



Annual Financial Statements

For the year ended 30 June 2023



Ku-ring-gai Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

Ku-ring-gai Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

818 Pacific Highway
Gordon NSW 2072

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: <https://www.krg.nsw.gov.au>

Ku-ring-gai Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements. Council is required to forward an audited set of financial statements to the Office of Local Government.

Ku-ring-gai Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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 19 September 2023.



Sam Ngai
Mayor
19 September 2023



Christine Kay
Deputy Mayor
19 September 2023



David Marshall
Acting General Manager
19 September 2023



Angela Apostol
Responsible Accounting Officer
19 September 2023

Ku-ring-gai Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
93,854	Rates and annual charges	B2-1	94,645	92,508
19,778	User charges and fees	B2-2	21,622	18,053
5,076	Other revenues	B2-3	5,184	4,608
8,904	Grants and contributions provided for operating purposes	B2-4	17,427	11,483
10,813	Grants and contributions provided for capital purposes	B2-4	14,761	14,757
3,003	Interest and investment income	B2-5	7,028	2,883
7,385	Other income	B2-6	7,645	9,167
–	Net gain from the disposal of assets	B4-1	–	770
148,813	Total income from continuing operations		168,312	154,229
	Expenses from continuing operations			
47,293	Employee benefits and on-costs	B3-1	45,896	44,312
62,232	Materials and services	B3-2	67,518	61,515
1,528	Borrowing costs	B3-3	1,443	401
22,215	Depreciation, amortisation and impairment of non financial assets	B3-4	22,467	20,514
3,665	Other expenses	B3-5	4,179	3,556
–	Net loss from the disposal of assets	B4-1	1,968	–
136,933	Total expenses from continuing operations		143,471	130,298
11,880	Operating result from continuing operations		24,841	23,931
11,880	Net operating result for the year attributable to Council		24,841	23,931
1,068	Net operating result for the year before grants and contributions provided for capital purposes		10,080	9,174

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

Ku-ring-gai 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		24,841	23,931
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	C1-7	<u>474,641</u>	193,414
Total items which will not be reclassified subsequently to the operating result		474,641	193,414
Total other comprehensive income for the year		474,641	193,414
Total comprehensive income for the year attributable to Council		499,482	217,345

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

Ku-ring-gai Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	13,164	22,784
Investments	C1-2	99,350	85,500
Receivables	C1-4	14,984	15,199
Inventories	C1-5	269	252
Non-current assets classified as held for sale	C1-6	1,400	–
Other		3,193	3,544
Total current assets		132,360	127,279
Non-current assets			
Investments	C1-2	100,930	110,440
Receivables	C1-4	97	92
Infrastructure, property, plant and equipment (IPPE)	C1-7	2,561,899	2,060,514
Investment property	C1-8	50,400	49,760
Intangible assets	C1-9	658	761
Right of use assets	C2-1	1,598	2,036
Total non-current assets		2,715,582	2,223,603
Total assets		2,847,942	2,350,882
LIABILITIES			
Current liabilities			
Payables	C3-1	25,221	22,576
Contract liabilities	C3-2	15,473	17,458
Lease liabilities	C2-1	45	93
Borrowings	C3-3	3,227	3,535
Employee benefit provisions	C3-4	12,787	11,759
Total current liabilities		56,753	55,421
Non-current liabilities			
Lease liabilities	C2-1	1,680	2,019
Borrowings	C3-3	27,598	30,825
Employee benefit provisions	C3-4	227	415
Total non-current liabilities		29,505	33,259
Total liabilities		86,258	88,680
Net assets		2,761,684	2,262,202
EQUITY			
Accumulated surplus	C4-1	972,730	947,889
IPPE revaluation reserve	C4-1	1,788,954	1,314,313
Total equity		2,761,684	2,262,202

