as a result of Council's practice to self-insure for workers compensation. It includes amounts for claims incurred but not reported, future developments on reported claims and re-opening of closed claims.

The calculation of the provision involves estimates and assumptions including the following:

- · The calculation assumes that the adopted actuarial model is the correct predictor of claims experience
- It is assumed that the nature and extent of past claims are reasonable predictors of future claims behaviour. Past data, apparent trends and claims experience in general can change however and place uncertainty over the provision.
- It is assumed that the employment structure of Council remains stable in future years.
- Monetary amounts in past workers compensation claims were indexed to bring them to "standardised" values as at 30 June 2022, i.e. effects of past inflation are stripped away from actual money values.
- Workers compensation claims payments projected into the future by the adopted actuarial model will be in "standardised" values as at 30 June 2022.
- The future accrual of claims liabilities is based on an assumed risk premium rate applied to future wages exposure.

continued on next page ... Page 62 of 105

C3-5 Provisions (continued)

General economic factors may be subject to change such as expected bond yields.

Asset remediation

The provision for asset remediation represents the present value of the future estimated costs Council will incur in the close down and restoration of sites requiring remediation as a result of past and/or current activity.

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 borrowing cost.

Asset remediation - tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

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.

Fair value through other comprehensive income reserve (FVOCI)

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

D Council structure

D1 Results by fund

Council utilises only a general fund for its operations.

D2 Interests in other entities

	Council's share of	net assets
	2022	2021
	\$ '000	\$ '000
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Interests in joint arrangements		
Arrow Collaborative Services Limited	550	720
Total net share of interests in joint ventures and associates using the		
equity method – assets	550	720
Total Council's share of net assets	550	720

D2-1 Interests in joint arrangements

Arrow Collaborative Services Limited (Hunter Councils)

Council has an interest in Arrow Collaborative Services Limited (formerly Strategic Services Australia Limited), along with other Member Councils of Hunter Councils. The activities of this organisation are not controlled by any one Council.

Arrow Collaborative Services Limited has been established to improve the quality and efficiency of local government service throughout the Hunter Region.

This Organisation was established in January 2003 as Hunter Councils Limited after receiving Minister's consent, pursuant to Section 358(1) (a) of the Local Government Act 1993.

Arrow Collaborative Services Limited has the same year end date as Council.

Aggregate information for joint ventures that are not individually material

The Group has interests in a number of joint ventures none of which is considered individually material. The table below summarises, in aggregate, the financial information of individually immaterial joint ventures.

Council's share

	Percentage Owned (%)
Arrow Collaborative Services Limited	19.592
	Type of joint arrangement
Arrow Collaborative Services Limited	Joint Venture

continued on next page ... Page 65 of 105

D2-1 Interests in joint arrangements (continued)

Summarised financial information for individually immaterial joint ventures

	2022	2021
	\$ '000	\$ '000
Arrow Collaborative Services Limited		
Carrying Amount of Investment in joint ventures that are not individually material	550	720
Council's Share of those joint ventures:		
Profit/(loss) from continuing operations	(170)	(182)
Post-tax profit profit/(loss) from discontinued operations	_	_
Other comprehensive income	_	_
Total comprehensive income – individually immaterial joint ventures	(170)	(182)

Unrecognised share of losses

The unrecognised share of losses of joint ventures due to the Council's interest, reduce to zero under the equity methods are \$0 for the reporting period and \$0 on a cumulative basis.

Risk associated with the interests in joint ventures

Each of the partners in Arrow Collaborative Services Limited are jointly and severally liable for the debts of the organisation.

There are no significant restrictions on the ability of joint ventures to transfer funds to the group in the form of cash dividends, or to repay loans or advances made by the Council.

	2022	2021
	\$ '000	\$ '000
Commitments relating to joint ventures held	_	_
Contingent liabilities incurred jointly with other investments over joint ventures held	_	_

Accounting policy

Joint Arrangements

AASB 11 Joint Arrangements defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Joint ventures

Joint ventures are those joint arrangements, which provide Council with rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method in accordance with AASB 128 Associates and Joint Ventures. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

Council's share in the joint ventures gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint ventures accounting policies where they are different from those of Council for the purpose of the consolidated financial statements.

D3 Discontinued operations

D3-1 Discontinued operations

Council did not have any discontinued operations during the year ended 30 June 2022.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by the Financial Services Department under policies approved by Council.

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Financial Services Department manages the cash and investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the *Local Government Act 1993 (NSW)* and Ministerial Investment Order 625. 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.

The risks associated with investments held are:

- Price risk the risk that the capital value of investments may fluctuate due to changes in market prices, whether these
 changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar
 instruments traded in a market.
- Interest rate risk the risk that movements in interest rates could affect returns.
- 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

	2022 \$ '000	2021 \$ '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	3,432	3,312
Possible impact of a 1% movement in price of investments	_	_

continued on next page ... Page 67 of 105

E1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

Council's major receivables comprise, rates, annual charges and user charges and fees. Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet ov			
	overdue \$ '000	< 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2022 Gross carrying amount	-	7,236	446	7,682
2021 Gross carrying amount	_	6.947	404	7.351

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 debts					
	overdue	0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2022						
Gross carrying amount	13,362	828	413	165	446	15,214
ECL provision	_	-	-	-	-	_
2021						
Gross carrying amount	9,771	145	180	742	458	11,296
ECL provision	_	_	_	_	_	_

continued on next page ... Page 68 of 105

E1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The Financial Services Department 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 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	Subject		payable in:			Actual	
	interest	to no maturity	≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	carrying values	
	%	\$ '000			\$ '000	\$ '000	\$ '000	
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	
Total financial liabilities			43,339	68,269	191,299	302,907	234,355	
2021								
Payables	0.00%	_	25,842	2,492	_	28,334	25,843	
Borrowings	3.74%		16,325	65,142	205,372	286,839	203,693	
Total financial liabilities		_	42,167	67,634	205,372	315,173	229,536	

E2-1 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

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Council therefore measures non-current assets classified as held for sale at fair value on a nonrecurring basis where their carrying amount exceeds their fair value.

