

Bellingen Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

Connected, Sustainable, Creative.



Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Connected, Sustainable, Creative.



Bellingen Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

| 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: | 81 |

Bellingen Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management made pursuant to Section 413 (2c) 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
- the Local Government Code of Accounting Practice and Financial Reporting.

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

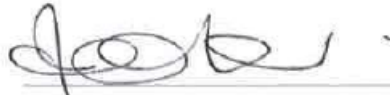
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 October 2023.



Stephen Allan
Mayor
25 October 2023



Joanne Cook
Councillor
25 October 2023



Mark Griffioen
General Manager
25 October 2023



Chris Hodge
Responsible Accounting Officer
25 October 2023

Bellingen Shire Council

Income Statement

for the year ended 30 June 2023

| Original unaudited budget 2023 | \$ '000 | Notes | Actual 2023 | Actual 2022 |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| Income from continuing operations | | | | |
| 17,474 | Rates and annual charges | B2-1 | 17,452 | 16,876 |
| 8,918 | User charges and fees | B2-2 | 13,976 | 12,340 |
| 554 | Other revenues | B2-3 | 743 | 661 |
| 5,934 | Grants and contributions provided for operating purposes | B2-4 | 11,153 | 17,314 |
| 30,003 | Grants and contributions provided for capital purposes | B2-4 | 25,907 | 8,556 |
| 860 | Interest and investment income | B2-5 | 1,537 | 166 |
| – | Other income | B2-6 | 237 | 362 |
| <u>63,743</u> | Total income from continuing operations | | <u>71,005</u> | <u>56,275</u> |
| Expenses from continuing operations | | | | |
| 11,699 | Employee benefits and on-costs | B3-1 | 12,633 | 12,280 |
| 13,599 | Materials and services | B3-2 | 17,710 | 21,548 |
| 591 | Borrowing costs | B3-3 | 614 | 273 |
| 7,650 | Depreciation, amortisation and impairment of non-financial assets | B3-4 | 7,762 | 7,681 |
| 1,354 | Other expenses | B3-5 | 1,509 | 2,312 |
| – | Net loss from the disposal of assets | B4-1 | 3,779 | 964 |
| <u>34,893</u> | Total expenses from continuing operations | | <u>44,007</u> | <u>45,058</u> |
| <u>28,850</u> | Operating result from continuing operations | | <u>26,998</u> | <u>11,217</u> |
| <u>28,850</u> | Net operating result for the year attributable to Council | | <u>26,998</u> | <u>11,217</u> |
| | | | | |
| <u>(1,151)</u> | Net operating result for the year before grants and contributions provided for capital purposes | | <u>1,091</u> | <u>2,661</u> |

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

Bellingen Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

| \$ '000 | Notes | 2023 | 2022 |
|----------------------------------------------------------------------------------------------------------------|-------|---------------|--------|
| Net operating result for the year – from Income Statement | | 26,998 | 11,217 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-8 | 52,666 | 32,360 |
| Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment | C1-8 | – | 52 |
| Total items which will not be reclassified subsequently to the operating result | | 52,666 | 32,412 |
| Total other comprehensive income for the year | | 52,666 | 32,412 |
| Total comprehensive income for the year attributable to Council | | 79,664 | 43,629 |

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

Bellingen Shire Council

Statement of Financial Position

as at 30 June 2023

| \$ '000 | Notes | 2023 | 2022 |
|------------------------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 21,716 | 1,982 |
| Investments | C1-2 | 34,096 | 39,589 |
| Receivables | C1-4 | 3,533 | 9,970 |
| Inventories | C1-5 | 562 | 546 |
| Contract assets and contract cost assets | C1-6 | 171 | 886 |
| Current assets classified as held for sale | C1-7 | 307 | 307 |
| Total current assets | | 60,385 | 53,280 |
| Non-current assets | | | |
| Investments | C1-2 | 2,000 | – |
| Receivables | C1-4 | 256 | 309 |
| Infrastructure, property, plant and equipment (IPPE) | C1-8 | 571,349 | 496,813 |
| Investment property | C1-9 | 1,750 | 3,115 |
| Intangible assets | C1-10 | 838 | 917 |
| Total non-current assets | | 576,193 | 501,154 |
| Total assets | | 636,578 | 554,434 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3-1 | 6,398 | 6,343 |
| Contract liabilities | C3-2 | 7,891 | 6,346 |
| Borrowings | C3-3 | 1,886 | 1,720 |
| Employee benefit provisions | C3-4 | 2,247 | 2,517 |
| Provisions | C3-5 | 50 | 51 |
| Total current liabilities | | 18,472 | 16,977 |
| Non-current liabilities | | | |
| Payables | C3-1 | 10 | 12 |
| Borrowings | C3-3 | 12,806 | 11,804 |
| Employee benefit provisions | C3-4 | 108 | 132 |
| Provisions | C3-5 | 2,062 | 2,053 |
| Total non-current liabilities | | 14,986 | 14,001 |
| Total liabilities | | 33,458 | 30,978 |
| Net assets | | 603,120 | 523,456 |
| EQUITY | | | |
| Accumulated surplus | C4-1 | 328,310 | 301,312 |
| IPPE revaluation reserve | C4-1 | 274,810 | 222,144 |
| Council equity interest | | 603,120 | 523,456 |
| Total equity | | 603,120 | 523,456 |

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

Bellingen Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

| \$ '000 | Notes | 2023 | | | 2022 | | |
|-----------------------------------------------------------------------------|-------|---------------------|--------------------------|----------------|---------------------|--------------------------|----------------|
| | | Accumulated surplus | IPPE revaluation reserve | Total equity | Accumulated surplus | IPPE revaluation reserve | Total equity |
| Opening balance at 1 July | | 301,312 | 222,144 | 523,456 | 290,095 | 189,732 | 479,827 |
| Net operating result for the year | | 26,998 | – | 26,998 | 11,217 | – | 11,217 |
| Net operating result for the period | | 26,998 | – | 26,998 | 11,217 | – | 11,217 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-8 | – | 52,666 | 52,666 | – | 32,360 | 32,360 |
| – Impairment (loss) reversal relating to IPP&E | C1-8 | – | – | – | – | 52 | 52 |
| Other comprehensive income | | – | 52,666 | 52,666 | – | 32,412 | 32,412 |
| Total comprehensive income | | 26,998 | 52,666 | 79,664 | 11,217 | 32,412 | 43,629 |
| Closing balance at 30 June | | 328,310 | 274,810 | 603,120 | 301,312 | 222,144 | 523,456 |

Bellingen Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

| Original unaudited budget 2023 | \$ '000 | Notes | Actual 2023 | Actual 2022 |
|---------------------------------------------|-----------------------------------------------------|-------|-----------------|-----------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 17,457 | Rates and annual charges | | 17,429 | 17,184 |
| 8,735 | User charges and fees | | 20,349 | 11,500 |
| 839 | Interest received | | 1,170 | 123 |
| 34,372 | Grants and contributions | | 39,320 | 27,798 |
| – | Bonds, deposits and retentions received | | 223 | – |
| 1,006 | Other | | 2,913 | 3,770 |
| <i>Payments:</i> | | | | |
| (11,695) | Payments to employees | | (12,923) | (12,491) |
| (14,577) | Payments for materials and services | | (22,548) | (21,510) |
| (575) | Borrowing costs | | (677) | (278) |
| – | Bonds, deposits and retentions refunded | | – | (22) |
| (1,619) | Other | | 111 | (2,155) |
| 33,943 | Net cash flows from operating activities | G1-1 | 45,367 | 23,919 |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| 6,108 | Sale of investments | | 9,000 | – |
| – | Redemption of term deposits | | 42,000 | 33,100 |
| – | Sale of investment property | | – | 441 |
| – | Proceeds from sale of IPPE | | 396 | 535 |
| <i>Payments:</i> | | | | |
| (857) | Purchase of investments | | – | (30,000) |
| – | Acquisition of term deposits | | (45,033) | (14,500) |
| – | Purchase of investment property | | – | (43) |
| (41,500) | Payments for IPPE | | (33,122) | (19,760) |
| – | Purchase of intangible assets | | (42) | (25) |
| (36,249) | Net cash flows from investing activities | | (26,801) | (30,252) |
| Cash flows from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| 3,000 | Proceeds from borrowings | | 3,000 | 4,100 |
| <i>Payments:</i> | | | | |
| (1,677) | Repayment of borrowings | | (1,832) | (1,342) |
| 1,323 | Net cash flows from financing activities | | 1,168 | 2,758 |
| (983) | Net change in cash and cash equivalents | | 19,734 | (3,575) |
| 3,103 | Cash and cash equivalents at beginning of year | | 1,982 | 5,557 |
| 2,120 | Cash and cash equivalents at end of year | C1-1 | 21,716 | 1,982 |
| 28,524 | plus: Investments on hand at end of year | C1-2 | 36,096 | 39,589 |
| 30,644 | Total cash, cash equivalents and investments | | 57,812 | 41,571 |

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

Bellingen Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

| | |
|-------------------------------------------------------------------------------|-----------|
| A About Council and these financial statements | 11 |
| A1-1 Basis of preparation | 11 |
| B Financial Performance | 13 |
| B1 Functions or activities | 13 |
| B1-1 Functions or activities – income, expenses and assets | 13 |
| B1-2 Components of functions or activities | 14 |
| B2 Sources of income | 15 |
| B2-1 Rates and annual charges | 15 |
| B2-2 User charges and fees | 16 |
| B2-3 Other revenues | 17 |
| B2-4 Grants and contributions | 18 |
| B2-5 Interest and investment income | 23 |
| B2-6 Other income | 23 |
| B3 Costs of providing services | 24 |
| B3-1 Employee benefits and on-costs | 24 |
| B3-2 Materials and services | 25 |
| B3-3 Borrowing costs | 25 |
| B3-4 Depreciation, amortisation and impairment of non-financial assets | 26 |
| B3-5 Other expenses | 27 |
| B4 Gains or losses | 28 |
| B4-1 Gain or loss from the disposal, replacement and de-recognition of assets | 28 |
| B5 Performance against budget | 29 |
| B5-1 Material budget variations | 29 |
| C Financial position | 31 |
| C1 Assets we manage | 31 |
| C1-1 Cash and cash equivalents | 31 |
| C1-2 Financial investments | 32 |
| C1-3 Restricted and allocated cash, cash equivalents and investments | 33 |
| C1-4 Receivables | 34 |
| C1-5 Inventories | 36 |
| C1-6 Contract assets and Contract cost assets | 36 |
| C1-7 Non-current assets classified as held for sale | 37 |
| C1-8 Infrastructure, property, plant and equipment | 38 |
| C1-9 Investment properties | 42 |
| C1-10 Intangible assets | 42 |
| C2 Leasing activities | 43 |
| C2-1 Council as a lessee | 43 |
| C2-2 Council as a lessor | 44 |
| C3 Liabilities of Council | 46 |
| C3-1 Payables | 46 |
| C3-2 Contract Liabilities | 46 |
| C3-3 Borrowings | 47 |

Bellingen Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

| | |
|------------------------------------------------------------------------|-----------|
| C3-4 Employee benefit provisions | 49 |
| C3-5 Provisions | 49 |
| C4 Reserves | 51 |
| C4-1 Nature and purpose of reserves | 51 |
| D Council structure | 52 |
| D1 Results by fund | 52 |
| D1-1 Income Statement by fund | 52 |
| D1-2 Statement of Financial Position by fund | 53 |
| E Risks and accounting uncertainties | 54 |
| E1-1 Risks relating to financial instruments held | 54 |
| E2-1 Fair value measurement | 57 |
| E3-1 Contingencies | 65 |
| F People and relationships | 68 |
| F1 Related party disclosures | 68 |
| F1-1 Key management personnel (KMP) | 68 |
| F1-2 Councillor and Mayoral fees and associated expenses | 69 |
| F2 Other relationships | 70 |
| F2-1 Audit fees | 70 |
| G Other matters | 71 |
| G1-1 Statement of Cash Flows information | 71 |
| G2-1 Commitments | 72 |
| G3 Statement of developer contributions as at 30 June 2023 | 73 |
| G3-1 Summary of developer contributions | 73 |
| G3-2 Developer contributions by plan | 73 |
| G3-3 Contributions not under plans | 74 |
| G4 Statement of performance measures | 75 |
| G4-1 Statement of performance measures – consolidated results | 75 |
| G4-2 Statement of performance measures by fund | 76 |
| H Additional Council disclosures (unaudited) | 78 |
| H1-1 Statement of performance measures – consolidated results (graphs) | 78 |
| H1-2 Council information and contact details | 80 |

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 25 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

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 investment properties – refer Note C1-9
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

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 has been included in the financial statements of the Council.

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

- General purpose operations
- Water service

A1-1 Basis of preparation (continued)

- Sewerage service

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 the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports. A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

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. Council does not consider the amount to be material.

New accounting standards and interpretations issued but not yet effective

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 2023 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2023.

None of these standards had a significant impact on the reported financial position or performance.

B Financial Performance

B1 Functions or activities

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

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

| \$ '000 | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets | |
|----------------------------------------|---------------|---------------|---------------|---------------|------------------|---------------|--------------------------|---------------|---------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 ¹ |
| Functions or activities | | | | | | | | | | |
| Governance | – | – | 347 | 506 | (347) | (506) | – | – | – | – |
| Administration | 1,363 | 1,165 | 2,885 | 3,298 | (1,522) | (2,133) | 1,060 | 392 | 44,803 | 39,848 |
| Public order and safety | 505 | 483 | 1,319 | 1,422 | (814) | (939) | 297 | 438 | 10,957 | 8,095 |
| Health | 117 | 64 | 95 | 75 | 22 | (11) | – | – | 30 | 25 |
| Environment | 5,645 | 4,704 | 4,203 | 4,105 | 1,442 | 599 | 669 | 255 | 377 | 314 |
| Community services and education | 234 | 326 | 823 | 913 | (589) | (587) | 209 | 194 | 7,506 | 6,258 |
| Housing and community amenities | 451 | 416 | 1,490 | 1,384 | (1,039) | (968) | 77 | 114 | 25,423 | 25,225 |
| Water supplies | 3,773 | 2,465 | 3,035 | 2,981 | 738 | (516) | 321 | 84 | 68,722 | 64,555 |
| Sewerage services | 4,472 | 3,867 | 3,190 | 3,363 | 1,282 | 504 | 132 | 20 | 61,614 | 56,819 |
| Recreation and culture | 4,527 | 2,175 | 3,752 | 3,100 | 775 | (925) | 4,616 | 2,592 | 51,304 | 43,459 |
| Mining, manufacturing and construction | 171 | 156 | 323 | 332 | (152) | (176) | – | – | 458 | 382 |
| Transport and communication | 32,962 | 24,745 | 19,301 | 21,891 | 13,661 | 2,854 | 23,295 | 15,936 | 358,989 | 304,122 |
| Economic Affairs | 864 | 773 | 2,567 | 1,054 | (1,703) | (281) | 243 | 365 | 6,395 | 5,332 |
| General Purpose | 15,921 | 14,936 | 677 | 634 | 15,244 | 14,302 | 6,141 | 5,480 | – | – |
| Total functions and activities | 71,005 | 56,275 | 44,007 | 45,058 | 26,998 | 11,217 | 37,060 | 25,870 | 636,578 | 554,434 |

B1-2 Components of functions or activities

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public order and safety

Includes fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Activities related to food control and health centres.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation— as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family daycare; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; streetlighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Includes management of water, and activities associated with water supply and services provided by water utilities.

Sewerage services

Includes management of sewer, and activities associated with sewerage treatment and services provided by sewer utilities.

Recreation and culture

Includes public libraries; museums; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths and parking areas.

Economic Affairs

Includes camping areas; tourism and area promotion; industrial development promotion; saleyards and markets; real estate development; and other business undertakings.

General Purpose Revenues

Includes revenues from Council Rates and levies; and Financial Assistance Grant funding.