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

Ku-ring-gai 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		947,889	1,314,313	2,262,202	923,958	1,120,899	2,044,857
Opening balance		947,889	1,314,313	2,262,202	923,958	1,120,899	2,044,857
Net operating result for the year		24,841	–	24,841	23,931	–	23,931
Net operating result for the period		24,841	–	24,841	23,931	–	23,931
Other comprehensive income							
– Gain on revaluation of IPP&E	C1-7	–	474,641	474,641	–	193,414	193,414
Other comprehensive income		–	474,641	474,641	–	193,414	193,414
Total comprehensive income		24,841	474,641	499,482	23,931	193,414	217,345
Closing balance at 30 June		972,730	1,788,954	2,761,684	947,889	1,314,313	2,262,202

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

Ku-ring-gai 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>				
95,242	Rates and annual charges		94,325	91,904
19,778	User charges and fees		20,997	9,792
3,003	Interest received		5,701	3,130
19,660	Grants and contributions		34,375	43,885
–	Bonds, deposits and retentions received		4,710	4,414
6,214	Rental Income		7,599	7,426
3,119	Fines		2,659	2,161
3,051	Other		10,788	12,340
<i>Payments:</i>				
(45,942)	Payments to employees		(45,148)	(44,476)
(63,908)	Payments for materials and services		(74,130)	(67,259)
(1,533)	Borrowing costs		(1,443)	(401)
–	Bonds, deposits and retentions refunded		(3,252)	(2,536)
(3,625)	Contributions/levies to other levels of government		(4,138)	(3,289)
–	Other		(2,842)	(5,628)
35,059	Net cash provided in operating activities	G1-1	50,201	51,463
Cash flows from investing activities				
<i>Receipts:</i>				
165,540	Sale of investments		103,502	76,000
–	Proceeds from sale of IPPE		1,037	5,827
<i>Payments:</i>				
(109,668)	Purchase of investments		(112,994)	(84,290)
–	Transfer of term deposits		5,200	(280)
–	Purchase of investment property		(602)	(846)
(107,565)	Payments for IPPE		(52,387)	(47,243)
(51,693)	Net cash from investing activities		(56,244)	(50,832)
Cash flows from financing activities				
<i>Receipts:</i>				
22,000	Proceeds from borrowings		–	13,500
<i>Payments:</i>				
(3,312)	Repayment of borrowings		(3,535)	(560)
(65)	Principal component of lease payments		(42)	(90)
18,623	Net cash flow from financing activities		(3,577)	12,850
1,989	Net increase (decrease) in cash and cash equivalents		(9,620)	13,481
11,765	Cash and cash equivalents at beginning of year		22,784	9,303
13,754	Cash and cash equivalents at end of year	C1-1	13,164	22,784
78,080	plus: Investments on hand at end of year	C1-2	200,280	195,940
91,834	Total cash, cash equivalents and investments		213,444	218,724

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

Ku-ring-gai Council

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Ku-ring-gai Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 September 2023. Council has the power to amend and reissue these 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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity for the purpose of preparing these financial statements.

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 financial assets and liabilities and certain classes of 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 C1-8,
- (ii) estimated fair values of infrastructure, property, plant and equipment refer Note C1-7,
- (iii) 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.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Trade Waste

A1-1 Basis of preparation (continued)

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

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

Council makes use of volunteers for library services, community events, programs etc. These services have not been recognised in the Financial Statements as they are not significant and cannot be measured reliably.

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 from the first time at 30 June 2023:

- *AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments*

These newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

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
Functions or activities										
Access, Traffic and Transport	4,998	4,121	2,455	1,840	2,543	2,281	2,614	2,017	6,660	3,198
Community, People and Culture	13,115	10,906	25,325	22,999	(12,210)	(12,093)	2,530	3,268	77,432	68,403
Leadership and Governance	89,183	85,017	28,524	22,870	60,659	62,147	7,264	5,321	414,890	328,368
Local Economy and Employment	5	2	177	176	(172)	(174)	4	3	12,355	11,684
Natural Environment	22,977	23,552	29,152	31,203	(6,175)	(7,651)	200	1,062	14,841	14,581
Places, Spaces and Infrastructure	38,034	30,631	57,838	51,210	(19,804)	(20,579)	19,576	14,569	2,321,764	1,924,648
Total functions and activities	168,312	154,229	143,471	130,298	24,841	23,931	32,188	26,240	2,847,942	2,350,882

B1-2 Components of functions or activities

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

Access, Traffic and Transport

This theme is about ensuring that access and connection to, from and within Ku-ring-gai provides safe, reliable and affordable public and private travel, transport and infrastructure.