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

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

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

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

continued on next page ... Page 70 of 105

E2-1 Fair value measurement (continued)

	Fair value measurement hierarchy								
			active mkts	observ	Significant vable inputs	unobse	3 Significant rvable inputs	Total	
\$ '000	Notes	2022	2021	2022	2021	2022	2021 Restated	2022	2021 Restated
Recurring fair value measurements									
Financial assets									
Other financial assets		78,638	76,722	_				78,638	76,722
Total financial assets		78,638	76,722	_				78,638	76,722
Investment property	C1-8								
Commercial land, office and retail		_	_	_	_	50,016	45,621	50,016	45,621
Total investment property		_	_	_	_	50,016	45,621	50,016	45,621
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		_		_		34,960	31,988	34,960	31,988
Office equipment		_		_		4,423	4,335	4,423	4,335
Furniture and fittings		_	_	_	_	3,870	3,870	3,870	3,870
Operational land		_	_	226,414	189,331	5,670	5,670	226,414	189,331
Community land (including Crown land)		_	_	220,414	109,551	196,067	185,235	196,067	185,235
Land under roads (post 01/07/08)		_			_	30,499	28,520	30,499	28,520
Non-depreciable land improvements		_		_	_	9,784	6,553	9,784	6,553
Depreciable land improvements		_		_	_	109,482	107,944	109,482	107,944
Buildings		_		_	_	254,108	221,547	254,108	221,547
Other structures		_		_	_	24,570	23,684	24,570	23,684
Roads		_		_	_	877,968	840,331	877,968	840,331
Bridges		_		_	_	47,752	46,284	47,752	46,284
Footpaths		_		_	_	120,080	104,939	120,080	104,939
Other road assets		_		_	_	432,791	410,974	432,791	410,974
Bulk earthworks (non-depreciable)		_			_	271,576	259,386	271,576	259,386
Stormwater drainage		_			_	652,743	621,163	652,743	621,163
Swimming pools		_		_	_	6,238	5,848	6,238	5,848
Other open space/recreational assets		_	_	_	_	42,384	35,438	42,384	35,438
Other infrastructure		_	_	_	_	31,540	31,149	31,540	31,149
Library books		_	_	_	_	2,030	2,045	2,030	2,045
Remediation asset		_	_	_	_	10,536	11,590	10,536	11,590
Artworks		_	_	_	_	3,506	3,162	3,506	3,162
Total infrastructure, property, plant and		<u></u>				3,300	5,102	3,300	5,102
equipment		_	_	226,414	189,331	3,166,907	2,985,985	3,393,321	3,175,316

continued on next page ... Page 71 of 105

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 investment in Arrow Collaborative Services Ltd.

The carrying amounts of these assets is assumed to be approximate 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 & 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. The last valuation was undertaken as at 31 March 2018.

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 s7.11 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. In line with data issued by the Crown, a small amount of Crown land parcels in this asset class were revalued at 30 June 2018 to reflect current Valuer-General valuations.

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 2008/09 in accordance with AASB 1051 Land Under Roads.

continued on next page ... Page 72 of 105

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

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 & gutter, street furniture, traffic facilities and retaining walls.

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.

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 5-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.

continued on next page ... Page 75 of 105

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 nvestment - Arrow Collaborative	Market value	Residual value
Services Total financial assets		Gross replacement cost
nvestment properties Commercial land, office and retail	Market value	Investment yields Improved rate per square metre Site rate per square metre
PPE		
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
and 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	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Buildings	Industry cost indexes	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other structures	Industry cost indexes	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Roads	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bridges	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost

continued on next page ... Page 76 of 105

	Valuation technique/s	Unobservable inputs
Footpaths	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value
Other road assets	Unit rates	Gross replacement cost Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bulk earthworks (nondepreciable)	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
tormwater drainage	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Swimming pools	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other open space/recreational assets	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
other infrastructure	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
ibrary 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

continued on next page ... Page 77 of 105

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

	IPPE		Investment p	roperty	Total	
	2022	2021	2022	2021	2022	2021
		Restated				
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	2,985,985	2,903,070	45,621	40,960	3,031,606	2,944,030
Total gains or losses for the period						
Other movements						
Purchases (GBV)	113,781	107,014	82	543	113,863	107,557
Disposals (WDV)	(9,943)	(8,508)	_	_	(9,943)	(8,508)
Depreciation and impairment	(69,363)	(67,009)	4,178	_	(65,185)	(67,009)
Recognised in other comprehensive income -	, , ,				, , ,	, ,
Revaluation surplus	155,609	44,369	_	7,318	155,609	51,687
Other movements	(9,164)	7,049	135	(3,200)	(9,029)	3,849
Closing balance	3,166,905	2,985,985	50,016	45,621	3,216,921	3,031,606

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

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

Highest and best use

Certain investment properties are not being used for highest and best use, which for most 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.

E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

LIABILITIES NOT RECOGNISED

LMCC is involved in Supreme Court proceedings in relation to damage to private properties allegedly associated with a product used previously for road construction. The outcome of those proceedings as ordered by the Court will determine any potential liability

(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

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 7% of salaries for the year ending 30 June 2022 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2021 to 30 June 2022, 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.

E3-1 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 2022 was \$1,718,481.42. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$583,622.64. Council's expected contribution to the plan for the next annual reporting period is \$1,045,901.64.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

^{*} excluding member accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 2.92%.

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

^{*} Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a prelimnary 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 2022.

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.

F People and relationships

F1 Related party disclosures

F1-1 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:

	2022	2021
	\$ '000	\$ '000
Compensation:		
Short-term benefits	2,411	2,413
Post-employment benefits	206	171
Termination benefits	_	46
Total	2,617	2,630

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

Natura of the transportion		Transactions during the year	Outstanding balances including commitments Terms and conditions	balances	relating to bad or doubtful debts due from related parties
Nature of the transaction	Ref	\$ '000	\$ '000	\$ '000	\$ '000
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'. The contract was limited to a single event held in April 2022.

F1-2 Councillor and Mayoral fees and associated expenses

	2022	2021
	\$ '000	\$ '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	122	121
Councillors' fees	377	375
Other Councillors' expenses (including Mayor)	122	61
Total	621	557

F1-3 Other related parties

	Transactions	Outstanding balances including		Impairment provision on outstanding	The expense recognised during the period relating to bad or doubtful debts due from
	during the year \$ '000	commitments \$ '000	Terms and conditions	balances \$ '000	related parties \$ '000
2022					
Payments for recycling bin services 1	6,681	_	Standard procurement terms and conditions	_	_
Payments for annual subscriptions	-	-	Payments shared between the parties in the Joint Venture	-	-
Payments for legal services	14	-	Provided under the Joint Venture arrangement	-	-
Payments for record management services	-	-	Provided under the Joint Venture arrangement	-	-
Payments of grant funding ² 2021	1,098	-	Grants provided as part of funding agreement	-	-
Payments for recycling bin services ¹	5,618	_	Standard procurement terms and conditions	_	_
Payments for annual subscriptions	_	_	Payments shared between the parties in the Joint Venture	_	_
Payments for legal services	12	_	Provided under the Joint Venture arrangement	_	-
Payments for record management services	_	_	Provided under the Joint Venture arrangement	-	_
Payments of grant funding ²	1,050	_	Provided under the Joint Venture arrangement	_	-

⁽¹⁾ Relates to Hunter Resource Recovery which has not been consolidated in Council's financial statements due to amounts being immaterial to Council operations.