B2 Sources of income

B2-1 Rates and annual charges

| \$ '000 | 2023 | 2022 |
|---------------------------------------------------------------------|---------------|---------------|
| Ordinary rates | | |
| Residential | 7,355 | 7,180 |
| Farmland | 1,213 | 1,179 |
| Business | 580 | 552 |
| Less: pensioner rebates (mandatory) | (217) | (219) |
| Rates levied to ratepayers | 8,931 | 8,692 |
| Pensioner rate subsidies received | 121 | 123 |
| Total ordinary rates | 9,052 | 8,815 |
| Annual charges (pursuant to s496, 496A, 496B, 501 & 611) | | |
| Domestic waste management services | 3,316 | 3,155 |
| Water supply services | 711 | 686 |
| Sewerage services | 3,835 | 3,699 |
| Waste management services (non-domestic) | 666 | 645 |
| Less: pensioner rebates (mandatory) | (269) | (271) |
| Annual charges levied | 8,259 | 7,914 |
| Pensioner annual charges subsidies received: | | |
| – Water | 49 | 51 |
| – Sewerage | 38 | 40 |
| – Domestic waste management | 54 | 56 |
| Total annual charges | 8,400 | 8,061 |
| Total rates and annual charges | 17,452 | 16,876 |

Council has used 2022 year 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

| \$ '000 | Timing | 2023 | 2022 |
|------------------------------------------------------------------------------|--------|---------------|---------------|
| Specific user charges (per s502 - specific 'actual use' charges) | | | |
| Water supply services | 1 | 2,124 | 1,950 |
| Sewerage services | 1 | 208 | 185 |
| Waste management services (non-domestic) | 2 | 765 | 549 |
| Liquid trade waste | 2 | 47 | 42 |
| Total specific user charges | | 3,144 | 2,726 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s608) | | | |
| Private works – section 67 | 1 | 417 | 5 |
| Regulatory/ statutory fees | 2 | 266 | 294 |
| Planning Certificates | 2 | 91 | 74 |
| Section 603 Certificates | 2 | 20 | 26 |
| Inspection Fees | 2 | 106 | 53 |
| Other | 2 | 54 | 54 |
| Total fees and charges – statutory/regulatory | | 954 | 506 |
| (ii) Fees and charges – other (incl. general user charges (per s608)) | | | |
| Cemeteries | 2 | 78 | 70 |
| Leaseback fees – Council vehicles | 1 | 47 | 51 |
| Transport for NSW works (state roads not controlled by Council) | 1 | 9,668 | 8,809 |
| Respite Care | 1 | 37 | 136 |
| Other | 2 | 48 | 42 |
| Total fees and charges – other | | 9,878 | 9,108 |
| Total other user charges and fees | | 10,832 | 9,614 |
| Total user charges and fees | | 13,976 | 12,340 |
| Timing of revenue recognition for user charges and fees | | | |
| User charges and fees recognised over time (1) | | 12,501 | 11,135 |
| User charges and fees recognised at a point in time (2) | | 1,475 | 1,205 |
| Total user charges and fees | | 13,976 | 12,340 |

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.

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

| \$ '000 | Timing | 2023 | 2022 |
|---------------------------------------------------------|--------|------------|------------|
| Rental income – other council properties | 2 | 9 | 9 |
| Fines – parking | 2 | 131 | 36 |
| Legal fees recovery – rates and charges (extra charges) | 2 | 102 | 71 |
| Raleigh reuse centre | 2 | 83 | 38 |
| Scrap metal sales | 2 | 107 | 112 |
| Tourist centre income | 2 | 13 | 29 |
| Town planning income | 2 | 80 | – |
| Other | | 60 | – |
| Workers compensation/WHS rebate | 2 | 40 | 43 |
| Insurance Claim Recoveries | 2 | 107 | 241 |
| Insurance Rebates | 2 | 11 | 68 |
| Container Deposit Scheme | 2 | – | 14 |
| Total other revenue | | 743 | 661 |
| Timing of revenue recognition for other revenue | | | |
| Other revenue recognised over time (1) | | – | – |
| Other revenue recognised at a point in time (2) | | 743 | 661 |
| Total other revenue | | 743 | 661 |

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

| \$ '000 | Timing | Operating 2023 | Operating 2022 | Capital 2023 | Capital 2022 |
|----------------------------------------------------------------------------|--------|-------------------|-------------------|-----------------|-----------------|
| General purpose grants and non-developer contributions (untied) | | | | | |
| General purpose (untied) | | | | | |
| Current year allocation | | | | | |
| Financial assistance – general component ¹ | 2 | 933 | 1,648 | – | – |
| Financial assistance – local roads component ¹ | 2 | 318 | 511 | – | – |
| Payment in advance - future year allocation | | | | | |
| Financial assistance – general component ¹ | 2 | 3,704 | 2,531 | – | – |
| Financial assistance – local roads component ¹ | 2 | 1,186 | 789 | – | – |
| Amount recognised as income during current year | | 6,141 | 5,479 | – | – |
| Special purpose grants and non-developer contributions (tied) | | | | | |
| Cash contributions | | | | | |
| Water supplies | 2 | – | – | 177 | 45 |
| Community care | 2 | 187 | 167 | – | – |
| Bushfire and emergency services | 2 | 224 | 350 | – | – |
| Diesel fuel rebate | 2 | 71 | 58 | – | – |
| Environmental programs | 2 | 308 | 45 | – | – |
| Library | 2 | 100 | 104 | – | – |
| Heritage and cultural | 2 | 16 | 6 | – | – |
| Biodiversity | 2 | 265 | 60 | – | – |
| Public halls | 1 | – | – | 3,819 | 1,615 |
| Recreation and culture | 1 | – | – | 643 | 264 |
| Storm/flood damage | 2 | 2,149 | 8,731 | – | – |
| Street lighting | 2 | 16 | 15 | – | – |
| Transport (other roads and bridges funding) | 1 | 44 | 64 | 1,248 | 1,721 |
| Waste | 2 | – | 58 | – | – |
| Bushfire Recovery | 2 | 979 | 733 | – | – |
| Bridges | 1 | – | – | 15,920 | 4,444 |
| Transport (roads to recovery) | 1 | – | 595 | – | – |
| Town Planning | 2 | 25 | 80 | – | – |
| Other Grants | 2 | 59 | 94 | – | – |
| Transport for NSW contributions (regional roads, block grant) | 2 | 274 | 268 | 3,680 | 54 |
| Tourism | 1 | 192 | 350 | – | – |
| Other Grants and contributions | 2 | 103 | 57 | – | – |
| Total special purpose grants and non-developer contributions – cash | | 5,012 | 11,835 | 25,487 | 8,143 |
| Non-cash contributions | | | | | |
| Other grants and contributions | 2 | – | – | – | 250 |
| Total other contributions – non-cash | | – | – | – | 250 |
| Total special purpose grants and non-developer contributions (tied) | | 5,012 | 11,835 | 25,487 | 8,393 |
| Total grants and non-developer contributions | | 11,153 | 17,314 | 25,487 | 8,393 |
| Comprising: | | | | | |
| – Commonwealth funding | | 6,336 | 6,230 | 2,180 | 1,052 |
| – State funding | | 4,807 | 11,006 | 23,307 | 7,091 |
| – Other funding | | 10 | 78 | – | 250 |
| | | 11,153 | 17,314 | 25,487 | 8,393 |

B2-4 Grants and contributions (continued)

- (1) (1) \$4.89M of the 2023-2024 Financial Assistance Grant from the Commonwealth Government was received by Council in June 2023. This is reported as 2022-2023 income although it relates to the 2023-2024 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

| \$ '000 | Notes | Timing | Operating 2023 | Operating 2022 | Capital 2023 | Capital 2022 |
|-------------------------------------------------------------------|-------|--------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: | | | | | | |
| (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | | | |
| Cash contributions | | | | | | |
| S 7.11 – contributions towards amenities/services | | 2 | – | – | 144 | 104 |
| S 64 – water supply contributions | | 2 | – | – | 144 | 39 |
| S 64 – sewerage service contributions | | 2 | – | – | 132 | 20 |
| Total developer contributions – cash | | | – | – | 420 | 163 |
| Total developer contributions | | | – | – | 420 | 163 |
| Total grants and contributions | | | 11,153 | 17,314 | 25,907 | 8,556 |
| Timing of revenue recognition for grants and contributions | | | | | | |
| Grants and contributions recognised over time (1) | | | 44 | 659 | 21,630 | 3,600 |
| Grants and contributions recognised at a point in time (2) | | | 11,109 | 16,655 | 4,277 | 4,956 |
| Total grants and contributions | | | 11,153 | 17,314 | 25,907 | 8,556 |

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 “over time”,
(2) indicates income recognised under AASB 15 or AASB 1058 “at a point in time”.

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition 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:

| \$ '000 | Operating 2023 | Operating 2022 | Capital 2023 | Capital 2022 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-----------------|-----------------|
| Unspent grants | | | | |
| Unspent funds at 1 July | 2,906 | 632 | 6,069 | 3,556 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 1,209 | 151 | 2,089 | 106 |
| Add: Funds received and not recognised as revenue in the current year | – | 2,566 | 4,458 | 4,489 |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (1,793) | (443) | (134) | (1,811) |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | – | – | (5,383) | (271) |
| Unspent funds at 30 June | 2,322 | 2,906 | 7,099 | 6,069 |
| Unspent Contributions | | | | |
| Unspent funds at 1 July | 8,066 | 8,129 | – | – |
| Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 739 | 163 | – | – |
| Add: contributions received and not recognised as revenue in the current year | – | – | – | – |
| Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate | – | – | – | – |
| Less: contributions recognised as revenue in previous years that have been spent during the reporting year | (88) | (226) | – | – |
| Unspent contributions at 30 June | 8,717 | 8,066 | – | – |

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include the construction of infrastructure and delivery of project milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

B2-4 Grants and contributions (continued)

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

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

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

Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

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

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

B2-5 Interest and investment income

| \$ '000 | 2023 | 2022 |
|------------------------------------------------------------------|--------------|------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 48 | 43 |
| – Cash and investments | 1,489 | 123 |
| Total interest and investment income (losses) | 1,537 | 166 |
| | | |
| Overdue rates and annual charges (general fund) | 45 | 41 |
| General Council cash and investments | 676 | 22 |
| Overdue rates and annual charges (water) | 3 | 2 |
| Water fund operations | 519 | 72 |
| Sewerage fund operations | 228 | 20 |
| Domestic waste management operations | 66 | 9 |
| Total interest and investment income | 1,537 | 166 |

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 when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

| \$ '000 | Notes | 2023 | 2022 |
|------------------------------------------------------------------------------------|-------|------------|------------|
| Fair value increment on investment properties | | | |
| Fair value increment on investment properties | | 85 | 225 |
| Total fair value increment on investment properties | C1-9 | 85 | 225 |
| | | | |
| Rental income | | | |
| Investment properties | | | |
| Lease income (excluding variable lease payments not dependent on an index or rate) | | 152 | 137 |
| Total Investment properties | | 152 | 137 |
| Total rental income | C2-2 | 152 | 137 |
| Total other income | | 237 | 362 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| \$ '000 | 2023 | 2022 |
|------------------------------------------------|---------------|---------------|
| Salaries and wages | 11,101 | 10,698 |
| Employee leave entitlements (ELE) | 1,650 | 1,223 |
| Superannuation – defined contribution plans | 1,135 | 965 |
| Superannuation – defined benefit plans | 109 | 120 |
| Workers' compensation insurance | 595 | 493 |
| Fringe benefit tax (FBT) | 6 | 10 |
| Training costs (other than salaries and wages) | 262 | 101 |
| Other | 140 | 64 |
| Total employee costs | 14,998 | 13,674 |
| Less: capitalised costs | (2,365) | (1,394) |
| Total employee costs expensed | 12,633 | 12,280 |

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

| \$ '000 | Notes | 2023 | 2022 |
|------------------------------------------------------|-------|---------------|---------------|
| Raw materials and consumables | | 1,695 | 1,734 |
| – Externally hired plant | | 2,067 | 2,615 |
| – Labour hire | | 1,782 | 2,496 |
| – Swimming pool | | 435 | 406 |
| – Transport (roads, bridges, footpaths maintenance) | | 1,166 | 1,993 |
| – Waste contracts | | 2,150 | 2,069 |
| – Other contractors | | 4,739 | 6,214 |
| Contractor and consultancy costs | | | |
| – Contractor and consultancy costs | | 366 | 827 |
| - IT Support | | 72 | 37 |
| Audit Fees | F2-1 | 83 | 70 |
| Councillor and Mayoral fees and associated expenses | F1-2 | 161 | 154 |
| Advertising | | 113 | 135 |
| Bank charges | | 65 | 66 |
| Election expenses | | – | 106 |
| Electricity and heating | | 433 | 467 |
| Insurance | | 600 | 510 |
| Postage | | 51 | 40 |
| Printing and stationery | | 76 | 100 |
| Street lighting | | 124 | 115 |
| Subscriptions and publications | | 26 | 28 |
| Telephone and communications | | 72 | 95 |
| Valuation fees | | 75 | 45 |
| Other expenses | | 177 | 181 |
| Licence fees | | 924 | 748 |
| Cleaning | | 83 | 53 |
| Internet, Network Connectivity & Other Communication | | 67 | 73 |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 24 | 1 |
| – Legal expenses: debt recovery | | 56 | 85 |
| – Legal expenses: other | | 28 | 85 |
| Total materials and services | | 17,710 | 21,548 |
| Total materials and services | | 17,710 | 21,548 |

Accounting policy

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

B3-3 Borrowing costs

| \$ '000 | Notes | 2023 | 2022 |
|---------------------------------------------------------------------------|-------|-------------|--------------|
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 699 | 434 |
| Total interest bearing liability costs | | 699 | 434 |
| (ii) Other borrowing costs | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | C3-5 | (85) | (161) |
| Total other borrowing costs | | (85) | (161) |
| Total borrowing costs expensed | | 614 | 273 |

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

| \$ '000 | Notes | 2023 | 2022 |
|----------------------------------------------------------------------------------------|-------|--------------|--------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,031 | 871 |
| Office equipment | | 50 | 56 |
| Furniture and fittings | | 28 | 29 |
| Land improvements (depreciable) | | 44 | 109 |
| Infrastructure: | C1-8 | | |
| – Buildings | | 1,085 | 1,024 |
| – Roads | | 2,352 | 2,308 |
| – Bridges | | 575 | 552 |
| – Footpaths | | 43 | 43 |
| – Stormwater drainage | | 236 | 238 |
| – Water supply network | | 873 | 743 |
| – Sewerage network | | 878 | 1,169 |
| – Swimming pools | | 44 | 42 |
| – Other open space/recreational assets | | 233 | 216 |
| – Other infrastructure | | 82 | 79 |
| – Other | | 6 | 2 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | C1-8 | 81 | 82 |
| Intangible assets | C1-10 | 121 | 118 |
| Total depreciation and amortisation costs | | 7,762 | 7,681 |
| Impairment / revaluation decrement of IPPE | | | |
| Land improvements (depreciable) | | – | 49 |
| – Roads | | – | 2,299 |
| – Bridges | | – | 297 |
| – Footpaths | | – | 319 |
| – Bulk earthworks | | – | (3,347) |
| – Stormwater drainage | | – | 297 |
| – Other open space/recreational assets | | – | 34 |
| Total gross IPPE impairment / revaluation decrement costs | | – | (52) |
| Amounts taken through revaluation reserve | C1-8 | – | 52 |
| Total IPPE impairment / revaluation decrement costs charged to Income Statement | | – | – |
| Total depreciation, amortisation and impairment for non-financial assets | | 7,762 | 7,681 |

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

Accounting policy

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 C1-8 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

| \$ '000 | Notes | 2023 | 2022 |
|------------------------------------------------------------------------|-------|--------------|--------------|
| Impairment of receivables | | | |
| Other | | 33 | 71 |
| Total impairment of receivables | C1-4 | 33 | 71 |
| Fair value decrement on investments | | | |
| Fair value decrement on investments through profit and loss | | – | 693 |
| Total Fair value decrement on investments | C1-2 | – | 693 |
| Other | | | |
| Contributions/levies to other levels of government | | | |
| – Bushfire fighting fund | | 562 | 421 |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | | 35 | 19 |
| – Libraries contribution | | 267 | 278 |
| – NSW fire brigade levy | | 64 | 55 |
| – Waste levy | | 281 | 328 |
| – Donations, contributions and assistance to local and regional bodies | | 267 | 447 |
| Total other | | 1,476 | 1,548 |
| Total other expenses | | 1,509 | 2,312 |

Accounting policy

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

Impairment expenses are recognised when identified.