Service provided under this theme - Traffic and transport strategy and research, Road safety, Engineering design, Civil works and maintenance.

Community, People and Culture

This theme is about creating a healthy, safe, and diverse community that respects our history and celebrates our differences in a vibrant culture of learning.

Services provided under this theme – Children's services, Youth services, Aged services, Disability services, Cultural development, Community events, Libraries and Art Centre, Community health, Safety and wellbeing programs, Community facilities and halls management, Sports grounds and parks bookings and Emergency management support.

Leadership and Governance

This theme is about ensuring that Ku-ring-gai is well led, managed and supported by an ethical organisation which delivers projects and services to the community by listening, advocating and responding to their needs.

Services provided under this theme – Financial management, Integrated planning and reporting, Property and asset management, Revenue accounting, Governance, Procurement, Risk management, Customer services, Communication, Community engagement, Human Resources, Information Management, Administration, Records and Civic support.

Local Economy and Employment

This theme is about creating sustainable economic and employment opportunities through vital, attractive local and neighbourhood centres, business innovation and use of technology.

Services provided under this theme – Economic and social development, Marketing and Events coordination.

Natural Environment

This theme is about working together as a community to protect and enhance our special natural environment and resources.

Services provided under this theme – Environment Levy programs and initiatives, Corporate sustainability program, Biodiversity and bushland management programs, Bush fire management program, Water conservation, reuse and water quality management program, Environmental education and sustainable living programs, Environmental volunteering program, Climate change adaptation program, Energy management program, Waste management, recycling and education.

Places, Spaces and Infrastructure

This theme is about creating a range of well planned, clean and safe neighbourhoods and public spaces designed with a strong sense of identity and place.

Services provided under this theme – Urban design and planning, Heritage planning, Development assessment, Development compliance and regulation, Open space projects, Landscape design, Drainage works and maintenance, Strategic asset management, Building asset works and maintenance, Parks and sports field works maintenance, Tree preservation and maintenance.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	33,738	33,064
Business	4,925	4,520
Less: pensioner rebates	(585)	(598)
Pensioner rate subsidies received	225	236
Total ordinary rates	38,303	37,222
Special rates		
Environmental levy	3,309	3,220
Infrastructure levy	30,307	29,458
Less: pensioner rebates	(162)	(164)
Total special rates	33,454	32,514
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	22,032	21,909
Stormwater management services	1,024	1,023
Section 611 charges	68	85
Less: pensioner rebates	(385)	(401)
Pensioner annual charges subsidies received:		
– Domestic waste management	149	156
Total annual charges	22,888	22,772
Total rates and annual charges	94,645	92,508

Council has used 2020 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance a rates payment.

B2-2 User charges and fees

\$ '000	Timing	2023	2022
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building regulation	2	2,735	2,394
Certificates	2	782	826
DA advertising fees	2	2	2
Driveway application fees	2	791	704
Outstanding notices	2	173	214
Regulatory application fees	2	567	410
Tree preservation charges	2	89	93
Total fees and charges – statutory/regulatory		5,139	4,643
(ii) Fees and charges – other (incl. general user charges (per s608))			
Art centre	2	450	254
Compliance Levy	2	–	530
Golf courses (Gordon and Turramurra)	2	1,973	1,942
Halls	2	460	331
Holiday activities	2	655	299
Leaseback fees – Council vehicles	2	446	419
Restoration charges	2	1,345	849
Library	2	58	51
Nursery and wildflower garden	2	52	53
Parks	2	1,478	1,050
Showground	2	176	118
Swimming centre	2	4,964	3,058
Tennis courts	2	779	873
Thomas Carlyle children centre and family day care	2	1,038	934
Trade waste charges	2	1,997	1,889
Other	2	612	760
Total fees and charges – other		16,483	13,410
Total other user charges and fees		21,622	18,053
Total user charges and fees		21,622	18,053
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		21,622	18,053
Total user charges and fees		21,622	18,053

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.