⁽²⁾ Relates to Dantia Prosperity in Abundance which has not been consolidated in Council's financial statements due to amounts being immaterial to Council operations.

F2 Other relationships

F2-1 Audit fees

	2022 \$ '000	2021 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	111	92
Total Auditor-General remuneration	111	92
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	10	11
Total remuneration of non NSW Auditor-General audit firms	10	11
Total audit fees	121	103

G Other matters

G1-1 Statement of Cash Flows information

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

	2022	2021
		Restated
	\$ '000	\$ '000
Net operating result from Income Statement	60,776	73,046
Add / (less) non-cash items:		
Depreciation and amortisation	70,757	68,314
(Gain) / loss on disposal of assets	6,495	5,510
Non-cash capital grants and contributions and dedications	(22,128)	(33,301)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
 Investments classified as 'at fair value' or 'held for trading' 	8,068	420
 Investment property 	(4,178)	(7,318)
 Revaluation decrements / impairments of IPP&E direct to P&L 	58	1,563
Unwinding of discount rates on reinstatement provisions	1,227	(2,448)
Share of net (profits)/losses of associates/joint ventures using the equity method	170	182
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(4,249)	(1,106)
Increase / (decrease) in provision for impairment of receivables	(78)	(79)
(Increase) / decrease of inventories	(21)	6
(Increase) / decrease of other current assets	13	1,712
Increase / (decrease) in payables	(1,683)	3,601
Increase / (decrease) in accrued interest payable	27	10
Increase / (decrease) in other liabilities	2,963	(1,770)
Increase / (decrease) in contract liabilities	3,528	4,638
Increase / (decrease) in employee benefit provision	(3,022)	(1,625)
Increase / (decrease) in other provisions	(2,814)	(616)
Net cash flows from operating activities	115,909	110,739
(b) Non-cash investing and financing activities		
Bushfire grants	1,348	558
Dedications Take I was a self-investigation and financing a self-ities.	21,971	15,041
Total non-cash investing and financing activities	23,319	15,599

G2-1 Commitments

Capital commitments (exclusive of GST)

	2022	2021
	\$ '000	\$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Infrastructure	3,874	4,384
Sporting and recreational facilities	6,015	6,362
Plant Acquisition	7,955	8,634
Buildings	920	2,527
Community facilities	11,458	1,441
Information technology	209	59
Property Acquisition	3	_
Land Acquisition	_	439
Total commitments	30,434	23,846

Details of capital commitments

- Infrastructure commitments include construction of Wilton Road Awaba Bridge.
- Sporting and Recreational Facilities commitments include the Swansea Western Foreshore Boardwalk and Carpark, construction of new amenities buildings and a new warm up facility.
- Plant Acquisition commitments include trucks, mowers, trailers and light commercial vehicles under the plant replacement program.
- · Buildings commitments include the Awaba House Rebuild and Creating Space Depot Design.
- Community Facilities commitments include improvements at libraries, holiday parks, neighbourhood centres and art galleries, including the construction of Windale Hub Community Facility and Sugar Valley Library Museum.
- Information Technology commitments include purchases of equipment such as laptops and AV meeting room equipment and installation.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Changes in accounting policies due to adoption of new accounting standards

No newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures for the year ended 30 June 2022.

G4-2 Correction of errors

Nature of prior period error

Council failed to recognise \$38.2 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 2020) 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 2020 is shown in the table below.

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

	Original	Impact	Restated
	Balance	Increase/	Balance
	1 July, 2020	(decrease)	1 July, 2020
	\$ '000	\$ '000	\$ '000
Infrastructure, property, plant and equipment (IPPE) Total assets	3,110,751	23,858	3,134,609
	3,489,929	23,858	3,513,787
Net assets	3,162,923	23,858	3,186,781
Accumulated Surplus Total equity	1,357,354	23,858	1,381,212
	3,162,923	23,858	3,186,781

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

	Original	Impact	Restated
	Balance	Increase/	Balance
	30 June, 2021	(decrease)	30 June, 2021
	\$ '000	\$ '000	\$ '000
Infrastructure, property, plant and equipment (IPPE) Total assets	3,201,529	38,226	3,239,755
	3,613,061	38,226	3,651,287
Net assets	3,266,270	38,226	3,304,496
Accumulated Surplus Total equity	1,416,031	38,226	1,454,257
	3,266,270	38,226	3,304,496

Income Statement

G4-2 Correction of errors (continued)

	Original Balance 30 June, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2021 \$ '000
Grants and contributions provided for capital purposes Total income from continuing operations	56,545 316,611	14,606 14,606	71,151 331,217
Depreciation, amortisation and impairment of non-financial assets	69,640	237	69,877
Total expenses from continuing operations	257,934	237	258,171
Net operating result for the year	58,677	14,369	73,046

Statement of Comprehensive Income

	Original Balance	Impact Increase/	Restated Balance
	30 June, 2021 \$ '000	(decrease) \$ '000	30 June, 2021 \$ '000
Net operating result for the year	58,677	14,369	73,046
Total items which will not be reclassified subsequently to the operating result	44,670	_	44,670
Total comprehensive income for the year	58,677	14,369	117,716

G4-3 Changes in accounting estimates

Council made changes to accounting estimates during the current year with regards to Road and Stormwater Drainage assets useful lives. These changes will likely impact depreciation expense for these asset classes.

Asset Class	Depreciation Expense as at 30 June 22 \$'000	Estimated Deprecation Expense for 2022/2023 \$'000	Estimated Deprecation Expense for 2023/2024 \$'000
Roads	24,247	19,079	18,470
Stormwater Drainage	10,306	6,250	6,250
Total	34,553	25,330	24,720

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

	Contributions Opening received during the yea			Interest and		Held as restricted
	balance at 1 July 2021 \$ '000	Cash	Non-cash	investment income earned	Amounts expended	asset at 30 June 2022
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Drainage	1,643	_	_	(25)	(17)	1,601
Traffic facilities	14,880	1,949	_	(224)	(909)	15,696
Parking	4,840	_	_	(59)	_	4,781
Open space	81,300	13,608	17	(1,133)	(15,204)	78,571
Community facilities	20,450	2,932	_	(288)	(3,211)	19,885
Other	116	574	35	(2)	(574)	114
S7.11 contributions – under a plan	123,229	19,063	52	(1,731)	(19,915)	120,648
S7.12 levies – under a plan	2,097	1,173	_	(38)	_	3,232
Total S7.11 and S7.12 revenue under plans	125,326	20,236	52	(1,769)	(19,915)	123,880
S7.11 not under plans	2,098	_	_	(25)	(329)	1,744
S7.4 planning agreements	5,193	748	2,517	(78)	(25)	5,838
Total contributions	132,617	20,984	2,569	(1,872)	(20,269)	131,462

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 Developer Contributions is based on the overall investment portfolio return. In 2021/22, this reflects a negative return.