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

| \$ '000 | Notes | 2023 | 2022 |
|---------------------------------------------------------------------------|-------|----------------|----------------|
| Gain (or loss) on disposal of property (excl. investment property) | | | |
| Proceeds from disposal – property | | – | 441 |
| Less: carrying amount of property assets sold/written off | | – | (398) |
| Gain (or loss) on disposal | | – | 43 |
| Gain (or loss) on disposal of plant and equipment | | | |
| | C1-8 | | |
| Proceeds from disposal – plant and equipment | | 396 | 94 |
| Less: carrying amount of plant and equipment assets sold/written off | | (243) | (78) |
| Gain (or loss) on disposal | | 153 | 16 |
| Gain (or loss) on disposal of infrastructure | | | |
| | C1-8 | | |
| Less: carrying amount of infrastructure assets sold/written off | | (3,368) | (1,023) |
| Gain (or loss) on disposal | | (3,368) | (1,023) |
| Gain (or loss) on disposal of investment property | | | |
| | C1-9 | | |
| Less: carrying amount of investment property written off | | (564) | – |
| Gain (or loss) on disposal | | (564) | – |
| Gain (or loss) on disposal of investments | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – investments | | 42,000 | 33,100 |
| Less: carrying amount of investments sold/redeemed/matured | | (42,000) | (33,100) |
| Gain (or loss) on disposal | | – | – |
| Net gain (or loss) from disposal of assets | | (3,779) | (964) |

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

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

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

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

| \$ '000 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|------------------------------|-------|----------|
| Revenues | | | | | |
| Rates and annual charges | 17,474 | 17,452 | (22) | 0% | U |
| User charges and fees | 8,918 | 13,976 | 5,058 | 57% | F |
| Revenue from user charges and fees exceeded budget due to Council receiving additional revenue from Transport for NSW for State road maintenance contracts and flood related projects on MR716. | | | | | |
| Other revenues | 554 | 743 | 189 | 34% | F |
| Income from other revenues exceeds budget due to Council receiving a one off unexpected payment from a bank guarantee during the year. | | | | | |
| Operating grants and contributions | 5,934 | 11,153 | 5,219 | 88% | F |
| Operating grants revenue exceeded budget due to Council receiving additional advanced payment of the 2024 Financial Assistance Grant and receiving additional grants for repairing Council infrastructure damaged during the 2022 floods. | | | | | |
| Capital grants and contributions | 30,003 | 25,907 | (4,096) | (14)% | U |
| Capital grants income is lower than original budget due to the delay in commencement of the Sewering Coastal Villages Project. | | | | | |
| Interest and investment revenue | 860 | 1,537 | 677 | 79% | F |
| Investment revenue is higher than budget due to the reserve bank increasing interest rates throughout 2023, this has resulted in a higher return on Councils term deposit investments. | | | | | |
| Other income | - | 237 | 237 | ∞ | F |
| Expenses | | | | | |
| Employee benefits and on-costs | 11,699 | 12,633 | (934) | (8)% | U |
| Materials and services | 13,599 | 17,710 | (4,111) | (30)% | U |
| Materials and contract costs were higher than budget due to additional work performed on State Roads during the year. | | | | | |
| Borrowing costs | 591 | 614 | (23) | (4)% | U |
| Depreciation, amortisation and impairment of non-financial assets | 7,650 | 7,762 | (112) | (1)% | U |
| Other expenses | 1,354 | 1,509 | (155) | (11)% | U |
| Other expenditure is higher than budget due to an increase in the State Government emergency services levy. | | | | | |
| Net losses from disposal of assets | - | 3,779 | (3,779) | ∞ | U |

Statement of cash flows

continued on next page ...

B5-1 Material budget variations (continued)

| \$ '000 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|------------------------------|-----------------------|
| Cash flows from operating activities | 33,943 | 45,367 | 11,424 | 34% F |
| Cash flow from operating activities is higher than original budget due to payments received for significant outstanding Transport for NSW debtors outstanding at 30 June 2022 for State road ordered works contracts and flood related projects. | | | | |
| Cash flows from investing activities | (36,249) | (26,801) | 9,448 | (26)% F |
| Cash flows from investing activities is lower than original budget due to the delay in the commencement of the sewerage coastal villages project. | | | | |
| Cash flows from financing activities | 1,323 | 1,168 | (155) | (12)% U |
| Cash flows from financing activities is lower than expected due to borrowing rates being higher than forecast due to the Reserve Bank of Australia increasing the cash rate throughout 2022/23. | | | | |

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

| \$ '000 | 2023 | 2022 |
|----------------------------------------|---------------|--------------|
| Cash assets | | |
| Cash at bank | 21,715 | 1,981 |
| Cash on Hand | 1 | 1 |
| Total cash and cash equivalents | 21,716 | 1,982 |

Reconciliation of cash and cash equivalents

| | | |
|---------------------------------------------------------------------|---------------|--------------|
| Total cash and cash equivalents per Statement of Financial Position | 21,716 | 1,982 |
| Balance as per the Statement of Cash Flows | 21,716 | 1,982 |

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.

C1-2 Financial investments

| \$ '000 | 2023 | 2023 | 2022 | 2022 |
|-------------------------------------------------------------------|---------------|--------------|---------------|-------------|
| | Current | Non-current | Current | Non-current |
| Financial assets at fair value through the profit and loss | | | | |
| Managed funds | 1,563 | – | 10,089 | – |
| Total | 1,563 | – | 10,089 | – |
| Debt securities at amortised cost | | | | |
| Long term deposits | 32,533 | 2,000 | 29,500 | – |
| Total | 32,533 | 2,000 | 29,500 | – |
| Total financial investments | 34,096 | 2,000 | 39,589 | – |
| Total cash assets, cash equivalents and investments | 55,812 | 2,000 | 41,571 | – |

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.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of \$1,562,381 in TCorp Managed Funds and \$34,533,100 in Term Deposit Investments the Statement of Financial Position.

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

| \$ '000 | 2023 | 2022 |
|------------------------------------------------------------------------------------|-----------------|-----------------|
| (a) Externally restricted cash, cash equivalents and investments | | |
| Total cash, cash equivalents and investments | 57,812 | 41,571 |
| Less: Externally restricted cash, cash equivalents and investments | <u>(40,144)</u> | <u>(36,299)</u> |
| Cash, cash equivalents and investments not subject to external restrictions | 17,668 | 5,272 |

External restrictions

External restrictions included in cash, cash equivalents and investments above comprise:

| | | |
|---------------------------------------------------|---------------|---------------|
| Developer contributions – general | 1,954 | 1,828 |
| Developer contributions – water fund | 5,755 | 5,398 |
| Developer contributions – sewer fund | 1,007 | 841 |
| Specific purpose unexpended grants – general fund | 9,357 | 8,975 |
| Specific purpose unexpended grants - water | 64 | – |
| Water fund | 10,153 | 9,601 |
| Sewer fund | 9,287 | 8,477 |
| Domestic waste management | 1,542 | 276 |
| Environmental levy | 348 | 356 |
| Deposits, bonds, etc | 376 | 71 |
| Loan- Memorial Hall | 301 | 476 |
| Total external restrictions | 40,144 | 36,299 |

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.

| \$ '000 | 2023 | 2022 |
|----------------------------------------------------------------------|---------------|--------------|
| (b) Internal allocations | | |
| Internal allocations | | |
| At 30 June, Council has internally allocated funds to the following: | | |
| Plant and vehicle replacement | 1,983 | 1,115 |
| Infrastructure replacement | 2,495 | – |
| Employees leave entitlement | 896 | 512 |
| Carry over works | 140 | 299 |
| Quarry remediation | 61 | 61 |
| Revolving energy | 197 | 345 |
| Waste management | 733 | 771 |
| Financial Assistance | 4,890 | – |
| Building Reserve | 573 | 675 |
| Total internal allocations | 11,968 | 3,778 |

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

C1-4 Receivables

| \$ '000 | 2023 | 2023 | 2022 | 2022 |
|-----------------------------------------------------|--------------|-------------|---------------|-------------|
| | Current | Non-current | Current | Non-current |
| Rates and annual charges | 701 | 191 | 510 | 231 |
| Interest and extra charges | 21 | 65 | 22 | 78 |
| User charges and fees | 2,244 | – | 8,632 | – |
| Accrued revenues | | | | |
| – Interest on investments | 309 | – | 64 | – |
| Net GST receivable | 405 | – | 912 | – |
| Fringe Benefit Tax (FBT) Instalments Paid | 9 | – | 2 | – |
| Rural Fire Service | 171 | – | 168 | – |
| Total | 3,860 | 256 | 10,310 | 309 |
| Less: provision for impairment | | | | |
| Rates and annual charges | (278) | – | (276) | – |
| User charges and fees | (49) | – | (64) | – |
| Total provision for impairment – receivables | (327) | – | (340) | – |
| Total net receivables | 3,533 | 256 | 9,970 | 309 |

| \$ '000 | 2023 | 2022 |
|-------------------------------------------------------------------------------|------------|------------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 340 | 281 |
| + new provisions recognised during the year | 33 | 71 |
| – amounts already provided for and written off this year | (48) | (12) |
| Balance at the end of the year | 325 | 340 |

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. Additional disclosure related to Council's ECL model is provided at Note E1-1.

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.

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

C1-4 Receivables (continued)

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

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| (i) Inventories at cost | | | | |
| Stores and materials | 562 | – | 546 | – |
| Total inventories at cost | 562 | – | 546 | – |
| Total inventories | 562 | – | 546 | – |

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|-------------------------------------------------------|-----------------|---------------------|-----------------|---------------------|
| Contract assets | 171 | – | 886 | – |
| Total contract assets and contract cost assets | 171 | – | 886 | – |

Contract assets

| | | | | |
|----------------------------------------|------------|----------|------------|----------|
| Work relating to infrastructure grants | 171 | – | 886 | – |
| Total contract assets | 171 | – | 886 | – |

Significant changes in contract assets

Contract assets arise due to grant monies yet to be received by Council for the construction of assets which will be under Council's control. Contract assets recognised at 30 June 2023 relate to road infrastructure projects.

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

C1-6 Contract assets and Contract cost assets (continued)

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

C1-7 Non-current assets classified as held for sale

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|-------------------------------------------------------------|-----------------|---------------------|-----------------|---------------------|
| Non-current assets held for sale | | | | |
| Land | 307 | - | 307 | - |
| Total non-current assets held for sale | 307 | - | 307 | - |
| Total non-current assets classified as held for sale | 307 | - | 307 | - |

Accounting policy

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

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

Description of assets classified as held for sale

Council has property assets as held for sale as at 30 June 2023. Previously these assets were designated as 'Land - Operational' and disclosed in Note C1-8 Infrastructure, property, plant and equipment.

At the ordinary Council meeting of 24 March 2021 Council resolved to sell specific parcels of land by auction (or private treaty if the land fails to sell at auction). The auction (and subsequent sale) is expected within the next twelve months.

C1-8 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2022 | | | Asset movements during the reporting period | | | | | | At 30 June 2023 | | |
|--------------------------------------------------------------------------------|-----------------------|-----------------------------------------|---------------------|---------------------------------------------|----------------------|-----------------------------|----------------------|---------------------------|----------------------------------------|-----------------------|-----------------------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | |
| Capital work in progress | 16,056 | – | 16,056 | 4,818 | 9,510 | – | – | (9,872) | – | 20,512 | – | 20,512 |
| Plant and equipment | 14,143 | (7,281) | 6,862 | 177 | 1,703 | (243) | (1,031) | 195 | – | 15,484 | (7,821) | 7,663 |
| Office equipment | 1,634 | (1,401) | 233 | – | – | – | (50) | – | – | 1,633 | (1,450) | 183 |
| Furniture and fittings | 662 | (428) | 234 | – | – | – | (28) | – | – | 662 | (456) | 206 |
| Land: | | | | | | | | | | | | |
| – Operational land | 12,165 | – | 12,165 | – | – | 117 | – | 1,838 | 4,962 | 19,082 | – | 19,082 |
| – Community land | 11,916 | – | 11,916 | – | – | – | – | – | 4,922 | 16,838 | – | 16,838 |
| – Crown land | 21,084 | – | 21,084 | – | – | (781) | – | (1,028) | 7,873 | 27,148 | – | 27,148 |
| Land improvements – depreciable | 4,838 | (2,083) | 2,755 | 511 | 117 | (14) | (44) | 656 | 203 | 6,324 | (2,140) | 4,184 |
| Infrastructure: | | | | | | | | | | | | |
| – Buildings | 48,946 | (25,681) | 23,265 | – | 3,421 | (824) | (1,085) | 4,643 | 6,903 | 56,991 | (20,668) | 36,323 |
| – Roads | 133,137 | (52,655) | 80,482 | 2,567 | 80 | (110) | (2,352) | 1,550 | 4,859 | 142,194 | (55,118) | 87,076 |
| – Bridges | 43,028 | (19,990) | 23,038 | 4,711 | 911 | (1,725) | (575) | 2,286 | 1,693 | 52,629 | (22,290) | 30,339 |
| – Footpaths | 3,436 | (849) | 2,587 | 43 | 441 | (5) | (43) | 444 | 602 | 4,966 | (897) | 4,069 |
| – Bulk earthworks (non-depreciable) | 183,145 | – | 183,145 | 2,175 | – | – | – | – | 10,952 | 196,272 | – | 196,272 |
| – Stormwater drainage | 25,154 | (11,021) | 14,133 | 299 | – | (10) | (236) | 78 | 2,476 | 28,007 | (11,267) | 16,740 |
| – Water supply network | 64,890 | (19,711) | 45,179 | 3 | 40 | – | (873) | 6 | 3,420 | 68,359 | (20,584) | 47,775 |
| – Sewerage network | 61,764 | (17,370) | 44,394 | – | 235 | – | (878) | 6 | 3,374 | 65,380 | (18,249) | 47,131 |
| – Swimming pools | 2,891 | (1,191) | 1,700 | – | – | – | (44) | – | 85 | 2,975 | (1,234) | 1,741 |
| – Other open space/recreational assets | 6,765 | (3,398) | 3,367 | 16 | 456 | (15) | (233) | 85 | 188 | 7,509 | (3,645) | 3,864 |
| – Other infrastructure | 4,377 | (1,264) | 3,113 | – | – | – | (82) | – | 154 | 4,531 | (1,346) | 3,185 |
| Other assets: | | | | | | | | | | | | |
| – Library books | 4 | (4) | – | – | – | – | – | – | – | 4 | (4) | – |
| – Other | 369 | (32) | 337 | – | – | – | (6) | – | – | 370 | (39) | 331 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | |
| – Tip assets | 1,091 | (323) | 768 | – | – | – | (81) | – | – | 1,091 | (404) | 687 |
| – Quarry assets | 34 | (34) | – | – | – | – | – | – | – | 34 | (34) | – |
| Total infrastructure, property, plant and equipment | 661,529 | (164,716) | 496,813 | 15,320 | 16,914 | (3,610) | (7,641) | 887 | 52,666 | 738,995 | (167,646) | 571,349 |