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

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

B2-3 Other revenues

\$ '000	Timing	2023	2022
Fines – parking	2	1,588	1,404
Fines – other	2	1,071	757
Legal fees recovery – other	2	114	210
Commissions and agency fees	2	11	7
Credit card surcharge	2	195	166
Insurance claims recoveries	2	–	1
Dog registration fees	2	143	109
Domestic waste other income	2	216	216
Other	2	611	840
Licence income	2	582	411
Program fees	2	146	89
Recycling income (non-domestic)	2	507	398
Total other revenue		5,184	4,608
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		5,184	4,608
Total other revenue		5,184	4,608

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	2	1,085	2,046	–	–
Payment in advance - future year allocation					
Financial assistance	2	4,522	3,145	–	–
Amount recognised as income during current year		5,607	5,191	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Better waste and recycling fund	1	109	217	–	–
Pensioners' rates subsidies:					
Car Park	2	–	–	158	–
Community care	2	126	57	–	–
Community centres	2	1,863	1,881	–	–
Environmental protection	1	30	850	21	126
Library	2	416	378	38	16
NSW rural fire services	2	78	58	–	–
Recreation and culture	1	499	21	2,196	2,956
Storm/flood damage		1,356	–	–	1,000
Road repair program and road safety	2	5,961	785	1,162	3,836
Street lighting	2	311	305	–	–
Transport	2	40	42	1,124	783
Previously contributions:					
Contribution to works	2	1,031	1,698	–	36
Total special purpose grants and non-developer contributions – cash		11,820	6,292	4,699	8,753
Non-cash contributions					
Roads and bridges		–	–	–	543
Total other contributions – non-cash		–	–	–	543
Total special purpose grants and non-developer contributions (tied)		11,820	6,292	4,699	9,296
Total grants and non-developer contributions		17,427	11,483	4,699	9,296
Comprising:					
– Commonwealth funding		2,447	2,517	65	2,364
– State funding		14,980	8,966	4,634	6,389
– Other funding		–	–	–	543
		17,427	11,483	4,699	9,296

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	–	–	10,062	5,461
Total developer contributions – cash			–	–	10,062	5,461
Total developer contributions			–	–	10,062	5,461
Total contributions			–	–	10,062	5,461
Total grants and contributions			17,427	11,483	14,761	14,757
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			330	170	892	1,173
Grants and contributions recognised at a point in time (2)			17,097	11,313	13,869	13,584
Total grants and contributions			17,427	11,483	14,761	14,757

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
Operating & Capital grants				
Unspent funds at 1 July	14,076	3,860	–	–
Add: operating grants recognised as income in the current period but not yet spent	10,100	20,038	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(10,175)	(9,822)	–	–
Unexpended and held as externally restricted assets (operating & capital grants)	14,001	14,076	–	–
Contributions				
Unspent funds at 1 July	118,976	126,146	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	13,758	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(24,926)	(7,170)	–	–
Unspent contributions at 30 June	107,808	118,976	–	–

B2-4 Grants and contributions (continued)

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.

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

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

Capital grants

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

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

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

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)	178	153
– Cash and investments	6,850	2,730
Total interest and investment income (losses)	7,028	2,883
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	178	153
General Council cash and investments	1,850	643
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,696	1,647
Restricted investments/funds – internal:		
Internally restricted assets	1,304	440
Total interest and investment revenue recognised	7,028	2,883

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Investment properties			
Lease income relating to variable lease payments not dependent on an index or a rate		2,775	2,807
Total Investment properties		2,775	2,807
Other lease income			
Community and Commercial rental		4,824	4,619
Total other lease income		4,824	4,619
Total rental income	C2-2	7,599	7,426
Fair value increment on investments			
Fair value increment on investments through profit and loss		46	1,741
Total Fair value increment on investments		46	1,741
Total other income		7,645	9,167