G5-2 Developer contributions by plan

	Contributions Opening received during the year		Interest and		Held as restricted	
	balance at 1 July 2021	Cash	Non-cash	investment income earned	Amounts expended	asset at 30 June 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
CONTRIBUTION PLAN CITY WIDE PLAN 2004						
Drainage	1,117	_	_	(18)	_	1,099
Other	(2)	_	_	_	_	_
Total	1,115	_	_	(18)	_	1,099
CONTRIBUTION PLAN NO. 2 NORTHLAKES URBAN RELEASE AREA						
Drainage	524	_	_	(7)	(17)	500
Traffic facilities	7,658	671	_	(112)	(32)	8,185
Open space	4,298	2,728	_	(80)	_	6,946
Community facilities	2,844	390	_	(33)	(1,409)	1,792
Other	118	45	_	(2)	(45)	116
Total	15,442	3,834	_	(234)	(1,503)	17,539
CONTRIBUTION PLAN NO. 3 GARDEN SUBURBS						
Drainage	2	_	_	_	_	2
Total	2	_	_	_	_	2

continued on next page ... Page 90 of 105

G5-2 Developer contributions by plan (continued)

	Opening	Contributions received during the year		Interest and		Held as restricted
	balance at 1 July 2021	Cash	Non-cash	investment income earned	Amounts expended	asset at 30 June 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
CONTRIBUTION PLAN NO. 4 COMMERCIAL AREAS CARPARKING						
Traffic facilities	11	_	_	(2)	_	9
Parking	207	_	_	(1)	_	206
Total	218	_		(3)	_	215
- CONTRIBUTION BLANKING ENORTH WALLARAN BENINGHIAR				(-)		
CONTRIBUTION PLAN NO. 5 NORTH WALLARAH PENINSULAR	0.7.4			(-)		
Traffic facilities	354	26	_	(5)	(70)	375
Open space	2,840	202	17	(41)	(59)	2,942
Community facilities	_	84	_	_	(86)	-
Other		7	35	- (40)	(7)	(2)
Total	3,194	319	52	(46)	(152)	3,315
CONTRIBUTION PLAN NO. 6 HILLSBOROUGH ROAD						
Traffic facilities	25	_	_	(1)		24
Total	25	_	_	(1)		24
CONTRIBUTION PLAN NO. 7 MORISSET CONTRIBUTIONS CATCHMENT	г					
Traffic facilities	3,752	665	_	(62)	(135)	4,220
Parking	446	_	_	(1)	` _	445
Open space	16,676	2,595	_	(246)	(1,036)	17,989
Community facilities	5,426	938	_	(83)	_	6,281
Other	_	112	_	_	(112)	_
Total	26,300	4,310	_	(392)	(1,283)	28,935
CONTRIBUTION PLAN NO. 8 GLENDALE CATCHMENT						
Traffic facilities	959	433	_	(16)	(10)	1,322
Parking	568	_	_	(8)	_	560
Open space	18,290	3,118	_	(267)	(1,813)	19,328
Community facilities	5,202	757	_	(78)	(126)	5,755
Other	-	133	_	-	(133)	-
Total	25,019	4,441	_	(369)	(2,082)	26,965
-	20,010	7,771		(000)	(2,002)	

continued on next page ... Page 91 of 105

G5-2 Developer contributions by plan (continued)

	Contributions Opening received during the year Interes					Held as	
	Opening balance at	received during Cash	tne year Non-cash	Interest and investment	Amounts	restricted asset at 30 June	
	1 July 2021 Cash No. \$ '000	\$ '000	income earned \$ '000	expended \$ '000	2022 \$ '000		
CONTRIBUTION PLAN NO. 9 CHARLESTOWN CATCHMENT							
Traffic facilities	2,086	145	_	(26)	(650)	1,555	
Parking	3,619	_	_	(49)	_	3,570	
Open space	8,835	2,985	_	(92)	(7,566)	4,162	
Community facilities	3,574	581	_	(45)	(1,561)	2,549	
Other	_	106	_	_	(106)	_	
Total	18,114	3,817	_	(212)	(9,883)	11,836	
CONTRIBUTION PLAN NO. 10 TORONTO CATCHMENT							
Traffic facilities	31	7	_	_	(82)	_	
Open space	14,514	1,299	_	(195)	(2,546)	13,072	
Community facilities	327	81	_	(5)	(1)	402	
Other		102	_	_	(102)		
Total	14,872	1,489	_	(200)	(2,731)	13,474	
CONTRIBUTIONS PLAN NO. 11 BELMONT CATCHMENT							
Traffic facilities	4	2	_	_	_	6	
Open space	15,847	681	_	(212)	(2,184)	14,132	
Community facilities	3,077	101	_	(44)	(28)	3,106	
Other		69	_	-	(69)		
Total	18,928	853		(256)	(2,281)	17,244	
Section 7.12 Levies							
Other	2,097	1,173		(38)		3,232	
Total	2,097	1,173	_	(38)	_	3,232	

G5-3 Contributions not under plans

	Contributions Opening received during the year Intere			Interest and		Held as restricted
	balance at 1 July 2021	Cash	Non-cash	investment income earned	Amounts expended	asset at 30 June 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
S7.11 CONTRIBUTIONS – NOT UNDER A PLAN						
Drainage	170	_	_	(2)	(104)	64
Roads	1,183	_	_	(16)	(58)	1,109
Parking	544	_	_	(7)	(167)	370
Open space	9	_	_	-	_	9
Community facilities	5	_	_	-	_	5
Other	187_	-	_	-		187
Total	2,098	_	_	(25)	(329)	1,744
G5-4 S7.4 planning agreements						
S7.4 planning agreements						
Roads	2,185	407	_	(34)	_	2,558
Parking	666	_	_	(9)	_	657
Open space	1,481	196	2,517	(22)	_	1,655
Community facilities	848	122	-	(13)	-	957
Other	13_	23	_			36
Total	5,193	748	2,517	(78)	_	5,863