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

C1-8 Infrastructure, property, plant and equipment (continued)

| By aggregated asset class | At 1 July 2021 | | | Asset movements during the reporting period | | | | | | | | At 30 June 2022 | | |
|--------------------------------------------------------------------------------|-----------------------|-----------------------------------------|---------------------|---------------------------------------------|----------------------|-----------------------------|----------------------|-----------------------------------------------------------------|--------------------------------------------|---------------------------|----------------------------------------|-----------------------|-----------------------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss / revaluation decrements (recognised in equity) | Impairment reversal (recognised in equity) | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 5,402 | – | 5,402 | 11,135 | 2,243 | – | – | – | – | (2,724) | – | 16,056 | – | 16,056 |
| Plant and equipment | 12,654 | (6,649) | 6,005 | – | 1,688 | (78) | (871) | – | – | 118 | – | 14,143 | (7,281) | 6,862 |
| Office equipment | 1,634 | (1,345) | 289 | – | – | – | (56) | – | – | – | – | 1,634 | (1,401) | 233 |
| Furniture and fittings | 553 | (399) | 154 | – | 18 | – | (29) | – | – | 91 | – | 662 | (428) | 234 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 8,410 | – | 8,410 | – | – | – | – | – | – | – | 3,755 | 12,165 | – | 12,165 |
| – Community land | 10,462 | – | 10,462 | – | – | – | – | – | – | – | 1,454 | 11,916 | – | 11,916 |
| – Crown land | 18,511 | – | 18,511 | – | – | – | – | – | – | – | 2,573 | 21,084 | – | 21,084 |
| Land improvements – depreciable | 4,765 | (1,973) | 2,792 | – | – | (106) | (109) | (49) | – | (2) | 229 | 4,838 | (2,083) | 2,755 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings | 46,278 | (24,657) | 21,621 | – | 16 | (5) | (1,024) | – | – | 159 | 2,498 | 48,946 | (25,681) | 23,265 |
| – Roads | 132,337 | (50,347) | 81,990 | 1,420 | – | (404) | (2,308) | (2,299) | – | 843 | 1,240 | 133,137 | (52,655) | 80,482 |
| – Bridges | 41,845 | (19,438) | 22,407 | 1,526 | – | (422) | (552) | (297) | – | 105 | 271 | 43,028 | (19,990) | 23,038 |
| – Footpaths | 3,594 | (806) | 2,788 | 50 | 1 | – | (43) | (319) | – | 110 | – | 3,436 | (849) | 2,587 |
| – Bulk earthworks (non-depreciable) | 176,737 | – | 176,737 | – | – | – | – | (1,303) | 4,650 | – | 3,061 | 183,145 | – | 183,145 |
| – Stormwater drainage | 25,307 | (10,783) | 14,524 | 69 | 116 | (61) | (238) | (297) | – | 20 | – | 25,154 | (11,021) | 14,133 |
| – Water supply network | 60,833 | (25,252) | 35,581 | 578 | 87 | – | (743) | – | – | 1,255 | 8,421 | 64,890 | (19,711) | 45,179 |
| – Sewerage network | 63,089 | (25,850) | 37,239 | – | 146 | – | (1,169) | – | – | – | 8,178 | 61,764 | (17,370) | 44,394 |
| – Swimming pools | 2,749 | (1,148) | 1,601 | – | – | – | (42) | – | – | – | 141 | 2,891 | (1,191) | 1,700 |
| – Other open space/recreational assets | 6,492 | (3,181) | 3,311 | – | 25 | (24) | (216) | (34) | – | 25 | 280 | 6,765 | (3,398) | 3,367 |
| – Other infrastructure | 4,118 | (1,185) | 2,933 | – | – | – | (79) | – | – | – | 259 | 4,377 | (1,264) | 3,113 |
| Other assets: | | | | | | | | | | | | | | |
| – Library books | 5 | (5) | – | – | – | – | – | – | – | – | – | 4 | (4) | – |
| – Other | 120 | (31) | 89 | – | 250 | – | (2) | – | – | – | – | 369 | (32) | 337 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | |
| – Tip assets | 849 | (242) | 607 | 243 | – | – | (82) | – | – | – | – | 1,091 | (323) | 768 |
| – Quarry assets | 34 | (34) | – | – | – | – | – | – | – | – | – | 34 | (34) | – |
| Total infrastructure, property, plant and equipment | 626,778 | (173,325) | 453,453 | 15,021 | 4,590 | (1,100) | (7,563) | (4,598) | 4,650 | – | 32,360 | 661,529 | (164,716) | 496,813 |

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Comprehensive 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.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning and Environment - Water.

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

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

Land is not depreciated. 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:

| | | | |
|-------------------------------|-----------|--------------------------------------|-----------|
| Plant and equipment | Years | | |
| Office equipment | 5 to 10 | | |
| Office furniture | 5 to 20 | | |
| Computer equipment | 4 | | |
| Vehicles | 3 to 8 | Buildings | Years |
| Other plant and equipment | 5 to 20 | Buildings | 5 to 80 |
| | | | |
| Water and sewer assets | | Stormwater assets | |
| Sewer Network | 1 to 180 | Drains | 85 to 106 |
| Water Network | 5 to 200 | Pipes | 85 to 106 |
| | | | |
| Transportation assets | | Other infrastructure assets | |
| Sealed roads: surface | 15 | Bulk earthworks | Infinite |
| Sealed roads: structure | 60 to 175 | Land improvements | 30 to 60 |
| Unsealed roads | 15 | Swimming pools | 27 to 120 |
| Bridges | 30 to 106 | Other open space/recreational assets | 25 to 80 |
| Road pavements - Sealed | 40 | | |
| Road pavements - Unsealed | 20 | | |
| Kerb and gutter | 100 | | |
| Footpaths and cycleways | 15 to 120 | | |

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

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.

C1-8 Infrastructure, property, plant and equipment (continued)

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".

Council has assessed and determined to not recognise any rural fire service assets.

C1-9 Investment properties

| \$ '000 | 2023 | 2022 |
|-------------------------------------------|--------------|--------------|
| Owned investment property | | |
| Investment property on hand at fair value | 1,750 | 3,115 |
| Total owned investment property | 1,750 | 3,115 |

Owned investment property

At fair value

| | | |
|---------------------------------------------|--------------|--------------|
| Opening balance at 1 July | 3,115 | 2,890 |
| Disposals during year | (564) | – |
| Net gain/(loss) from fair value adjustments | 85 | 225 |
| Transfer to Land and Buildings | (886) | – |
| Closing balance at 30 June | 1,750 | 3,115 |

Accounting policy

Investment property, principally comprising business premises, is held for long-term rental yields and is not occupied by the Council. Councils investment properties were reviewed during 2022/23 as part of the revaluation of Land and Buildings. As a result, part of Councils investment properties were transferred to Infrastructure, Property, Plant and Equipment. Changes in fair values are recorded in the Income Statement as a separate line item.

C1-10 Intangible assets

Intangible assets are as follows:

| \$ '000 | 2023 | 2022 |
|-----------------------------------------|------------|--------------|
| Software | | |
| Opening values at 1 July | | |
| Gross book value | 1,209 | 1,183 |
| Accumulated amortisation | (292) | (173) |
| Net book value – opening balance | 917 | 1,010 |
| Movements for the year | | |
| Additions | 42 | 25 |
| Amortisation expense | (121) | (118) |
| Closing values at 30 June | | |
| Gross book value | 1,250 | 1,209 |
| Accumulated amortisation | (412) | (292) |
| Total software – net book value | 838 | 917 |

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.

C2 Leasing activities

C2-1 Council as a lessee

Council has several short term and/or low-value asset lease arrangements for which a right-of-use asset and corresponding lease liability are not required to be recognised under AASB 16.

Leases at significantly below market value – concessionary / peppercorn leases

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

- child care centres
- community halls

The leases are generally between 1 and 10 years and require payments of a maximum amount of \$1,000 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.

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties 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 C1-9) in the Statement of Financial Position.

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

(i) Assets held as investment property

Council leases a number of properties to both commercial tenants and community groups. Those property assets that are held by Council for the purposes of generating rental income and/or capital appreciation are classified as investment property in the statement of financial position. Other property assets generating lease income are held for a range of community and strategic purposes, and income generated through lease arrangements is considered incidental to these longer term strategic aims.

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

| | | |
|------------------------------------------------------------------------------------|------------|------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 152 | 137 |
| Total income relating to operating leases for investment property assets | 152 | 137 |

Operating lease expenses

| | | |
|-----------------------------------------------------------------------------------|-----------|-----------|
| Direct operating expenses that generated rental income | 17 | 10 |
| Direct operating expenses that did not generate rental income | 10 | 11 |
| Total expenses relating to operating leases for investment property assets | 27 | 21 |

Repairs and maintenance: investment property

| | | |
|-----------------------------------------------------------|-----------|-----------|
| Other | 48 | 54 |
| Total repairs and maintenance: investment property | 48 | 54 |

(ii) 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 all operating leases:

| | | |
|---------------------------------------------------------|------------|------------|
| < 1 year | 147 | 123 |
| 1–2 years | 42 | 12 |
| 2–3 years | 19 | – |
| 3–4 years | 5 | – |
| 4–5 years | 5 | – |
| > 5 years | 30 | – |
| Total undiscounted lease payments to be received | 248 | 135 |

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*.

C2-2 Council as a lessor (continued)

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

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|----------------------------------------------------|-----------------|---------------------|-----------------|---------------------|
| Goods and Services - operating expenditure: | | | | |
| - Trade Creditors Control | 4,836 | - | 4,866 | - |
| - Other | 33 | - | 335 | - |
| Accrued expenses: | | | | |
| - Salaries and wages | 231 | - | 227 | - |
| - Credit Card purchases | 36 | - | - | - |
| - Borrowings | 106 | - | 85 | - |
| - Other expenditure | 260 | 10 | 283 | 12 |
| Security bonds, deposits and retentions | 409 | - | 186 | - |
| Prepaid rates | 487 | - | 361 | - |
| Total payables | 6,398 | 10 | 6,343 | 12 |

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

| \$ '000 | 2023 | 2022 |
|---------------------------------------------------------------------------------------------------------------------|------------|----------|
| The following liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Payables – security bonds, deposits and retentions | 376 | - |
| Total payables | 376 | - |

Accounting policy

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

Payables

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

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|--------------------------------------------------------------------|-----------------|---------------------|-----------------|---------------------|
| Grants and contributions received in advance: | | | | |
| Unexpended capital grants (to construct Council controlled assets) | 7,891 | - | 6,346 | - |
| Total grants received in advance | 7,891 | - | 6,346 | - |
| Total contract liabilities | 7,891 | - | 6,346 | - |

Notes

Contract liabilities represent Capital grants received prior to the performance obligation being satisfied. 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.

C3-2 Contract Liabilities (continued)

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

| \$ '000 | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Grants and contributions received in advance: | | |
| Capital grants (to construct Council controlled assets) | 4,791 | 1,562 |
| Operating grants (received prior to performance obligation being satisfied) | 367 | 97 |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 5,158 | 1,659 |

Accounting policy

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

C3-3 Borrowings

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Loans – secured ¹ | 1,886 | 12,806 | 1,720 | 11,804 |
| Total borrowings | 1,886 | 12,806 | 1,720 | 11,804 |

(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 E1-1.

(a) Changes in liabilities arising from financing activities

| \$ '000 | 2022 | | Non-cash movements | | 2023 |
|----------------------------------------------------|--------------------|--------------|--------------------|----------------------------|--------------------|
| | Opening Balance | Cash flows | Acquisition | Other non-cash movement | Closing balance |
| Loans – secured | 13,524 | 1,168 | – | – | 14,692 |
| Total liabilities from financing activities | 13,524 | 1,168 | – | – | 14,692 |

| \$ '000 | 2021 | | Non-cash movements | | | | 2022 |
|----------------------------------------------------|--------------------|--------------|--------------------|-----------------------|---------------------------------------------------------|----------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| Loans – secured | 10,766 | 2,758 | – | – | – | – | 13,524 |
| Total liabilities from financing activities | 10,766 | 2,758 | – | – | – | – | 13,524 |

C3-3 Borrowings (continued)

(b) Financing arrangements

| \$ '000 | 2023 | 2022 |
|---------------------------------------------|-----------|------------|
| Total facilities | | |
| Credit cards/purchase cards | 65 | 100 |
| Total financing arrangements | 65 | 100 |
| Drawn facilities | | |
| – Credit cards/purchase cards | 35 | 14 |
| Total drawn financing arrangements | 35 | 14 |
| Undrawn facilities | | |
| – Credit cards/purchase cards | 30 | 86 |
| Total undrawn financing arrangements | 30 | 86 |

Additional financing arrangements information**Breaches and defaults**

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

| \$ '000 | 2023 | 2023 | 2022 | 2022 |
|------------------------------------------|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| Annual leave | 827 | – | 916 | – |
| Sick leave | 268 | – | 233 | – |
| Long service leave | 975 | 108 | 1,184 | 132 |
| Other leave – RDO and TIL | 177 | – | 184 | – |
| Total employee benefit provisions | 2,247 | 108 | 2,517 | 132 |

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

| \$ '000 | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 2,240 | 2,509 |
| | 2,240 | 2,509 |

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.

C3-5 Provisions

| \$ '000 | 2023 | 2023 | 2022 | 2022 |
|--------------------------------------------------|-----------|--------------|-----------|--------------|
| | Current | Non-Current | Current | Non-Current |
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | 50 | 2,062 | 51 | 2,053 |
| Sub-total – asset remediation/restoration | 50 | 2,062 | 51 | 2,053 |
| Total provisions | 50 | 2,062 | 51 | 2,053 |

C3-5 Provisions (continued)

Description of and movements in provisions

| \$ '000 | Other provisions | |
|---------------------------------------|-------------------|-------|
| | Asset remediation | Total |
| 2023 | | |
| At beginning of year | 2,104 | 2,104 |
| Change Due to Time - Finance Cost | 42 | 42 |
| Change Due to Interest Rate Movement | (34) | (34) |
| Total other provisions at end of year | 2,112 | 2,112 |
| 2022 | | |
| At beginning of year | 2,018 | 2,018 |
| Other | 86 | 86 |
| Total other provisions at end of year | 2,104 | 2,104 |

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

| \$ '000 | General 2023 | Water 2023 | Sewer 2023 |
|--------------------------------------------------------------------------------------------------------|-----------------|---------------|---------------|
| Income from continuing operations | | | |
| Rates and annual charges | 12,945 | 672 | 3,835 |
| User charges and fees | 11,468 | 2,232 | 276 |
| Interest and investment revenue | 787 | 522 | 228 |
| Other revenues | 718 | 25 | – |
| Grants and contributions provided for operating purposes | 11,153 | – | – |
| Grants and contributions provided for capital purposes | 25,453 | 322 | 132 |
| Other income | 236 | 1 | – |
| Total income from continuing operations | 62,760 | 3,774 | 4,471 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 9,747 | 1,497 | 1,389 |
| Materials and services | 16,334 | 536 | 840 |
| Borrowing costs | 614 | – | – |
| Depreciation, amortisation and impairment of non-financial assets | 5,801 | 1,001 | 960 |
| Other expenses | 1,509 | – | – |
| Net losses from the disposal of assets | 3,779 | – | – |
| Total expenses from continuing operations | 37,784 | 3,034 | 3,189 |
| Operating result from continuing operations | 24,976 | 740 | 1,282 |
| Net operating result for the year | 24,976 | 740 | 1,282 |
| Net operating result attributable to each council fund | 24,976 | 740 | 1,282 |
| Net operating result for the year before grants and contributions provided for capital purposes | (477) | 418 | 1,150 |

D1-2 Statement of Financial Position by fund

| \$ '000 | General 2023 | Water 2023 | Sewer 2023 |
|------------------------------------------------|-----------------|---------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 11,850 | 5,999 | 3,867 |
| Investments | 18,605 | 9,420 | 6,071 |
| Receivables | 2,687 | 675 | 171 |
| Inventories | 298 | 198 | 66 |
| Contract assets and contract cost assets | 171 | – | – |
| Non-current assets classified as held for sale | 307 | – | – |
| Total current assets | 33,918 | 16,292 | 10,175 |
| Non-current assets | | | |
| Investments | 1,091 | 553 | 356 |
| Receivables | 222 | 5 | 29 |
| Infrastructure, property, plant and equipment | 466,996 | 52,266 | 52,087 |
| Investment property | 1,750 | – | – |
| Intangible assets | 350 | 244 | 244 |
| Total non-current assets | 470,409 | 53,068 | 52,716 |
| Total assets | 504,327 | 69,360 | 62,891 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 5,860 | 227 | 311 |
| Contract liabilities | 7,827 | 64 | – |
| Borrowings | 1,886 | – | – |
| Employee benefit provision | 1,991 | 117 | 139 |
| Provisions | 50 | – | – |
| Total current liabilities | 17,614 | 408 | 450 |
| Non-current liabilities | | | |
| Payables | 10 | – | – |
| Borrowings | 12,806 | – | – |
| Employee benefit provision | 93 | 7 | 8 |
| Provisions | 2,062 | – | – |
| Total non-current liabilities | 14,971 | 7 | 8 |
| Total liabilities | 32,585 | 415 | 458 |
| Net assets | 471,742 | 68,945 | 62,433 |
| EQUITY | | | |
| Accumulated surplus | 290,983 | 21,360 | 15,967 |
| Revaluation reserves | 180,759 | 47,585 | 46,466 |
| Council equity interest | 471,742 | 68,945 | 62,433 |
| Total equity | 471,742 | 68,945 | 62,433 |

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 **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

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

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

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

| \$ '000 | Carrying value 2023 | Carrying value 2022 | Fair value 2023 | Fair value 2022 |
|-------------------------------------------|------------------------|------------------------|--------------------|--------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 21,716 | 1,982 | 21,716 | 1,982 |
| Receivables | 3,789 | 10,279 | 3,789 | 10,279 |
| Investments | | | | |
| – Debt securities at amortised cost | 34,533 | 29,500 | 34,533 | 29,500 |
| Fair value through profit and loss | | | | |
| Investments | | | | |
| – Held for trading | 1,563 | 10,089 | 1,563 | 10,089 |
| Total financial assets | 61,601 | 51,850 | 61,601 | 51,850 |
| Financial liabilities | | | | |
| Payables | 6,408 | 6,355 | 5,412 | 5,734 |
| Loans/advances | 14,692 | 13,524 | 14,692 | 13,524 |
| Total financial liabilities | 21,100 | 19,879 | 20,104 | 19,258 |

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **at fair value through profit and loss** or (ii) **at fair value through other comprehensive income** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the financial instruments 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 are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

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

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

| \$ '000 | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|
| 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 | 576 | 386 |
| Impact of a 10% movement in price of investments | | |
| – Equity / Income Statement | 47 | 303 |

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, with the exception of significant risk exposures in its local area given the nature of Council activities.