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	35,740	35,925
Employee leave entitlements (ELE)	6,794	4,986
Superannuation	4,427	4,080
Workers' compensation insurance	917	918
Fringe benefit tax (FBT)	317	284
Other	104	121
Total employee costs	48,299	46,314
Less: capitalised costs	(2,403)	(2,002)
Total employee costs expensed	45,896	44,312

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 C3-4 for more information.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Advertising		274	260
Audit Fees	E2-1	79	69
Bank charges		340	328
Commissions and management fees		461	277
Computer software charges		2,561	2,089
Conferences		145	62
Contractor costs		45,407	41,894
Corporate events		53	32
Councillor and Mayoral fees and associated expenses	E1-2	443	415
Family day care (child care assistance)		677	657
Election expenses		–	701
Electricity and heating		1,082	877
External plant hire		162	101
Insurance		1,966	1,796
Insurance excess		100	55
Lease expense		402	178
Other expenses (Security services, Operating projects)		2,005	1,487
Postage		230	230
Rate issue costs		63	45
Raw materials and consumables		3,548	3,029
Rental rebates		1,821	1,989
Street lighting		1,920	1,667
Subscriptions and publications		307	279
Sydney water		340	285
Telephone and communications		479	395
Training costs (other than salaries and wages)		241	238
Valuation fees		227	218
Vehicle registration		188	185
Legal expenses:			
– Legal expenses: planning and development		1,680	1,400
– Legal expenses: other		46	84
Expenses from leases of low value assets		271	193
Total materials and services		67,518	61,515

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
Interest bearing liability costs		
Interest on leases	77	24
Interest on loans	1,366	377
Total interest bearing liability costs expensed	1,443	401
Total borrowing costs expensed	1,443	401

Accounting policy

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

B3-4 Depreciation, amortisation and impairment

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		1,459	1,315
Office equipment		194	189
Furniture and fittings		37	45
Land improvements (depreciable)		158	158
Infrastructure:	C1-7		
– Buildings – non-specialised		164	168
– Buildings – specialised		3,402	3,203
– Other structures		904	332
– Roads		8,537	8,271
– Bridges		240	229
– Footpaths		1,144	1,071
– Stormwater drainage		2,237	1,785
– Swimming pools		33	30
– Other open space/recreational assets		3,170	2,924
Right of use assets	C2-1	93	110
Other assets:			
– Library books		592	581
Intangible assets	C1-9	103	103
Total depreciation and amortisation costs		22,467	20,514
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		22,467	20,514

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.

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
User charges and fees		41	50
Total impairment of receivables	C1-4	41	50
Other			
Contributions/levies to other levels of government			
– Department of planning levy		464	456
– Emergency services levy (includes FRNSW, SES, and RFS levies)		3,487	2,833
Donations, contributions and assistance to other organisations (Section 356)		187	217
Total other expenses		4,179	3,556

Accounting policy

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

B4 Gains or losses**B4-1 Gains or losses from the disposal of assets**

\$ '000	Notes	2023	2022
Plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		1,075	827
Less: carrying amount of plant and equipment assets sold and written off		(642)	(609)
Net gain on disposal		433	218
Infrastructure Assets			
	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure and other assets sold and written off		(2,403)	(498)
Net loss on disposal		(2,403)	(498)
Financial Assets			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		103,502	76,000
Less: carrying amount of financial assets sold/redeemed/matured		(103,500)	(76,000)
Gain (or loss) on disposal		2	–
Operational Land			
Proceeds from disposal – land assets		–	5,000
Less: carrying amount of land assets sold/written off		–	(3,950)
Net gain on disposal		–	1,050
Net gain (or loss) from disposal of assets		(1,968)	770