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	India	Indicators		
		Restated				
\$ '000	2022	2022	2021	2020		
1. Operating performance ratio						
Total continuing operating revenue excluding						
capital grants and contributions less operating						
expenses 1,2	5,241	1.96%	0.73%	(2.49)%	> 0.00%	
Total continuing operating revenue excluding capital grants and contributions ¹	266,901					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all						
grants and contributions 1	231,938	69.64%	69.27%	71.41%	> 60.00%	
Total continuing operating revenue ¹	333,055					
3. Unrestricted current ratio						
Current assets less all external restrictions	182,324	5.90x	4.14x	4.48x	> 1.50x	
Current liabilities less specific purpose liabilities	30,878	3.30X	4.148	4.400	> 1.50X	
4. Debt service cover ratio						
Operating result before capital excluding interest						
and depreciation/impairment/amortisation ¹	80,164	6.14x	6.19x	5.09x	> 2.00x	
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	13,057		o	o.com	2.00%	
5. Rates and annual charges outstanding						
percentage						
Rates and annual charges outstanding	8,042	4.07%	3.97%	3.92%	< 10.00%	
Rates and annual charges collectable	197,677	4.07 /0	3.31 70	J.JZ /0	× 10.00 /0	
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all						
term deposits	220,910	12.92	11.50	10.15	> 3.00	
Monthly payments from cash flow of operating and financing activities	17,098	months	months	months	months	

⁽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

End of the audited financial statements

⁽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



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 2022, the Statement of Financial Position as at 30 June 2022, 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 2022, 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).

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and 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 purpose financial statements and 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.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

31 October 2022 SYDNEY



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

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D2221516/1751

31 October 2022

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2022 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 2022 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 2022 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Change in depreciation methodology

Council engaged an external consultant to assist with the calculation of long life and short life component for each road and stormwater drainage asset. The consultant also provided revised useful life estimate for each component, consumption score and the weighted average useful life for each asset. Management updated the revised useful life estimates in Council's financial asset register (CVR) with effect from 1 May 2022. The revised approach resulted in reduced depreciation expense of \$1.1 million for the period 1 May 2022 - 30 June 2022.

During our review we noted that the documentary evidence supporting significant changes in useful life and componentisation assumptions could be further strengthened. Audit will work with management to test the reasonableness of the revised assumptions and validate them based on council's existing asset management data and asset management plans.

INCOME STATEMENT

Operating result

	2022 \$m	2021* \$m	Variance %
Rates and annual charges revenue	189.6	183.8	3.2
Grants and contributions revenue	101.1	99.5	1.6
Operating result from continuing operations	60.8	73.0	16.7
Net operating result before capital grants and contributions	(5.4)	1.9	384

^{*} The 2021 comparatives have been restated to correct a prior period error. Note G4-2 of the financial statements provides details of the prior period error.

Rates and annual charges revenue (\$189.6 million) increased by \$5.8 million (3.2 per cent) in 2021–22 due to:

- annual rate peg increase applied to ordinary rates (2.0 per cent)
- increase of \$2.0 million in domestic waste management services revenue.

Grants and contributions revenue (\$101.1 million) increased by \$1.6 million (1.6 per cent) in 2021–22. This movement is mainly attributable to the:

- increase of \$5.8 million from financial assistance grant revenue
- increase of \$6.5 million from specific purpose Transport for NSW grants revenue
- net decrease of \$11.2 million from non-cash asset dedications revenue.

The Council's operating result from continuing operations (\$60.8 million including depreciation and amortisation expense of \$70.8 million) was \$12.2 million lower than the 2020–21 result. The net operating result before capital grants and contributions (deficit of \$5.4 million) was \$7.3 million lower than the 2020–21 result. These results were mainly attributable to increases in materials and services expense of \$5.5 million and other expenses of \$7.5 million, partially offset by increased revenue, as explained above.

STATEMENT OF CASH FLOWS

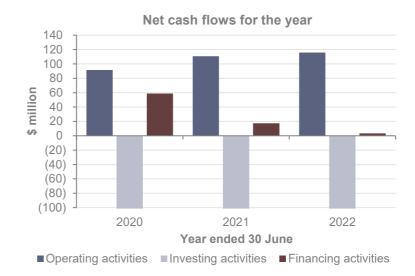
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The increase in cash provided from operating activities is mainly due to increased grants and contributions and rates and annual charges received during the year.

The decrease in cash used in investing activities is mainly due to reduced acquisition of investment securities.

The decrease in cash provided from financing activities is mainly due to lower proceeds from borrowings.

The Council's cash and cash equivalent balances at 30 June 2022 was \$19.9 million (2021: \$17.5 million). The net cash flow for the year was an increase of \$2.4 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	343.2	331.2	 Cash and investments increased by \$12.0 million. Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have decreased by \$1.4 million primarily due to a decrease in available cash balance relating to the developer contributions.
Restricted and allocated cash, cash equivalents and investments:			
 External restrictions 	181.3	182.7	Internally restricted cash and investments are due
Internal allocations	146.2	129.7	to Council policy or decisions to restrict funds for forward plans including strategic capital projects. The increase is mainly due to increase in available cash balances relating to replacement of assets.

Debt

The Council has \$207.2 million of borrowings as at 30 June 2022 (2021: \$203.7 million)

The Council has an accumulated drawdown facility limit of \$2.2 million as at 30 June 2022 (2021: \$2.2 million). As at 30 June 2022, \$2.1 million of the total facility remained unutilised.

PERFORMANCE

Performance measures

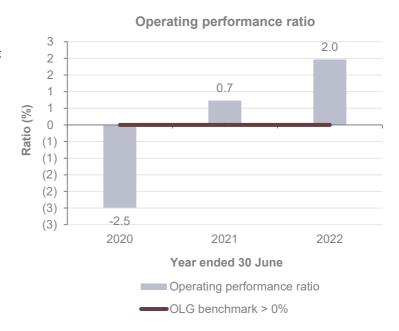
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

The 2021 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.

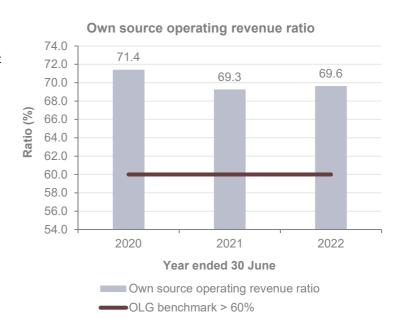


Own source operating revenue ratio

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

The 2021 ratio was restated to correct a prior period error.

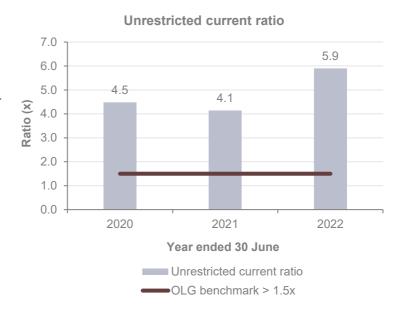
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

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.