Council makes suitable provision for expected credit losses 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 recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

| \$ '000 | Not yet overdue | overdue rates and annual charges | | Total |
|-----------------------|--------------------|----------------------------------|-----------|-------|
| | | < 5 years | ≥ 5 years | |
| 2023 | | | | |
| Gross carrying amount | – | 892 | – | 892 |
| 2022 | | | | |
| Gross carrying amount | – | 741 | – | 741 |

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.

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

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

| \$ '000 | Not yet overdue | Overdue debts | | | | Total |
|------------------------|--------------------|---------------|--------------|--------------|-----------|-----------|
| | | 0 - 30 days | 31 - 60 days | 61 - 90 days | > 91 days | |
| 2023 | | | | | | |
| Gross carrying amount | 2,304 | 187 | 610 | 2 | 292 | 3,395 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 3.61% | 0.31% |
| ECL provision | - | - | - | - | 11 | 11 |
| 2022 | | | | | | |
| Gross carrying amount | 6,763 | 115 | 365 | 2,308 | 1,213 | 10,764 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 3.61% | 0.41% |
| ECL provision | - | - | - | - | 44 | 44 |

(c) Liquidity risk

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

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

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

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

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

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

| \$ '000 | Weighted average interest rate | Subject to no maturity | payable in: | | | Total contractual cash outflows | Actual carrying values |
|------------------------------------|--------------------------------------|------------------------------|--------------|--------------|--------------|------------------------------------------|------------------------------|
| | | | ≤ 1 Year | 1 - 5 Years | > 5 Years | | |
| 2023 | | | | | | | |
| Payables | 0.00% | 409 | 6,170 | - | - | 6,579 | 6,408 |
| Borrowings | 5.00% | - | 2,573 | 8,653 | 6,913 | 18,139 | 14,692 |
| Total financial liabilities | | 409 | 8,743 | 8,653 | 6,913 | 24,718 | 21,100 |
| 2022 | | | | | | | |
| Payables | 0.00% | 186 | 5,496 | - | - | 5,682 | 6,355 |
| Borrowings | 6.11% | - | 2,310 | 7,521 | 7,229 | 17,060 | 13,524 |
| Total financial liabilities | | 186 | 7,806 | 7,521 | 7,229 | 22,742 | 19,879 |

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
- Financial assets and liabilities

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

- Non current assets held for sale

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | |
|------------------------------------------------------|-------|---------------------------------------|---------------|-----------------------------------------|----------|--------------|---------------|
| | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Recurring fair value measurements | | | | | | | |
| Financial assets | | | | | | | |
| Financial investments | C1-2 | | | | | | |
| – 'At fair value through profit and loss' | | 1,563 | 10,089 | – | – | 1,563 | 10,089 |
| Total financial assets | | 1,563 | 10,089 | – | – | 1,563 | 10,089 |
| Investment property | | | | | | | |
| Investment properties | C1-9 | 1,750 | 3,115 | – | – | 1,750 | 3,115 |
| Total investment property | | 1,750 | 3,115 | – | – | 1,750 | 3,115 |
| Infrastructure, property, plant and equipment | | | | | | | |
| Plant and equipment | C1-8 | 7,663 | 6,862 | – | – | 7,663 | 6,862 |
| Office equipment | | 183 | 233 | – | – | 183 | 233 |
| Furniture and fittings | | 206 | 234 | – | – | 206 | 234 |
| Land – operational | | 19,082 | 12,165 | – | – | 19,082 | 12,165 |
| Land – community and crown | | – | – | 43,986 | 33,000 | 43,986 | 33,000 |
| Land improvements – depreciated | | – | – | 4,184 | 2,755 | 4,184 | 2,755 |
| Buildings | | – | – | 36,323 | 23,265 | 36,323 | 23,265 |
| Roads | | – | – | 87,076 | 80,482 | 87,076 | 80,482 |
| Bridges | | – | – | 30,339 | 23,038 | 30,339 | 23,038 |
| Footpaths | | – | – | 4,069 | 2,587 | 4,069 | 2,587 |
| Bulk earthworks | | – | – | 196,272 | 183,145 | 196,272 | 183,145 |
| Stormwater drainage | | – | – | 16,740 | 14,133 | 16,740 | 14,133 |
| Water supply network | | – | – | 47,775 | 45,179 | 47,775 | 45,179 |
| Sewerage network | | – | – | 47,131 | 44,395 | 47,131 | 44,395 |
| Swimming pools | | – | – | 1,741 | 1,700 | 1,741 | 1,700 |
| Open space and recreation | | – | – | 3,864 | 3,367 | 3,864 | 3,367 |
| Other infrastructure | | – | – | 3,185 | 3,113 | 3,185 | 3,113 |
| Other assets | | – | – | 331 | 337 | 331 | 337 |
| Tip assets | | – | – | 687 | 768 | 687 | 768 |

E2-1 Fair value measurement (continued)

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | |
|--------------------------------------------------------------------------|-------|------------------------------------------|--------|--------------------------------------------|---------|----------------|---------|
| | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Total infrastructure, property, plant and equipment | | 27,134 | 19,494 | 523,703 | 461,264 | 550,837 | 480,758 |
| Non-recurring fair value measurements | | | | | | | |
| Note that capital WIP is not included above since it is carried at cost. | | | | | | | |
| Non-current assets classified as held for sale | C1-7 | | | | | | |
| Land | | 307 | — | — | — | 307 | — |
| Total Non-recurring fair value measurements | | 307 | — | — | — | 307 | — |

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Investment property

The investment property is included in Level 2 of the hierarchy, and the valuation is based upon the best sales evidence in an active market for similar assets. The key unobservable input to the valuation is price per square metre.

The fair value of the investment property is determined by a qualified and experienced valuer. Council's last valuation of its investment property occurred in June 2023 by APV Valuers & Asset Management Pty Ltd. There has been no change to the valuation process during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Community & Crown Land

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. Community land assets were valued at 30 June 2023. There has been no change to the valuation process during the reporting period.

Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. Operational Land assets were valued at 30 June 2023 by APV Valuers & Asset Management Pty Ltd.

Land Under Roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. NSW Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Other Structures

This asset class comprises of various park assets such as water tanks, fencing, small sheds & shelters, lighting & retaining walls. The valuation of these assets have been undertaken internally by Councils Engineering department by experienced engineers. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the engineers. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken internally by Councils Engineers at 30 June 2021. There has been no change to the valuation process during the reporting period.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Plant & Equipment, Office Equipment, Furniture & Fittings

Office Equipment are valued using the cost model in the Notes of the financial statements. It is assumed that the carrying amount of these asset classes is approximate fair value. Assets include graders, motor vehicles, mowers, chainsaws, computers, tables and chairs. The key unobservable inputs are residual life, patterns of consumption and useful life. There has been no change to the valuation process during the reporting period.

Buildings

Where possible the valuation was based upon the Market Value Approach where comparable market transactions have been obtained and used in the valuation. For the remaining assets the depreciated replacement cost approach was used in the valuation process. The unobservable inputs such as asset condition, patterns of consumption, replacement cost value and useful life relies on the experience and judgement of the valuer and therefore these assets are recorded at Level 3.

Building assets were valued at 30 June 2023 by APV Valuers & Asset Management Pty Ltd.

Swimming Pools

Swimming Pools were valued in June 2021 by APV Valuers & Asset Management Pty Ltd. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Open Space & Recreation

This asset class comprises of lighting, benches, barbecues, seating and any other asset relating to open spaces and recreation that were in the Other Structures class of asset. The valuation of these assets have been undertaken internally by Councils Engineering department by experienced engineers. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the engineers. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken internally by Councils Engineers at 30 June 2019. There has been no change to the valuation process during the reporting period.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. Water system assets were valued at 30 June 2022 by APV Valuers & Asset Management Pty Ltd. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. Changes to the valuation process during the reporting period include a change in methodology from depreciated replacement cost to current replacement cost, and recognising short life/long life components.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The Sewer system assets were valued at 30 June 2022 by APV Valuers & Asset Management Pty Ltd. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. Changes to the valuation process during the reporting period include a change in methodology from depreciated replacement cost to current replacement cost, and recognising short life/long life components.

Roads, Bridges, Bulk Earthworks, Stormwater Drainage and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. Each asset class has been broken down into significant components with similar physical and operating characteristics. A separate useful life is applied to each component and they are depreciated independently. The unit replacement cost and the useful life of each asset is aligned with Councils Asset Management Plan. The valuation includes observable inputs for some elements of the revaluation but not for the complete asset. Key unobservable inputs include unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The last valuation was undertaken by G7 Asset Management at 30 June 2020.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Remediation Assets

This class of asset includes the Raleigh Waste Facility and Whites Quarry. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation of these assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, the timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period. The last valuation of all sites was undertaken by Impact Environmental at 30 June 2019, with Dorrigo Waste facility updated at 30 June 2022.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

The valuation processes used for fair value on Level 3 assets is the depreciated replacement cost approach and the market value approach. Assets that have been valued using the market value approach have been included in the Level Fair Value as the unobservable inputs rely on the skill and experience of the valuer.

The depreciated replacement cost approach involves using comparative sales evidence, asset conditions and relies on the skill and experience of the valuer.

The land improvements, operational land, community land, other structures, swimming pools, buildings and open space and recreation assets have had valuations completed by external valuers. The external valuers are independent and are qualified and experienced in their field. The valuations have been prepared in accordance with AASB5, AASB13, ASSB116, AASB136 and AASB140.

In the case of stormwater, sewer and water assets, the valuations have been based on the modern engineering equivalent replacement asset (MEERA).

Before engaging a valuer to undertake valuations, Council requires at least three (3) quotations from suitably qualified valuers. This valuation process involved using unit rates to obtain a replacement cost value and condition assessments of the asset obtained a remaining life. The valuation process also relied on the skill and experience of the Engineers.

The analysis of the Level 3 fair value movements after valuations will be undertaken by the Chief Financial Officer.

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 |
|------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Infrastructure, property, plant and equipment | | |
| Office Equipment, Furniture and Fittings and Plant and Equipment | Replacement cost | Gross replacement cost Asset condition Remaining useful life Residual value |
| Land - Community and Crown | Land values obtained from the NSW Valuer-General | Unimproved Capital Value per square metre provided by Valuer General |
| Land Improvements | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Buildings (Specialised and non-specialised) | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Roads | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Bridges | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Footpaths | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Bulk Earthworks | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |

E2-1 Fair value measurement (continued)

| | Valuation technique/s | Unobservable inputs |
|------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Stormwater Drainage | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Water Supply Network | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Sewer Network | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Swimming pools | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Open space and Recreational Assets | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Other Infrastructure | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Other assets (Library books and Miscellaneous) | Industry Cost Indexes, council and contractor construction rates | Gross replacement cost Asset condition Remaining useful life Residual value |
| Tip Assets | Industry Cost Indexes, council and contractor construction rates | Future rehabilitation regulations |

E2-1 Fair value measurement (continued)

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

| \$ '000 | Land community & Crown | | Land improvements | | Buildings | | Roads | |
|---------------------------------------------|------------------------|--------|-------------------|-------|---------------|--------|---------------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 33,000 | 28,973 | 2,755 | 2,792 | 23,265 | 23,265 | 80,482 | 81,990 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Transfers from/(to) another asset class | (1,028) | – | 656 | (2) | 4,643 | – | 1,550 | 843 |
| Purchases (GBV) | – | – | 628 | – | 3,421 | – | 2,647 | 1,420 |
| Disposals (WDV) | (781) | – | (14) | (106) | (824) | – | (110) | (404) |
| Depreciation and impairment | – | – | (44) | (158) | (1,085) | – | (2,352) | (4,607) |
| Revaluation increment/(decrement) | 12,795 | 4,027 | 203 | 229 | 6,903 | – | 4,859 | 1,240 |
| Closing balance | 43,986 | 33,000 | 4,184 | 2,755 | 36,323 | 23,265 | 87,076 | 80,482 |

| \$ '000 | Bridges | | Footpaths | | Bulk earthworks | | Stormwater drainage | |
|---------------------------------------------|---------------|--------|--------------|-------|-----------------|---------|---------------------|--------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 23,038 | 22,407 | 2,587 | 2,788 | 183,145 | 176,737 | 14,133 | 14,524 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Transfers from/(to) another asset class | 2,286 | 105 | 444 | 110 | – | – | 78 | 20 |
| Purchases (GBV) | 5,622 | 1,526 | 484 | 51 | 2,175 | – | 299 | 185 |
| Disposals (WDV) | (1,725) | (422) | (5) | – | – | – | (10) | (61) |
| Depreciation and impairment | (575) | (849) | (43) | (362) | – | (1,303) | (236) | (535) |
| Revaluation increment/(decrement) | 1,693 | 271 | 602 | – | 10,952 | 7,711 | 2,476 | – |
| Closing balance | 30,339 | 23,038 | 4,069 | 2,587 | 196,272 | 183,145 | 16,740 | 14,133 |

| \$ '000 | Water supply network | | Sewerage network | | Swimming pools | | Open space/recreational assets | |
|---------------------------------------------|----------------------|--------|------------------|---------|----------------|-------|--------------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 45,179 | 35,581 | 44,394 | 37,239 | 1,700 | 1,601 | 3,367 | 3,311 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Transfers from/(to) another asset class | 6 | 1,255 | 6 | – | – | – | 85 | 25 |
| Purchases (GBV) | 43 | 665 | 235 | 146 | – | – | 472 | 25 |
| Disposals (WDV) | – | – | – | – | – | – | (15) | (24) |
| Depreciation and impairment | (873) | (743) | (878) | (1,169) | (44) | (42) | (233) | (250) |
| Revaluation increment/(decrement) | 3,420 | 8,421 | 3,374 | 8,178 | 85 | 141 | 188 | 280 |
| Closing balance | 47,775 | 45,179 | 47,131 | 44,394 | 1,741 | 1,700 | 3,864 | 3,367 |

E2-1 Fair value measurement (continued)

| \$ '000 | Other infrastructure | | Other assets | | Tip assets | | Total | |
|-----------------------------------------|----------------------|-------|--------------|------|-------------|------|----------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 3,113 | 2,933 | 337 | 89 | 768 | 606 | 480,757 | 449,694 |
| Transfers from/(to) another asset class | - | - | - | - | - | - | 10,109 | 2,565 |
| Purchases (GBV) | - | - | - | 250 | - | 244 | 18,040 | 6,218 |
| Disposals (WDV) | - | - | - | - | - | - | (4,234) | (1,095) |
| Depreciation and impairment | (82) | (79) | (6) | (2) | (81) | (82) | (7,641) | (11,137) |
| Revaluation increment/(decrement) | 154 | 259 | - | - | - | - | 52,558 | 34,512 |
| Closing balance | 3,185 | 3,113 | 331 | 337 | 687 | 768 | 549,589 | 480,757 |

The following asset classes are measured at depreciated historical cost and therefore should be classified as a level 2 observable input:

- Plant and equipment
- Office equipment
- Furniture and fittings

Highest and best use

All of Council's non-financial assets are considered as being utilised 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 their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements

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

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

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

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$62,382. The last valuation of the Scheme was performed by Richard Boyfield FIA on 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$54,303.