Accounting policy

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 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				
Operating grants and contributions	8,904	17,427	8,523	96% F
Favourable mainly due to unbudgeted grants (Financial assistance grant in advance (\$1.6m), 2019 Storm (\$1.3m), project grants & contributions (\$5.9m) partly offset by grants to be received (\$0.2m).				
Capital grants and contributions	10,813	14,761	3,948	37% F
Favourable mainly due to unbudgeted project grants received (\$4.7m) partly offset by grants to be received (\$0.6m) and unfavourable developer contributions (\$0.1m).				
Interest and investment revenue	3,003	7,028	4,025	134% F
Favourable variance was due to higher interest rates.				
Expenses				
Other expenses	3,665	4,179	(514)	(14)% U
Unfavourable due to unbudgeted increase in emergency services levy.				
Statement of cash flows				
Cash flows from operating activities	35,059	50,201	15,142	43% F
Additional grants and contributions not anticipated.				
Cash flows from financing activities	18,623	(3,577)	(22,200)	(119)% U
Unfavourable due to deferral of loan for building upgrade.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	13,164	22,784
Total cash and cash equivalents	13,164	22,784

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	13,164	22,784
Balance as per the Statement of Cash Flows	13,164	22,784

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 investments with original maturities of three months or less that are readily convertible to known amounts of cash and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	75,800	62,100	77,000	66,100
FRN's (with maturities > 3 months)	23,550	38,830	8,500	44,340
Total	99,350	100,930	85,500	110,440
Total financial investments	99,350	100,930	85,500	110,440
Total cash assets, cash equivalents and investments	112,514	100,930	108,284	110,440

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).

Classification

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.

(a) Amortised cost

Assets measured at amortised cost are financial assets where:

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

C1-2 Financial investments (continued)

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

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

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

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	213,444	218,724
Less: Externally restricted cash, cash equivalents and investments	<u>(147,628)</u>	<u>(161,439)</u>
Cash, cash equivalents and investments not subject to external restrictions	65,816	57,285
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	11,735	11,650
External restrictions – included in liabilities	11,735	11,650
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	107,808	118,976
Specific purpose unexpended grants (recognised as revenue) – general fund	2,266	2,426
Environmental levy	4,029	3,809
Other (External Loan)	10,019	12,766
Domestic waste management	11,771	11,812
External restrictions – other	135,893	149,789
Total external restrictions	147,628	161,439

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		
Cash, cash equivalents and investments not subject to external restrictions	65,816	57,285
Less: Internally restricted cash, cash equivalents and investments	<u>(60,940)</u>	<u>(51,195)</u>
Unrestricted and unallocated cash, cash equivalents and investments	4,876	6,090
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Employees leave entitlement	3,097	3,017
Carry over works	5,174	4,069

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

\$ '000	2023	2022
Deposits, retentions and bonds	670	670
Infrastructure and facilities	45,337	37,337
Other	6,662	6,102
Total internal allocations	60,940	51,195

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

\$ '000	2023	2022
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	4,876	6,090

C1-4 Receivables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	4,092	64	3,776	60
Interest and extra charges	290	33	231	32
User charges and fees	2,857	–	2,928	–
Accrued revenues				
– Interest on investments	2,209	–	942	–
– Other income accruals	993	–	609	–
Government grants and subsidies	3,251	–	5,330	–
Net GST receivable	1,312	–	1,377	–
Other debtors	18	–	6	–
Total	15,022	97	15,199	92
Less: provision for impairment				
User charges and fees	(38)	–	–	–
Total provision for impairment – receivables	(38)	–	–	–
Total net receivables	14,984	97	15,199	92

There are no restrictions applicable to the above assets.

Accounting policy

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Please refer to Note D1 -1 for issues concerning credit risk and fair value disclosures.

Impairment

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

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

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

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

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

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

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

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

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

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Stores and materials	226	-	202	-
Trading stock	43	-	50	-
Total inventories at cost	269	-	252	-
Total inventories	269	-	252	-

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Costs are assigned to individual items of inventory on basis of weighted average costs.

C1-6 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 assets	1,400	-	-	-
Total non-current assets held for sale	1,400	-	-	-
Total non-current assets classified as held for sale	1,400	-	-	-

Accounting policy

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

The exception to this is plant and motor vehicles, which are turned over on regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June. For any assets or disposal groups classified as non-current assets “held for sale” an impairment loss is recognised at any time when the assets carrying value is greater than its 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”. Non-current assets classified as “held for sale” are presented separately from other assets in the balance sheet.