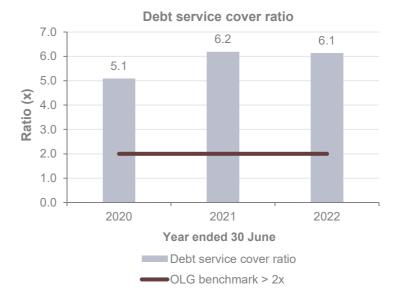


Debt service cover ratio

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

The 2021 ratio was restated to correct a prior period error.

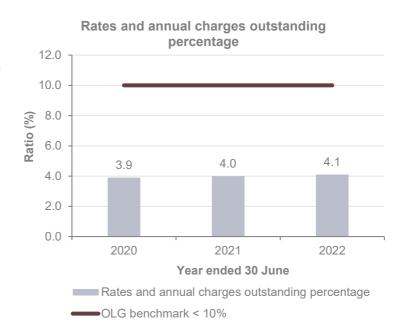
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

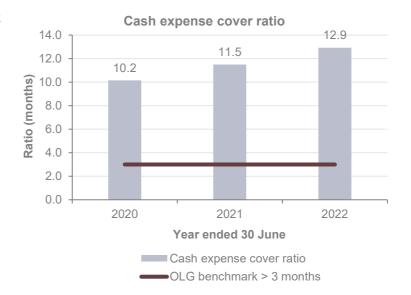
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council met 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 reported asset renewals of \$53.0 million in 2021-22 (\$54.4 million in 2020-21). Significant renewals included:

- road renewals of \$21.9 million (\$13.9 million in 2020-21)
- plant and equipment renewals of \$9.1 million (\$4.8 million in 2020-21)
- building renewals of \$7.1 million (\$18.0 million in 2020-21).

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.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

cc: Ms Morven Cameron, Chief Executive Officer

Ms Dianne Allen, Chair of the Audit, Risk and Improvement Committee

Lake Macquarie City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022



Lake Macquarie City Council

Special Purpose Financial Statements for the year ended 30 June 2022

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of CiviLake Income Statement of Property Management Income Statement of Non-domestic waste Income Statement of Printing	4 5 6 7
Statement of Financial Position of CiviLake Statement of Financial Position of Property Management Statement of Financial Position of Non-domestic waste Statement of Financial Position of Printing	8 9 10 11
Note – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

Special Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- · the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses A Guide to Competitive Neutrality'.
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- · present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- · accord with Council's accounting and other records.
- · present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 31 October 2022.

Kay Fraser

Mayor

31 October 2022

Adam Shultz

Deputy Mayor

31 October 2022

Morven Cameron General Manager

31 October 2022

Bjorn Lategan

Responsible Accounting Officer

Sult

31 October 2022

Income Statement of CiviLake

for the year ended 30 June 2022

	2022	2021
	Category 1	Category 1
	\$ '000	\$ '000
Income from continuing operations		
User charges and fees	5,723	2,602
Total income from continuing operations	5,723	2,602
Expenses from continuing operations		
Employee benefits and on-costs	611	487
Materials and services	4,179	1,668
Other expenses	22	3
Total expenses from continuing operations	4,812	2,158
Surplus (deficit) from continuing operations before capital amounts	911	444
Surplus (deficit) from continuing operations after capital amounts	911	444
Surplus (deficit) from all operations before tax	911	444
Less: corporate taxation equivalent (25%) [based on result before capital]	(228)	(116)
Surplus (deficit) after tax	683	328
Plus accumulated surplus Plus adjustments for amounts unpaid:	21,210	20,766
Corporate taxation equivalent	228	116
Dividend Paid	_	_
Closing accumulated surplus	22,121	21,210

Income Statement of Property Management for the year ended 30 June 2022

	2022	2021
	Category 1	Category 1
	\$ '000	\$ '000
Income from continuing operations		
User charges and fees	13,611	12,825
Interest and investment income	(268)	583
Grants and contributions provided for operating purposes	171	_
Net gain from the disposal of assets	(7)	418
Other income	5,508	8,368
Total income from continuing operations	19,015	22,194
Expenses from continuing operations		
Employee benefits and on-costs	1,752	1,745
Borrowing costs	9	4
Materials and services	7,071	5,815
Depreciation, amortisation and impairment	1,836	1,826
Calculated taxation equivalents	802	665
Other expenses	2,118	2,323
Total expenses from continuing operations	13,588	12,378
Surplus (deficit) from continuing operations before capital amounts	5,427	9,816
Surplus (deficit) from continuing operations after capital amounts	5,427	9,816
Surplus (deficit) from all operations before tax	5,427	9,816
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,357)	(2,552)
Surplus (deficit) after tax	4,070	7,264
Plus accumulated surplus	139,102	128,621
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	802	665
- Corporate taxation equivalent	1,357	2,552
Closing accumulated surplus	145,331	139,102
Return on capital %	6.4%	12.7%

Income Statement of Non-domestic waste

for the year ended 30 June 2022

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
	\$ 000	\$ 000
Income from continuing operations		
Rates and annual charges	2,537	2,435
User charges and fees	4,174	4,532
Grants and contributions provided for operating purposes	5_	_
Total income from continuing operations	6,716	6,967
Expenses from continuing operations		
Employee benefits and on-costs	1,593	1,471
Borrowing costs	298	441
Materials and services	1,624	1,529
Depreciation and impairment	233	234
Calculated taxation equivalents	25	16
Other expenses	1,960	2,837
Total expenses from continuing operations	5,733	6,528
Surplus (deficit) from continuing operations before capital amounts	983	439
Surplus (deficit) from continuing operations after capital amounts	983	439
Surplus (deficit) from all operations before tax	983	439
Less: corporate taxation equivalent (25%) [based on result before capital]	(246)	(114)
Surplus (deficit) after tax	737	325
Plus accumulated surplus Plus adjustments for amounts unpaid:	18,378	17,923
- Taxation equivalent payments	25	16
- Corporate taxation equivalent	246	114
Closing accumulated surplus	19,386	18,378
Return on capital %	9.6%	6.5%

Income Statement of Printing

for the year ended 30 June 2022

	2022 Category 2 \$ '000	2021 Category 2 \$ '000
	\$ 000	φ 000
Income from continuing operations		
User charges and fees	939	891
Total income from continuing operations	939	891
Expenses from continuing operations		
Employee benefits and on-costs	473	533
Borrowing costs	5	7
Materials and services	264	217
Depreciation and impairment	65	109
Other expenses		3
Total expenses from continuing operations	807	869
Surplus (deficit) from continuing operations before capital amounts	132	22
Surplus (deficit) from continuing operations after capital amounts	132	22
Surplus (deficit) from all operations before tax	132	22
Less: corporate taxation equivalent (25%) [based on result before capital]	(33)	(6)
Surplus (deficit) after tax	99	16
Plus accumulated surplus Plus adjustments for amounts unpaid:	1,571	1,549
- Corporate taxation equivalent	33	6
Closing accumulated surplus	1,703	1,571
Return on capital %	6,850.0%	1,450.0%