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

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets | 2,290.7 | |
| Past Service Liabilities | 2,236.1 | 102.4% |
| Vested Benefits | 2,253.6 | 101.7% |

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

The share of this deficit that is broadly attributed to Council is estimated to be 0.16% as at 30 June 2023.

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

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

| | |
|--------------------|----------------------------------------------|
| Investment return | 6.0% per annum |
| Salary inflation * | 3.5% per annum |
| Increase in CPI | 6.0% for 22/23 and 2.5% per annum thereafter |

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

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

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

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels. No notifications were received during the year.

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

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:

| \$ '000 | 2023 | 2022 |
|--------------------------|--------------|------------|
| Compensation: | | |
| Short-term benefits | 1,147 | 911 |
| Post-employment benefits | 112 | 81 |
| Total | 1,259 | 992 |

Other transactions with KMP and their related parties

There were no other material transactions between KMP and their related parties and Council during the financial year.

F1-2 Councillor and Mayoral fees and associated expenses

| \$ '000 | 2023 | 2022 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are: | | |
| Mayoral fee | 28 | 27 |
| Councillors' fees | 88 | 85 |
| Other Councillors' expenses (including Mayor) | 45 | 42 |
| Total | 161 | 154 |

F2 Other relationships

F2-1 Audit fees

| \$ '000 | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| 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 | 60 | 68 |
| Remuneration for audit and other assurance services | 60 | 68 |
| Total Auditor-General remuneration | 60 | 68 |
| Non NSW Auditor-General audit firms | | |
| (ii) Non-assurance services | | |
| Audit Risk and Improvement Committee Expenses | 5 | 2 |
| Other certification and compliance assessments | 18 | – |
| Remuneration for non-assurance services | 23 | 2 |
| Total remuneration of non NSW Auditor-General audit firms | 23 | 2 |
| Total audit fees | 83 | 70 |

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

| \$ '000 | 2023 | 2022 |
|----------------------------------------------------------------------------|---------------|---------------|
| Net operating result from Income Statement | 26,998 | 11,217 |
| Add / (less) non-cash items: | | |
| Depreciation and amortisation | 7,762 | 7,681 |
| (Gain) / loss on disposal of assets | 3,779 | 964 |
| Non-cash capital grants and contributions | – | (250) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Investments classified as ‘at fair value’ or ‘held for trading’ | – | 693 |
| – Investment property | (1,535) | (225) |
| Movements in operating assets and liabilities and other cash items: | | |
| (Increase) / decrease of receivables | 6,503 | (1,681) |
| Increase / (decrease) in provision for impairment of receivables | (37) | 59 |
| (Increase) / decrease of inventories | (16) | (30) |
| (Increase) / decrease of contract asset | 715 | (615) |
| Increase / (decrease) in payables | (31) | 4,057 |
| Increase / (decrease) in accrued interest payable | 21 | (5) |
| Increase / (decrease) in other accrued expenses payable | (142) | 142 |
| Increase / (decrease) in other liabilities | 91 | (635) |
| Increase / (decrease) in contract liabilities | 1,545 | 2,793 |
| Increase / (decrease) in employee benefit provision | (294) | (332) |
| Increase / (decrease) in other provisions | 8 | 86 |
| Net cash flows from operating activities | 45,367 | 23,919 |

G2-1 Commitments

Capital commitments (exclusive of GST)

| \$ '000 | 2023 | 2022 |
|------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Sewerage and water infrastructure | 784 | 611 |
| IT Infrastructure | 30 | – |
| Buildings | 902 | 2,825 |
| Plant and equipment | 139 | – |
| Road infrastructure | 2,199 | 55 |
| Open space/recreational assets | 245 | 449 |
| Bridges | 3,786 | 945 |
| Footpaths | 18 | 485 |
| Other | 46 | – |
| Total commitments | 8,149 | 5,370 |

Details of capital commitments

Council has committed to various capital projects. Total commitments include contractual obligations to the following projects:

- Fixing Local Roads
- Fixing Country Bridges and Bridge Renewal Program
- Upgrade to Bellingin, Urunga, Raleigh and Mylestom Sewer Treatment Program
- Upgrade of Bellingin Swimming Pool
- Memorial Hall Refurishment Project

G3 Statement of developer contributions as at 30 June 2023

G3-1 Summary of developer contributions

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|--------------------------------------------------|--------------------------------|----------------------------------------|---------------|----------------|---------------------------------------|------------------|---------------------|------------------------------------------|-----------------------------------------------------|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| Drainage | 11 | - | - | - | - | - | - | 11 | - |
| Roads | 871 | 58 | - | - | 34 | - | - | 963 | - |
| Parking | 30 | - | - | - | 1 | - | - | 31 | - |
| Community facilities | 737 | 28 | - | - | 29 | (88) | - | 706 | - |
| S7.11 contributions – under a plan | 1,649 | 86 | - | - | 64 | (88) | - | 1,711 | - |
| S7.12 levies – under a plan ¹ | 67 | 58 | - | - | 3 | - | - | 128 | - |
| Total S7.11 and S7.12 revenue under plans | 1,716 | 144 | - | - | 67 | (88) | - | 1,839 | - |
| S64 contributions | 6,239 | 276 | - | - | 246 | - | - | 6,761 | - |
| S7.11 not under plans | 112 | - | - | - | 4 | - | - | 116 | - |
| Total contributions | 8,067 | 420 | - | - | 317 | (88) | - | 8,716 | - |

(1) S7.12 Levies - Under a plan -In July 2021, Council adopted the Bellingen Shire Section 7.12 Contributions Plan 2021. The plan commenced from 1 July 2021.

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.

G3-2 Developer contributions by plan

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|-------------------------------------------------------------|--------------------------------|----------------------------------------|---------------|----------------|---------------------------------------|------------------|---------------------|------------------------------------------|-----------------------------------------------------|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| CONTRIBUTION PLAN – Community services and amenities | | | | | | | | | |
| Community facilities | 582 | 28 | - | - | 23 | (88) | - | 545 | - |
| Total | 582 | 28 | - | - | 23 | (88) | - | 545 | - |
| CONTRIBUTION PLAN – Bellingen Council Roads | | | | | | | | | |
| Roads | 871 | 58 | - | - | 34 | - | - | 963 | - |
| Total | 871 | 58 | - | - | 34 | - | - | 963 | - |
| CONTRIBUTION PLAN – Bushfire Services Plan | | | | | | | | | |
| Community facilities | 155 | - | - | - | 6 | - | - | 161 | - |
| Total | 155 | - | - | - | 6 | - | - | 161 | - |

CONTRIBUTION PLAN – Bellingen drainage

continued on next page ...

G3-2 Developer contributions by plan (continued)

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | | | | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|----------------------------------------------|--------------------------------|----------------------------------------|---------------|----------------|---------------------------------------|----------|------------------|---------------------|------------------------------------------|-----------------------------------------------------|
| | | Cash | Non-cash Land | Non-cash Other | Interest and investment income earned | | | | | |
| Drainage | 11 | - | - | - | - | - | - | 11 | - | |
| Total | 11 | - | - | - | - | - | - | 11 | - | |
| CONTRIBUTION PLAN – Bellingen Parking | | | | | | | | | | |
| Parking | 30 | - | - | - | 1 | - | - | 31 | - | |
| Total | 30 | - | - | - | 1 | - | - | 31 | - | |

G3-3 Contributions not under plans

CONTRIBUTIONS NOT UNDER A PLAN

| | | | | | | | | | |
|--------------|------------|----------|----------|----------|----------|----------|----------|------------|----------|
| Other | 112 | - | - | - | 4 | - | - | 116 | - |
| Total | 112 | - | - | - | 4 | - | - | 116 | - |

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2023 | Indicator 2023 | 2022 | Indicators 2021 | 2020 | Benchmark |
|----------------------------------------------------------------------------------------------------------------------|-----------------|---------------------|-------------|--------------------|-------------|---------------|
| 1. Operating performance ratio | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 4,818 | 10.70% | 8.77% | (1.99)% | (2.33)% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 45,013 | | | | | |
| 2. Own source operating revenue ratio | | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 33,860 | 47.74% | 53.84% | 76.12% | 72.84% | > 60.00% |
| Total continuing operating revenue, inclusive of all grants and contributions ¹ | 70,920 | | | | | |
| 3. Unrestricted current ratio | | | | | | |
| Current assets less all external restrictions | 19,066 | 2.77x | 2.58x | 2.17x | 2.56x | > 1.50x |
| Current liabilities less specific purpose liabilities | 6,882 | | | | | |
| 4. Debt service cover ratio | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 13,194 | 5.39x | 7.50x | 5.20x | 6.00x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 2,446 | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | |
| Rates and annual charges outstanding | 700 | 3.85% | 3.18% | 4.51% | 5.46% | < 10.00% |
| Rates and annual charges collectable | 18,167 | | | | | |
| 6. Cash expense cover ratio | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 56,249 | 17.82 months | 9.99 months | 7.34 months | 8.33 months | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities | 3,156 | | | | | |

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

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

G4-2 Statement of performance measures by fund

| \$ '000 | General Indicators ³ | | Water Indicators | | Sewer Indicators | | Benchmark |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|---------------------|--------------|---------------------|--------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 8.73% | 10.51% | 12.08% | (21.59)% | 26.52% | 12.18% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 41.59% | 47.64% | 91.47% | 97.07% | 97.05% | 99.50% | > 60.00% |
| Total continuing operating revenue, inclusive of all grants and contributions ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 2.77x | 2.58x | 39.93x | 38.55x | 22.61x | 30.13x | > 1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 3.95x | 6.26x | ∞ | ∞ | ∞ | ∞ | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | | |
| Rates and annual charges outstanding | 3.71% | 3.09% | 4.17% | 3.36% | 4.30% | 3.48% | < 10.00% |
| Rates and annual charges collectable | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 11.62 months | 4.76 months | 88.86 months | 66.94 months | 44.83 months | 36.58 months | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities | | | | | | | |

(1) - (2) Refer to Notes at Note G4-1 above.

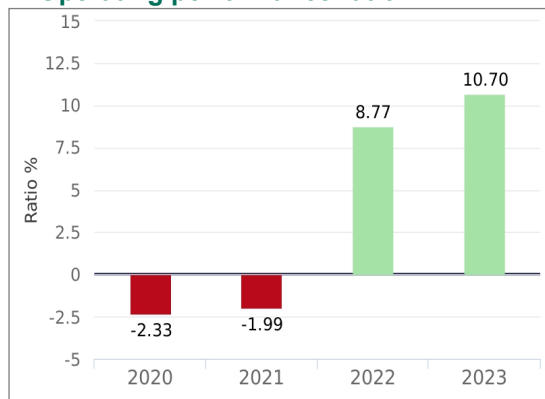
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2022/23 result

2022/23 ratio 10.70%

Councils operating performance ratio result represents an improvement from the previous financial year. It is expected that this ratio will continue to fluctuate in coming years as a result of revenue recognition timing differences.

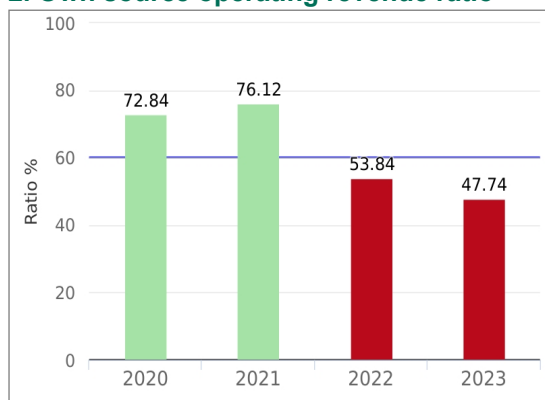
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2022/23 result

2022/23 ratio 47.74%

Councils generation of own source revenue is primarily achieved through the collection of rating revenue. Council is below the benchmark of 60% due to one off grants received during 2023.

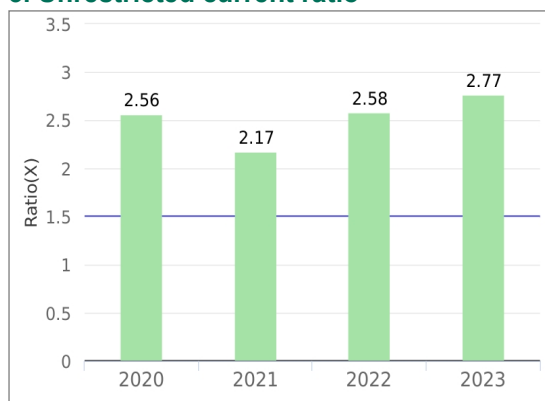
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2022/23 result

2022/23 ratio 2.77x

Councils unrestricted current ratio result is well above the industry benchmark of 1.50x, indicating Council is able to satisfy its obligations as and when they fall due.

Benchmark: — > 1.50x

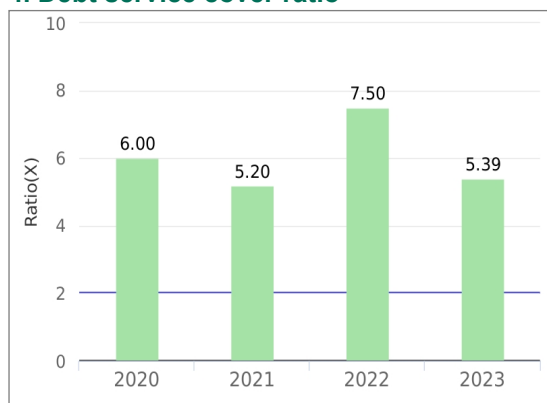
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2022/23 result

2022/23 ratio 5.39x

Council exceeds the industry benchmark of 2.0x, indicating sufficient operating cash to service its debts.

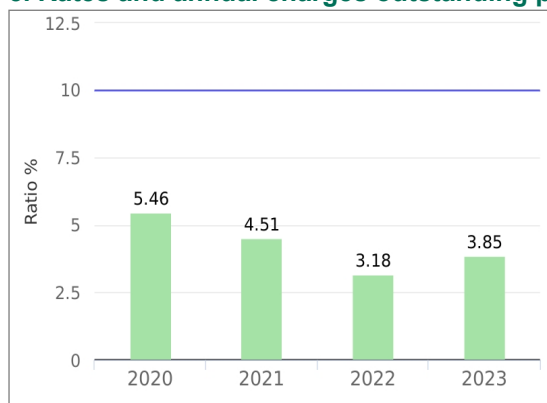
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2022/23 result

2022/23 ratio 3.85%

Councils result for 2022/23 is well below the industry benchmark of 10%, reflecting good debt management practices.

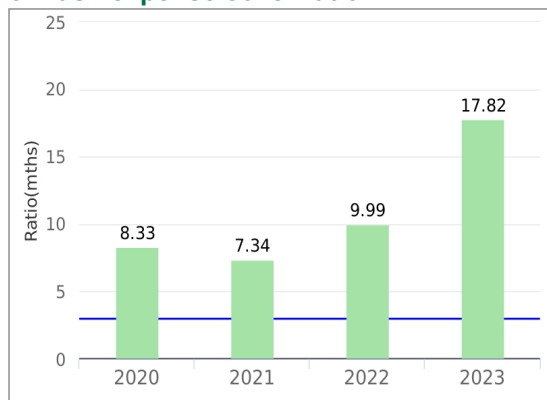
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2022/23 result

2022/23 ratio 17.82 months

This ratio is well above the industry benchmark, indicating that Council has sufficient liquidity to mitigate any unforeseen future events.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

Hyde Street
BELLINGEN NSW 2454

Contact details

Mailing Address:

PO Box 117
BELLINGEN NSW 2454

Telephone: 02 6655 7300

Facsimile: 02 6655 2310

Opening hours:

8:30am to 4:30pm
Monday to Friday

Internet: www.bellingen.nsw.gov.au

Email: council@bellingen.nsw.gov.au

Officers

GENERAL MANAGER

Mark Griffioen

RESPONSIBLE ACCOUNTING OFFICER

Chris Hodge

Elected members

MAYOR

Stephen Allan

Other information

ABN: 26 066 993 265



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Qualified Opinion

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

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-8 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 12 August 2012
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such the assets are provided to the Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that is controlled and recognised by the Council that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G4-1 'Statement of performance measures – consolidated results' and Note G4-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

A handwritten signature in black ink, appearing to read 'Quentin Wong', with a horizontal line underneath.