C1-7 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	WIP transfers	Transfers	Other adjustments	Transfer (to) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	34,769	–	34,769	5,811	12,176	–	–	(9,022)	–	(16)	–	–	–	43,718	–	43,718
Plant and equipment	16,346	(5,586)	10,760	1,753	–	(641)	(1,459)	3	–	–	–	312	16,902	(6,174)	10,728	
Office equipment	1,913	(1,155)	758	116	64	–	(194)	8	–	–	–	–	2,102	(1,350)	752	
Furniture and fittings	654	(476)	178	18	–	–	(37)	–	–	–	–	–	672	(513)	159	
Land:																
– Operational land	193,444	–	193,444	–	10,095	–	–	2	2,750	–	–	–	125,297	331,588	–	331,588
– Community land	751,295	–	751,295	–	–	–	–	–	(2,840)	–	(1,400)	–	225,305	972,360	–	972,360
– Crown land	158,064	–	158,064	–	–	–	–	–	–	–	–	–	72,270	230,334	–	230,334
– Land under roads (post 30/6/08)	1,337	–	1,337	–	–	–	–	–	90	–	–	–	1,035	2,462	–	2,462
Land improvements – depreciable	7,744	(6,145)	1,599	–	–	–	(158)	–	–	–	–	–	7,744	(6,303)	1,441	
Infrastructure:																
– Buildings – non-specialised	9,402	(4,592)	4,810	–	2,500	(1,759)	(164)	–	–	–	–	(431)	–	9,207	(4,251)	4,956
– Buildings – specialised	178,377	(77,285)	101,092	1,383	1,176	(38)	(3,402)	1,423	(101)	–	–	–	2,606	187,713	(83,574)	104,139
– Other structures (Car Parks)	50,181	(7,881)	42,300	275	371	–	(904)	45	–	–	–	–	2,314	53,128	(8,727)	44,401
– Roads	575,812	(233,011)	342,801	7,392	24	–	(8,537)	2,072	–	–	–	–	25,672	606,750	(237,326)	369,424
– Bridges	16,277	(5,730)	10,547	–	–	–	(240)	–	–	–	–	–	792	17,069	(5,970)	11,099
– Footpaths	79,704	(25,313)	54,391	1,003	1,736	–	(1,144)	194	–	–	–	–	2,976	85,388	(26,232)	59,156
– Bulk earthworks (non-depreciable)	82,222	–	82,222	–	–	–	–	–	–	–	–	–	4,596	86,818	–	86,818
– Stormwater drainage	273,189	(91,626)	181,563	726	198	(114)	(2,237)	219	(9)	–	–	–	7,258	447,965	(260,361)	187,604
– Swimming pools	3,286	(601)	2,685	–	–	–	(33)	–	–	–	–	–	242	3,404	(510)	2,894
– Other open space/recreational assets	140,269	(58,445)	81,824	3,444	2,475	(493)	(3,170)	5,056	110	–	–	–	4,397	154,599	(60,956)	93,643
Other assets:																
– Library books	8,470	(5,424)	3,046	739	–	–	(592)	–	–	–	–	–	–	9,209	(6,016)	3,193
– Other	1,029	–	1,029	–	–	–	–	–	–	1	–	–	–	1,030	–	1,030
Total infrastructure, property, plant and equipment	2,583,784	(523,270)	2,060,514	22,660	30,815	(3,045)	(22,271)	–	–	(15)	(1,400)	(431)	475,072	3,270,162	(708,263)	2,561,899