Statement of Financial Position of CiviLake

S 000 S 000		2022	2021
ASSETS Current assets Investments Receivables 22,077 22,029 Receivables 2,413 1,223 Total current assets 24,490 23,253 LIABILITIES Current liabilities Payables Employee benefit provisions Total current liabilities Non-current liabilities Employee benefit provisions Total current liabilities Total non-current liabilities Employee benefit provisions Total liabilities Employee benefit provisions Total non-current liabilities Employee benefit provisions Total non-current liabilities Employee benefit provisions Total non-current liabilities Employee benefit provisions Total liabilities Employee benefit provisions Total liabilities 2,369 2,043 Net assets 22,121 21,210 EQUITY Accumulated surplus 22,121 21,210			Category 1
Current assets Investments 22,077 22,029 Receivables 2,413 1,223 Total current assets 24,490 23,252 Total assets 24,490 23,252 LIABILITIES Current liabilities Payables 783 153 Employee benefit provisions 1,545 1,863 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 22,121 21,210		\$ '000	\$ '000
Investments 22,077 22,029 Receivables 2,413 1,223 Total current assets 24,490 23,252 Total assets 24,490 23,252 LIABILITIES Current liabilities Payables 783 153 Employee benefit provisions 1,545 1,863 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY 22,121 21,210 Accumulated surplus 22,121 21,210	ASSETS		
Receivables	Current assets		
Total current assets 24,490 23,252 Total assets 24,490 23,252 LIABILITIES Current liabilities Payables 783 155 Employee benefit provisions 1,545 1,863 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 22,121 21,210	Investments	22,077	22,029
Total assets 24,490 23,252 LIABILITIES Current liabilities Payables 783 150 Employee benefit provisions 1,545 1,860 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY 22,121 21,210 Accumulated surplus 22,121 21,210	Receivables	2,413	1,223
LIABILITIES Current liabilities 783 158 Payables 783 158 Employee benefit provisions 1,545 1,863 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 22,121 21,210	Total current assets	24,490	23,252
Current liabilities Payables 783 158 Employee benefit provisions 1,545 1,863 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 22,121 21,210	Total assets	24,490	23,252
Payables 783 159 Employee benefit provisions 1,545 1,860 Total current liabilities 2,328 2,022 Non-current liabilities 41 20 Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 22,121 21,210	LIABILITIES		
Employee benefit provisions1,5451,863Total current liabilities2,3282,023Non-current liabilities4120Employee benefit provisions4120Total non-current liabilities4120Total liabilities2,3692,042Net assets22,12121,210EQUITY2020Accumulated surplus22,12121,210	Current liabilities		
Total current liabilities Employee benefit provisions Total non-current liabilities Total liabilities Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 2,328 2,022 At 20,022 At	Payables	783	159
Non-current liabilities Employee benefit provisions Total non-current liabilities Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY Accumulated surplus 2,321 21,210	Employee benefit provisions	1,545	1,863
Employee benefit provisions 41 20 Total non-current liabilities 41 20 Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY 22,121 21,210 Accumulated surplus 22,121 21,210	Total current liabilities	2,328	2,022
Total non-current liabilities Total liabilities 2,369 2,042 Net assets 22,121 21,210 Accumulated surplus 22,121 21,210	Non-current liabilities		
Total liabilities 2,369 2,042 Net assets 22,121 21,210 EQUITY 22,121 21,210 Accumulated surplus 22,121 21,210	· ·	41_	20
Net assets 22,121 21,210 EQUITY 22,121 21,210 Accumulated surplus 22,121 21,210	Total non-current liabilities	41	20
EQUITY Accumulated surplus 22,121 21,210	Total liabilities	2,369	2,042
Accumulated surplus 22,121 21,210	Net assets	22,121	21,210
	EQUITY		
	Accumulated surplus	22,121	21,210
	Total equity	22,121	21,210

Statement of Financial Position of Property Management

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	18	2
Investments	26,369	32,828
Receivables	85	192
Inventories	81	_
Total current assets	26,553	33,022
Non-current assets		
Right of use assets	609	318
Inventories	5,415	5,088
Infrastructure, property, plant and equipment	85,521	77,228
Investment property	49,830	45,560
Total non-current assets	141,375	128,194
Total assets	167,928	161,216
LIABILITIES		
Current liabilities		
Lease liabilities	121	83
Payables	414	380
Employee benefit provisions	617	471
Total current liabilities	1,152	934
Non-current liabilities		
Lease liabilities	495	239
Employee benefit provisions	42	33
Total non-current liabilities	537	272
Total liabilities	1,689	1,206
Net assets	166,239	160,010
EQUITY		
Revaluation reserves	20,908	20,908
Accumulated surplus	145,331	139,102
		, -

Statement of Financial Position of Non-domestic waste

	2022 Category 1 \$ '000	2021 Category 1 \$ '000
ASSETS		
Current assets		
Investments	6,497	5,411
Receivables	112	211
Total current assets	6,609	5,622
Non-current assets		
Infrastructure, property, plant and equipment	13,376	13,627
Total non-current assets	13,376	13,627
Total assets	19,985	19,249
LIABILITIES Current liabilities		
Payables	23	250
Employee benefit provisions	462	511
Total current liabilities	485	761
Non-current liabilities		
Employee benefit provisions	10	6
Total non-current liabilities	10	6
Total liabilities	495	767
Net assets	19,490	18,482
EQUITY		
Accumulated surplus	19,386	18,378
Revaluation reserves	104	104
Total equity	19,490	18,482

Statement of Financial Position of Printing

	2022 Category 2 \$ '000	2021 Category 2 \$ '000
ASSETS		
Current assets		
Investments	1,928	1,752
Receivables	7	52
Total current assets	1,935	1,804
Non-current assets		
Right of use assets	194	259
Infrastructure, property, plant and equipment	2	2
Total non-current assets	196	261
Total assets	2,131	2,065
LIABILITIES Current liabilities		
Lease liabilities	64	63
Payables	33	13
Employee benefit provisions	195	218
Total current liabilities	292	294
Non-current liabilities		
Lease liabilities	134	199
Employee benefit provisions	2	1
Total non-current liabilities	136	200
Total liabilities	428	494
Net assets	1,703_	1,571
EQUITY		
Accumulated surplus	1,703	1,571
Total equity	1,703	1,571

Note - Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act* 1993 (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

CiviLake Management Group

Responsible for the management of all Council's non contestable maintenance, construction works and survey works including RMS works. CiviLake also manages Council's quarry operations which is managed on a cost basis plus an overhead charge.