Quentin Wong
Delegate of the Auditor-General for New South Wales

30 October 2023
SYDNEY



Cr Steve Allan
Mayor
Bellingen Shire Council
PO Box 117
BELLINGEN NSW 2454

Contact: Quentin Wong
Phone no: 02 9275 7454
Our ref: R008-16585809-46886

30 October 2023

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2023 Bellingen Shire Council

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

I expressed a modified opinion on the Council's GPFS.

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

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.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership

- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 12 August 2012
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such the assets are provided to the Council free of charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2023 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified.

Refer to the Independent Auditor's Report on the GPFS.

INCOME STATEMENT

Operating result

| | 2023 | 2022 | Variance |
|--------------------------------------------------------------|------|------|----------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 17.5 | 16.9 | ↑ 3.6 |
| Grants and contributions revenue | 37.1 | 25.9 | ↑ 43.2 |
| Materials and services | 17.7 | 21.5 | ↓ 17.7 |
| Operating result from continuing operations | 27.0 | 11.2 | ↑ 141.1 |
| Net operating result before capital grants and contributions | 1.1 | 2.7 | ↓ 59.3 |

Rates and annual charges revenue (\$17.5 million) increased by \$0.6 million (3.6 per cent) in 2022–23. The IPART approved rate peg was 1.3% in 2022–23 and Council also had a special rate variation of 1.2% for 2022–23.

Grants and contributions revenue (\$37.1 million) increased by \$11.2 million (43.2%) in 2022–23 due to an increase in the level of capital grants received was offset by reduced operating grants. The primary contributor to the increase in capital grant funding received was for bridges, totalling \$15.9 million for 2022–23.

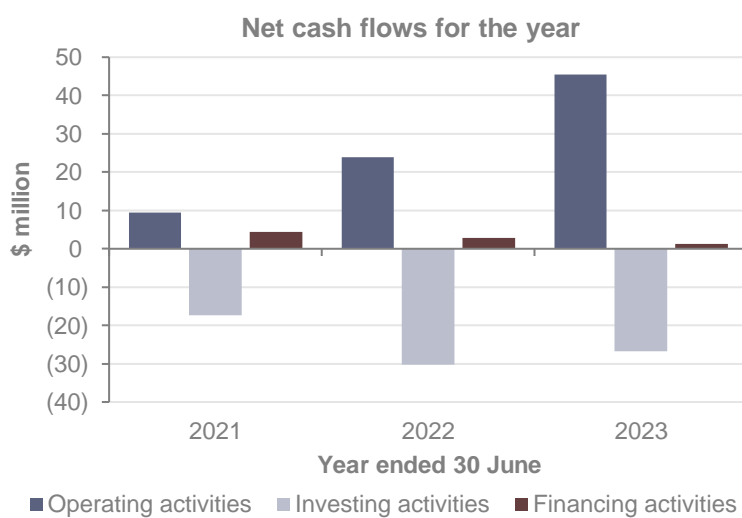
The Council's operating result from continuing operations of \$27.0 million (including depreciation, amortisation and impairment expense of \$7.8 million) was \$15.8 million higher than the 2021–22 result. The increase in operating result is largely attributed to the following:

- grants and contributions revenue (\$37.1 million) increased by \$11.2 million, as described above
- rates and annual charges revenue (\$17.5 million) increased by \$0.6 million, as described above
- materials and services expense (\$17.7 million) decreased by \$3.8 million.

The net operating result before capital grants and contributions of \$1.1 million was \$1.6 million lower than the 2021–22 result (\$2.7 million).

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$21.5 million, largely due to an increase in grants and contributions income of \$11.5 million and an increase in user charges and fees of \$8.8 million.
- Net cash used in investing activities decreased by \$3.5 million. This is a result of net decrease in the purchase of financial investments (\$17.4 million), offset by an increase in payments for IPPE (\$13.4 million).
- Net cash provided by financing activities decreased by \$1.6 million. This is due to fewer new borrowings taken out during 2022–23.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2023 | 2022 | Commentary |
|------------------------------------------------------------------|-------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 57.8 | 41.6 | Externally restricted balances comprise mainly of developer contributions, water and sewer funds. The Council's externally restricted cash and investments have increased by \$3.8 million mainly due to increases in water fund, sewer fund and domestic waste management. |
| Restricted and allocated cash, cash equivalents and investments: | | | |
| • External restrictions | 40.1 | 36.3 | Internal allocations are determined by council policies or decisions, which are subject to change. Internally allocated balances have increased by \$8.2 million, primarily due to cash reserves set aside for Infrastructure replacement and unspent financial assistance grant. |
| • Internal allocations | 12.0 | 3.8 | |

Debt

At 30 June 2023, Council had

- \$14.7 million in secured loans (\$13.5 million in 2021–22)
- 0.065 million in credit card facility with 0.03 million unused.

PERFORMANCE

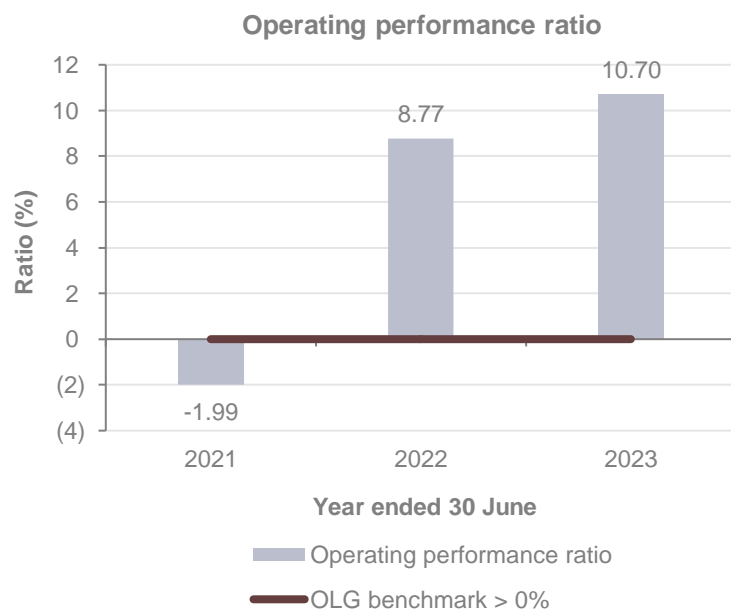
Performance measures

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

Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

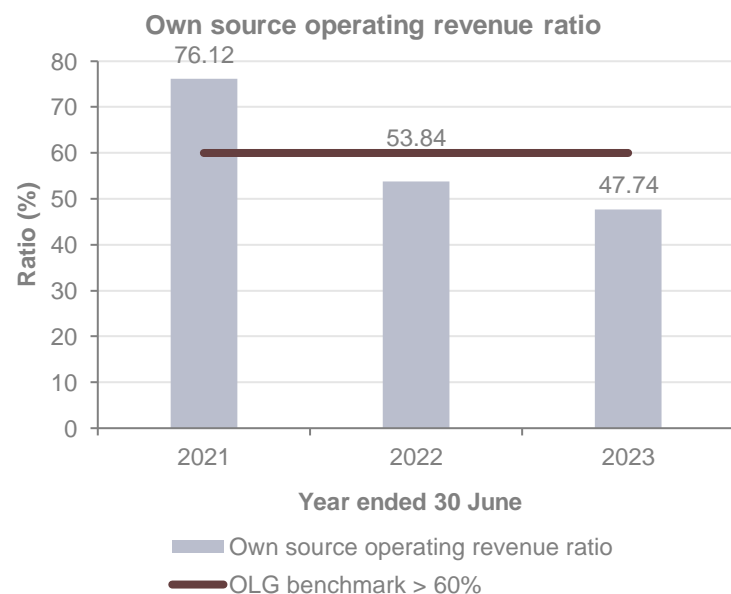
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council did not meet the benchmark for the current or prior reporting period.

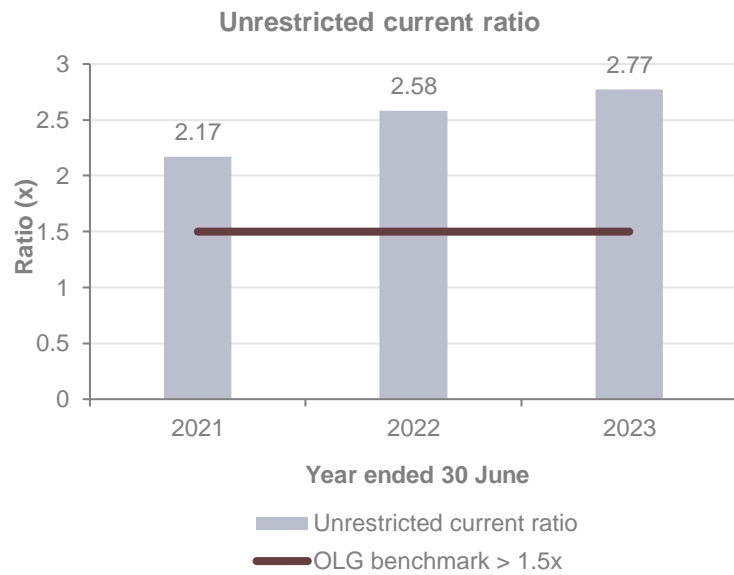
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60%.



Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

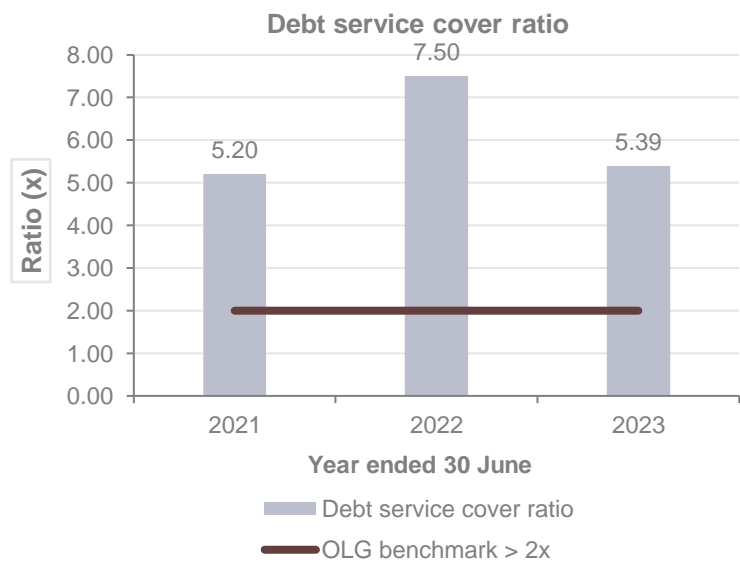
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

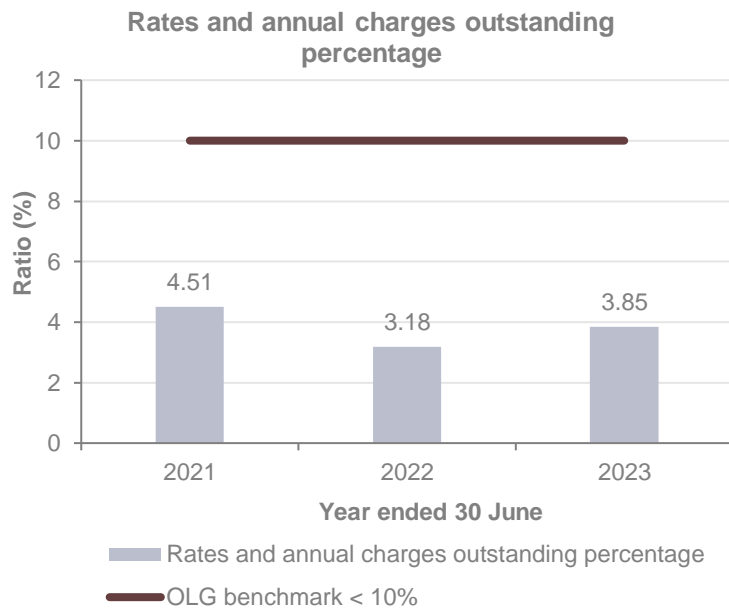
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

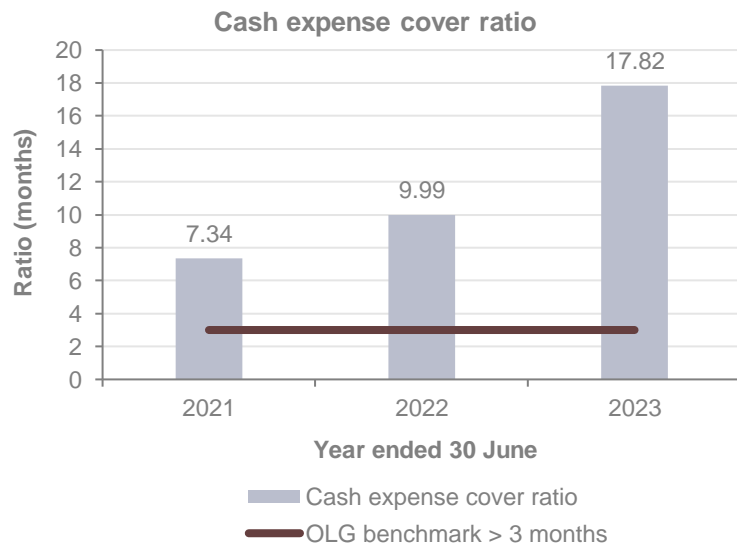
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$15.3 million of infrastructure, property, plant and equipment during the 2022–23 financial year, consistent with \$15.0 million in the prior year. This was mainly spent on roads, bridges and bulk earthworks, repairing assets damaged by natural disasters and replacing timber bridges with concrete structures. A further \$16.9 million was spent on new assets, compared with \$4.6 million in the prior year.

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements due to the non-recognition of rural fire-fighting equipment which was reported in the Management Letter. Refer to the 'Significant Audit Issues and Observations' section of this Report for further information.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.

A handwritten signature in black ink, appearing to read 'Quentin Wong', with a long horizontal flourish underneath.

Quentin Wong

Delegate of the Auditor-General for New South Wales

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Connected, Sustainable, Creative.



| Contents | Page |
|-------------------------------------------------------------------|-----------|
| Statement by Councillors and Management | 3 |
| Special Purpose Financial Statements: | |
| Income Statement of water supply business activity | 4 |
| Income Statement of sewerage business activity | 5 |
| Statement of Financial Position of water supply business activity | 6 |
| Statement of Financial Position of sewerage business activity | 7 |
| Note – Significant Accounting Policies | 8 |
| Auditor's Report on Special Purpose Financial Statements | 11 |

Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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*,
- Sections 3 and 4 of the NSW Department of Planning and Environment, Water's Regulatory and assurance framework for local water utilities.

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,
- accord with Council's accounting and other records; and
- 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 25 October 2023.



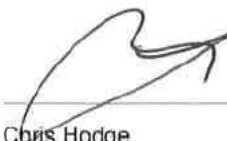
Stephen Allan
Mayor
25 October 2023



Joanne Cook
Councillor
25 October 2023



Mark Griffioen
General Manager
25 October 2023



Chris Hodge
Responsible Accounting Officer
25 October 2023

Bellingen Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

| \$ '000 | 2023 | 2022 |
|----------------------------------------------------------------------------|---------------|---------------|
| Income from continuing operations | | |
| Access charges | 672 | 655 |
| User charges | 2,232 | 2,033 |
| Interest and investment income | 522 | 74 |
| Other income | 25 | 22 |
| Total income from continuing operations | 3,451 | 2,784 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 1,497 | 1,569 |
| Materials and services | 536 | 531 |
| Depreciation, amortisation and impairment | 1,001 | 881 |
| Other expenses | – | 404 |
| Calculated taxation equivalents (incl. NSW Land tax) | 13 | 5 |
| Total expenses from continuing operations | 3,047 | 3,390 |
| Surplus (deficit) from continuing operations before capital amounts | 404 | (606) |
| Grants and contributions provided for capital purposes | 322 | 84 |
| Surplus (deficit) from continuing operations after capital amounts | 726 | (522) |
| Surplus (deficit) from all operations before tax | 726 | (522) |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (101) | – |
| Surplus (deficit) after tax | 625 | (522) |
| Plus accumulated surplus | 20,621 | 21,138 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 13 | 5 |
| – Corporate taxation equivalent | 101 | – |
| Return on capital % | 0.8% | (1.2)% |
| Subsidy from Council | 1,697 | 2,395 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 625 | (522) |
| Less: capital grants and contributions (excluding developer contributions) | (322) | (84) |
| Surplus for dividend calculation purposes | 303 | – |
| Potential dividend calculated from surplus | 152 | – |

Bellingen Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

| \$ '000 | 2023 | 2022 |
|----------------------------------------------------------------------------|---------------|---------------|
| Income from continuing operations | | |
| Access charges | 3,835 | 3,683 |
| User charges | 230 | 210 |
| Liquid trade waste charges | 47 | 43 |
| Interest and investment income | 228 | 20 |
| Total income from continuing operations | 4,340 | 3,956 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 1,389 | 1,415 |
| Materials and services | 840 | 699 |
| Depreciation, amortisation and impairment | 960 | 1,249 |
| Calculated taxation equivalents | 31 | 11 |
| Other expenses | - | 111 |
| Total expenses from continuing operations | 3,220 | 3,485 |
| Surplus (deficit) from continuing operations before capital amounts | 1,120 | 471 |
| Grants and contributions provided for capital purposes | 132 | 20 |
| Surplus (deficit) from continuing operations after capital amounts | 1,252 | 491 |
| Surplus (deficit) from all operations before tax | 1,252 | 491 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (280) | (118) |
| Surplus (deficit) after tax | 972 | 373 |
| Plus accumulated surplus | 14,684 | 14,180 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 31 | 11 |
| – Corporate taxation equivalent | 280 | 118 |
| Return on capital % | 2.2% | 1.0% |
| Subsidy from Council | 974 | 1,253 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 972 | 373 |
| Less: capital grants and contributions (excluding developer contributions) | (132) | (20) |
| Surplus for dividend calculation purposes | 840 | 353 |
| Potential dividend calculated from surplus | 420 | 177 |

Bellingen Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

| \$ '000 | 2023 | 2022 |
|-----------------------------------------------|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 5,999 | 715 |
| Investments | 9,420 | 14,284 |
| Receivables | 675 | 173 |
| Inventories | 198 | 210 |
| Total current assets | 16,292 | 15,382 |
| Non-current assets | | |
| Investments | 553 | – |
| Receivables | 5 | 5 |
| Infrastructure, property, plant and equipment | 52,266 | 48,886 |
| Intangible assets | 244 | 281 |
| Total non-current assets | 53,068 | 49,172 |
| Total assets | 69,360 | 64,554 |
| LIABILITIES | | |
| Current liabilities | | |
| Contract liabilities | 64 | – |
| Payables | 227 | 282 |
| Employee benefit provisions | 117 | 117 |
| Total current liabilities | 408 | 399 |
| Non-current liabilities | | |
| Employee benefit provisions | 7 | 7 |
| Total non-current liabilities | 7 | 7 |
| Total liabilities | 415 | 406 |
| Net assets | 68,945 | 64,148 |
| EQUITY | | |
| Accumulated surplus | 21,360 | 20,621 |
| Revaluation reserves | 47,585 | 43,527 |
| Total equity | 68,945 | 64,148 |

Bellingen Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

| \$ '000 | 2023 | 2022 |
|-----------------------------------------------|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 3,867 | 444 |
| Investments | 6,071 | 8,874 |
| Receivables | 171 | 12 |
| Inventories | 66 | 70 |
| Total current assets | 10,175 | 9,400 |
| Non-current assets | | |
| Investments | 356 | – |
| Receivables | 29 | 30 |
| Infrastructure, property, plant and equipment | 52,087 | 47,107 |
| Intangible assets | 244 | 281 |
| Total non-current assets | 52,716 | 47,418 |
| Total assets | 62,891 | 56,818 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 311 | 173 |
| Employee benefit provisions | 139 | 139 |
| Total current liabilities | 450 | 312 |
| Non-current liabilities | | |
| Employee benefit provisions | 8 | 8 |
| Total non-current liabilities | 8 | 8 |
| Total liabilities | 458 | 320 |
| Net assets | 62,433 | 56,498 |
| EQUITY | | |
| Accumulated surplus | 15,967 | 14,682 |
| Revaluation reserves | 46,466 | 41,816 |
| Total equity | 62,433 | 56,498 |

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 2021 (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 - Business activities with gross operating turnover more than \$2 million

a. Bellingen Shire Council Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Bellingen, Urunga, Repton, Mylestom and Dorrigo.

b. Bellingen Shire Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Bellingen, Urunga and Dorrigo.

Category 2 - Business activities with gross operating turnover less than \$2 million

Nil

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 financial 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%

Note – Significant Accounting Policies (continued)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with Section 4 of Department of Planning and Environment (DPE) - Water's regulatory and assurance framework, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to sections 3 and 4 of DPE - Water's regulatory and assurance framework is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

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%.

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'.

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 4.02% at 30/6/23.

Note – Significant Accounting Policies (continued)

(iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surpluses.

Each dividend must be calculated and approved in accordance with section 4 of DPE - Water's regulatory and assurance framework and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with section 4 of DPE - Water's regulatory and assurance framework, a Dividend Payment form, Statement of Compliance and Statement of Dividend payment, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Planning and Environment (DPE) – Water.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bellingen Shire 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage.

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 2023, 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 2022–23 (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).

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

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

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 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received 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.

A handwritten signature in black ink, appearing to read 'Quentin Wong', with a long horizontal flourish underneath.

Quentin Wong
Delegate of the Auditor-General for New South Wales

30 October 2023
SYDNEY

Bellingen Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

Connected, Sustainable, Creative.



Bellingen Shire Council

Special Schedules

for the year ended 30 June 2023

Contents

Page

Special Schedules:

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2023 4

Bellingen Shire Council

Permissible income for general rates

| \$ '000 | Notes | Calculation 2022/23 | Calculation 2023/24 |
|---------------------------------------------------------|-------------------------|------------------------|------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 8,999 | 9,230 |
| Plus or minus adjustments ² | b | 10 | 39 |
| Notional general income | c = a + b | 9,009 | 9,269 |
| Permissible income calculation | | | |
| Or rate peg percentage | e | 2.50% | 8.00% |
| Or plus rate peg amount | i = e x (c + g) | 225 | 742 |
| Sub-total | k = (c + g + h + i + j) | 9,234 | 10,011 |
| Plus (or minus) last year's carry forward total | l | (7) | (3) |
| Sub-total | n = (l + m) | (7) | (3) |
| Total permissible income | o = k + n | 9,227 | 10,008 |
| Less notional general income yield | p | 9,230 | 10,009 |
| Catch-up or (excess) result | q = o - p | (3) | (1) |
| Carry forward to next year ⁶ | t = q + r + s | (3) | (1) |

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)*.
- (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

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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



Quentin Wong
Delegate of the Auditor-General for New South Wales

30 October 2023
SYDNEY

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2023

| Asset Class | Asset Category | Estimated cost | | 2022/23 Required maintenance ^a | 2022/23 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-----------------------------------------|----------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------|----------------------------------|------------------------|------------------------------------|------------------------------------------------------------------|--------------|--------------|--------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | | | | | |
| Buildings | Buildings | 2,999 | 2,999 | 595 | 162 | 36,322 | 56,991 | 14.0% | 26.0% | 43.0% | 15.0% | 2.0% |
| | Sub-total | 2,999 | 2,999 | 595 | 162 | 36,323 | 56,991 | 14.0% | 26.0% | 43.0% | 15.0% | 2.0% |
| Roads | Sealed roads | 19,536 | 19,536 | 2,096 | 2,209 | 61,302 | 100,019 | 20.0% | 32.0% | 31.0% | 13.0% | 4.0% |
| | Unsealed roads | – | – | 1,863 | 261 | 19,331 | 31,584 | 5.0% | 22.0% | 47.0% | 16.0% | 10.0% |
| | Bridges | 4,795 | 4,795 | 380 | 211 | 30,340 | 52,629 | 30.0% | 39.0% | 25.0% | 4.0% | 2.0% |
| | Footpaths | 1,120 | 1,120 | 78 | 29 | 4,068 | 4,966 | 18.0% | 11.0% | 38.0% | 28.0% | 5.0% |
| | Bulk earthworks | – | – | – | – | 196,272 | 196,272 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Kerb and Gutter | 1,380 | 1,380 | 176 | 6 | 6,443 | 10,590 | 4.0% | 23.0% | 60.0% | 10.0% | 3.0% |
| | Sub-total | 26,831 | 26,831 | 4,593 | 2,716 | 317,756 | 396,060 | 59.3% | 15.8% | 17.0% | 5.7% | 2.2% |
| Water supply network | Water supply network | 1,782 | 1,782 | 379 | 379 | 47,775 | 68,359 | 35.0% | 48.0% | 16.0% | 1.0% | 0.0% |
| | Sub-total | 1,782 | 1,782 | 379 | 379 | 47,775 | 68,359 | 35.0% | 48.0% | 16.0% | 1.0% | 0.0% |
| Sewerage network | Sewerage network | 3,158 | 3,162 | 765 | 765 | 47,131 | 65,379 | 42.0% | 45.0% | 11.0% | 2.0% | 0.0% |
| | Sub-total | 3,158 | 3,162 | 765 | 765 | 47,131 | 65,379 | 42.0% | 45.0% | 11.0% | 2.0% | 0.0% |
| Stormwater drainage | Stormwater drainage | 2,844 | 2,844 | 229 | 6 | 16,740 | 28,007 | 0.0% | 28.0% | 41.0% | 24.0% | 7.0% |
| | Sub-total | 2,844 | 2,844 | 229 | 6 | 16,740 | 28,007 | 0.0% | 28.0% | 41.0% | 24.0% | 7.0% |
| Open space / recreational assets | Swimming pools | 2,138 | 2,138 | 120 | 12 | 5,605 | 10,484 | 13.0% | 12.0% | 70.0% | 4.0% | 1.0% |
| | Sub-total | 2,138 | 2,138 | 120 | 12 | 5,605 | 10,484 | 13.0% | 12.0% | 70.0% | 4.0% | 1.0% |
| Other infrastructure assets | Other | 619 | 619 | 90 | 8 | 3,185 | 4,531 | 30.0% | 10.0% | 59.0% | 1.0% | 0.0% |
| | Sub-total | 619 | 619 | 90 | 8 | 3,185 | 4,531 | 30.0% | 10.0% | 59.0% | 1.0% | 0.0% |
| Total – all assets | | 40,371 | 40,375 | 6,771 | 4,048 | 474,515 | 629,811 | 47.2% | 23.7% | 20.9% | 6.4% | 1.8% |

(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

Bellingen Shire Council

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

| | | |
|---|----------------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2023 | Indicator 2023 | 2022 | Indicators 2021 | 2020 | Benchmark |
|--------------------------------------------------------------------------|-----------------|-------------------|---------|--------------------|---------|-----------|
| Buildings and infrastructure renewals ratio | | | | | | |
| Asset renewals ¹ | 15,318 | | | | | |
| Depreciation, amortisation and impairment | 6,401 | 239.31% | 157.02% | 51.77% | 106.04% | > 100.00% |
| Infrastructure backlog ratio | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 40,371 | | | | | |
| Net carrying amount of infrastructure assets | 495,027 | 8.16% | 7.04% | 8.75% | 8.60% | < 2.00% |
| Asset maintenance ratio | | | | | | |
| Actual asset maintenance | 4,048 | | | | | |
| Required asset maintenance | 6,771 | 59.78% | 84.37% | 85.21% | 100.00% | > 100.00% |
| Cost to bring assets to agreed service level | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 40,375 | 6.41% | 5.67% | 6.31% | 6.33% | |
| Gross replacement cost | 629,811 | | | | | |

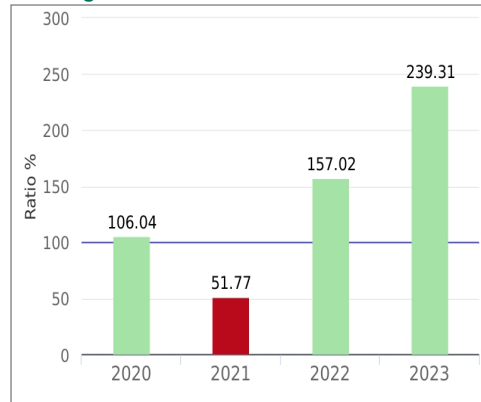
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

| Commentary on result | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 22/23 ratio | 239.31% |
| The ratio result of 197% exceeds the industry benchmark and reflects Council's large investment in renewing road and bridge infrastructure. This ratio is heavily influenced from the large volume of grant money received toward the bridge renewal program in 2023. | |

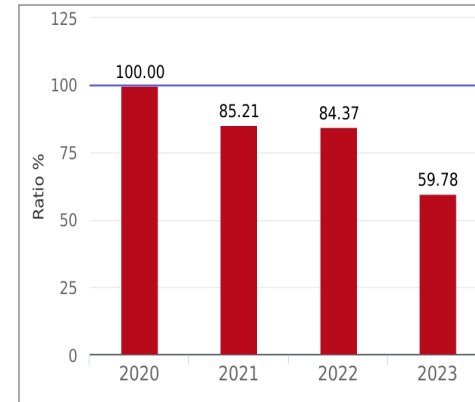
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

| Commentary on result | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 22/23 ratio | 59.78% |
| During the year, required maintenance for selected asset classes was reviewed and updated. The result of the review indicated that additional maintenance is required for a number of asset classes. This resulted in Council not meeting the industry benchmark of 100% | |

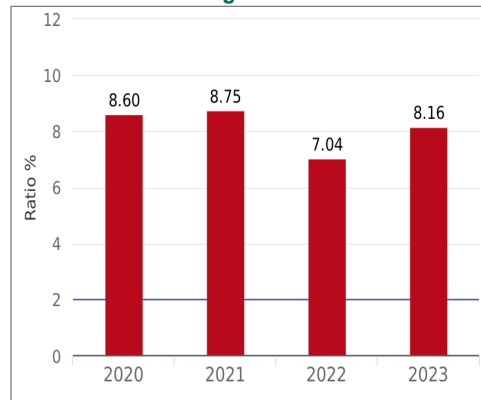
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

| Commentary on result | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 22/23 ratio | 8.16% |
| Council's current infrastructure backlog ratio exceeds that acceptable industry benchmark of 2.0%. Council is focused on reducing its backlog by heavily investing in infrastructure over next 10 years. | |

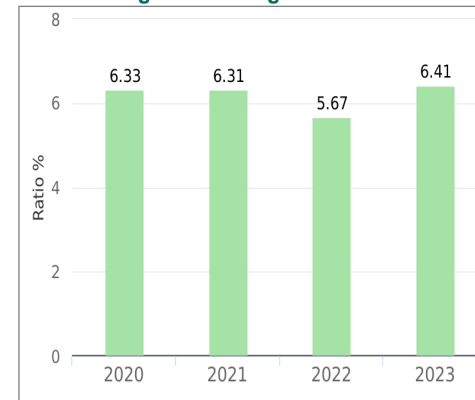
Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

| Commentary on result | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 22/23 ratio | 6.41% |
| The 2022/23 result of 6.4% is reflective of the current infrastructure backlog. Acceptable levels of service is based on consultation undertaken during the past Integrated Planning and Reporting process implemented by Council. | |

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

| \$ '000 | General fund | | Water fund | | Sewer fund | | Benchmark |
|--------------------------------------------------------------------------|----------------|---------|----------------|---------|----------------|---------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Buildings and infrastructure renewals ratio | | | | | | | |
| Asset renewals ¹ | | | | | | | |
| Depreciation, amortisation and impairment | 327.25% | 183.61% | 10.42% | 77.79% | 1.14% | 31.14% | > 100.00% |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | | | | | | | |
| Net carrying amount of infrastructure assets | 8.86% | 8.38% | 3.73% | 0.46% | 6.70% | 3.13% | < 2.00% |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | | | | | | | |
| Required asset maintenance | 51.61% | 80.28% | 100.00% | 100.00% | 100.00% | 100.00% | > 100.00% |
| Cost to bring assets to agreed service level | | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | | | | | | | |
| Gross replacement cost | 7.14% | 6.93% | 2.61% | 0.32% | 4.84% | 2.25% | |

(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.