Responsible for the tendering for external works for profit. The management unit hires where available all resources including labour, plant, equipment and human resources from the parent entity.

Council's expected return on capital is not applicable to this business unit. This is due to CiviLake hiring Council's equipment as opposed to purchasing new capital.

ABC costs are charged to the management group.

Property Management

Responsible for the management of all Council's strategic investment properties, holiday parks, land development and land acquisitions and sales. The capital employed by Property Management during the year was \$85,521k. Council's expected return on strategic investment holdings is currently 5%–8%.

Non-Domestic Waste

Responsible for the collection and disposal of waste other than domestic waste within the city. The capital employed by Non-Domestic Waste during the year was \$13,376k. Council's expected return on capital was in accordance with the 10-year Commonwealth Government Bond rate.

Note - Significant Accounting Policies (continued)

Category 2

Printing

Responsible for all internal printing work as well as external printing on a competitive basis. The capital employed by Printing during the year was \$2k. Council's expected return on capital was in accordance with the 10-year Commonwealth Government Bond rate.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose finanncial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate - 25% (20/21 26%)

<u>Land tax</u> – the first \$822,000 of combined land values attracts **0**%. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6**%. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0**% applies.

Payroll tax - 4.85% on the value of taxable salaries and wages in excess of \$1,200,000.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (20/21 26%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

continued on next page ... Page 13 of 17

Note - Significant Accounting Policies (continued)

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

(iii) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. Consequently, any form of dividend payment is purely notional and has been set at 5%. Dividend payments to Council are also restricted to those activities which do not levy special rates or charges (water, sewer, domestic waste management). Council operates Domestic Waste Management (DWM) as a restricted activity. The *Local Government Act 1993 (NSW)* requires that all operating surpluses or deficits of these funds are credited/debited to the equity of those funds



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements Lake Macquarie City Council

To the Councillors of Lake Macquarie City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Lake Macquarie City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- CiviLake
- · Property management
- Non-domestic waste
- Printing

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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).

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and 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 general purpose financial statements and 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 and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes 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
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

31 October 2022

SYDNEY

SPECIAL SCHEDULES for the year ended 30 June 2022



Special Schedules

for the year ended 30 June 2022

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2022	7

Permissible income for general rates

		Calculation 2021/22	Calculation 2022/23
	Notes	\$ '000	\$ '000
Notional general income calculation ¹			
Last year notional general income yield	а	143,501	148,338
Plus or minus adjustments ²	b	1,799	745
Notional general income	c = a + b	145,300	149,083
Permissible income calculation			
Or rate peg percentage	е	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	2,906	3,727
Sub-total	k = (c + g + h + i + j)	148,206	152,810
Plus (or minus) last year's carry forward total	T.	23	_
Less valuation objections claimed in the previous year	m	(8)	(117)
Sub-total	n = (I + m)	15	(117)
Total permissible income	o = k + n	148,221	152,693
Less notional general income yield	р	148,338	152,689
Catch-up or (excess) result	q = o - p	(117)	4
Plus income lost due to valuation objections claimed ⁴	r	117	6
Carry forward to next year ⁶	t = q + r + s	_	10

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 2023.

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 2021–22 (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).

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 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, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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 and the special 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.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

31 October 2022

SYDNEY

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets	agreed level of service set by	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets		ition as a		
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	4,603	2,880	11,702	11,872	227,290	339,660	29.0%	47.0%	16.0%	7.0%	1.0%
Dananigo	Other	_	_,,,,,	_	_	26.818	_	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,603	2,880	11,702	11,872	254,108	339,660	29.0%			7.0%	1.0%
Other	Other structures	_	929	314	309	24,570	59,123	20.0%	69.0%	7.0%	3.0%	1.0%
structures	Sub-total	_	929	314	309	24,570	59,123	20.0%	69.0%	7.0%	3.0%	1.0%
Roads	Roads	40,182	24,315	9,832	9,394	877,968	1,392,972	1.0%	2.0%	55.0%	36.0%	6.0%
110440	Bridges	, _	6,137	380	250	47,752	74,088	14.0%	73.0%	12.0%	1.0%	0.0%
	Footpaths	_	747	1,065	1,021	120,080	167,031	28.0%	54.0%	17.0%	1.0%	0.0%
	Other road assets (including bulk earthworks)	1,360	255	4,771	4,016	629,127	905,802	17.0%	34.0%	48.0%	1.0%	0.0%
	Sub-total	41,542	31,454	16,048	14,681	1,750,167	2,539,893	8.9%	18.9%	48.8%	20.2%	3.3%
Stormwater	Stormwater drainage	_	1,368	5,868	3,093	623,441	1,010,825	78.0%	17.0%	3.0%	1.0%	1.0%
drainage	Sub-total		1,368	5,868	3,093	652,743	1,010,825	78.0%	17.0%	3.0%	1.0%	1.0%
Open space	/Swimming pools	2,900	1,420	1,166	985	6,239	11,765	22.0%	31.0%	47.0%	0.0%	0.0%
recreational		_	1,114	14,601	12,630	42,383	71,182	51.0%	28.0%	17.0%	3.0%	1.0%
assets	Sub-total	2,900	2,534	15,767	13,615	48,622	82,947	46.9%	28.4%	21.3%	2.6%	0.9%
Other infra- structure	Other	2,241	224	394	213	31,540	44,363	29.0%	35.0%	28.0%	6.0%	2.0%
assets	Sub-total	2,241	224	394	213	31,540	44,363	29.0%	35.0%	28.0%	6.0%	2.0%
	Total – all assets	51,286	39,389	50,093	43,783	2,761,750	4,076,811	28.8%	21.9%	33.3%	13.6%	2.4%

⁽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

Excellent/very good No work required (normal maintenance)
Good Only minor maintenance work required

continued on next page ... Page 7 of 9

Report on infrastructure assets as at 30 June 2022 (continued)

Satisfactory

Maintenance work required Renewal required

Poor

Very poor

Urgent renewal/upgrading required

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Indic	ators	Benchmark
			Restated		
\$ '000	2022	2022	2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals 1	42,920	70.000/	70.000/	70.400/	> = 100 000/
Depreciation, amortisation and impairment	56,329	76.20%	79.93%	78.43%	>= 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	51,286	1.86%	2.27%	2.17%	< 2.00%
Net carrying amount of infrastructure assets	2,761,750	1.00 /6	2.21 /0	2.17 /0	× 2.00 /0
Asset maintenance ratio					
Actual asset maintenance	43,783	87.40%	87.05%	96.02%	> 100.00%
Required asset maintenance	50,093	07.40%	67.05%	90.02%	> 100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to					
an agreed service level set by Council	39,389	0.97%	0.96%	1.24%	
Gross replacement cost	4,076,811				

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⁽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.