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

C1-7 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	WIP transfers	Transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	46,356	–	46,356	6,708	9,005	–	–	(27,300)	–	–	34,769	–	34,769
Plant and equipment	14,294	(4,987)	9,307	2,837	–	(609)	(1,315)	–	–	540	16,346	(5,586)	10,760
Office equipment	1,692	(987)	705	131	63	–	(189)	48	–	–	1,913	(1,155)	758
Furniture and fittings	654	(431)	223	–	–	–	(45)	–	–	–	654	(476)	178
Land:													
– Operational land	168,505	–	168,505	–	2,757	(3,950)	–	1	(2,006)	28,137	193,444	–	193,444
– Community land	659,031	–	659,031	4	–	–	–	–	2,056	90,204	751,295	–	751,295
– Crown land	138,653	–	138,653	–	–	–	–	–	–	19,411	158,064	–	158,064
– Land under roads (post 30/6/08)	1,173	–	1,173	–	–	–	–	–	–	164	1,337	–	1,337
Land improvements – depreciable	7,743	(5,986)	1,757	–	–	–	(158)	–	–	–	7,744	(6,145)	1,599
Infrastructure:													
– Buildings – non-specialised	8,777	(4,424)	4,353	–	625	–	(168)	–	–	–	9,402	(4,592)	4,810
– Buildings – specialised	162,087	(68,233)	93,854	250	2,925	–	(3,203)	330	–	6,936	178,377	(77,285)	101,092
– Other structures	18,362	(7,603)	10,759	34	4,182	–	(332)	24,115	28	3,514	50,181	(7,881)	42,300
– Roads	553,720	(225,297)	328,423	8,036	1,634	(168)	(8,271)	1,600	(55)	11,602	575,812	(233,011)	342,801
– Bridges	15,322	(5,528)	9,794	30	–	–	(229)	4	–	948	16,277	(5,730)	10,547
– Footpaths	74,647	(24,775)	49,872	1,038	994	–	(1,071)	551	(4)	3,011	79,704	(25,313)	54,391
– Bulk earthworks (non-depreciable)	75,391	–	75,391	–	–	(4)	–	–	(10)	6,845	82,222	–	82,222
– Stormwater drainage	247,886	(82,609)	165,277	1,634	796	–	(1,785)	340	(9)	15,310	273,189	(91,626)	181,563
– Swimming pools	3,033	(571)	2,462	–	–	–	(30)	–	–	253	3,286	(601)	2,685
– Other open space/recreational assets	130,982	(55,953)	75,029	1,808	1,393	(325)	(2,924)	304	–	6,539	140,269	(58,445)	81,824
Other assets:													
– Library books	7,895	(4,843)	3,052	501	67	–	(581)	7	–	–	8,470	(5,424)	3,046
– Other	1,029	–	1,029	–	–	–	–	–	–	–	1,029	–	1,029
Total infrastructure, property, plant and equipment	2,337,232	(492,227)	1,845,005	23,011	24,441	(5,056)	(20,301)	–	–	193,414	2,583,784	(523,270)	2,060,514

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

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

Accounting policy

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

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

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

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	Stormwater assets	Years
Office equipment	10	Pits	10 to 100
Office furniture	2 to 10	Pipes	100
Computer equipment	4 to 10		
Vehicles	10 to 20	Other infrastructure assets	
Other plant and equipment	3 to 20	Bulk earthworks	NA
		Swimming pools	100
		Recreation assets	5 to 150
Transportation assets		Other Asset	
Road surface	20 to 120	Other Asset (Art Works)	NA
Road pavements	60 to 100	Library Books	10
Road structures	10 to 120		
Bridge	10 to 100	Buildings	
Other structure (Car Park)	25 to 100	Buildings	25 to 100
Kerb and Gutter	60 to 100		
Footpaths	40 to 100		

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 in accordance with AASB 1051 Land Under Roads.

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

Crown reserves

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

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

Rural Fire Service assets

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

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

C1-8 Investment properties

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	50,400	49,760
Total owned investment property	50,400	49,760

Owned investment property

At fair value

Opening balance at 1 July	49,760	47,173
Acquisitions	602	846
– Net gain from fair value adjustments	38	1,741
Closing balance at 30 June	50,400	49,760

C1-9 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	2,571	2,571
Accumulated amortisation	(1,810)	(1,707)
Net book value – opening balance	761	864
Movements for the year		
Amortisation charges	(103)	(103)
Closing values at 30 June		
Gross book value	2,571	2,571
Accumulated amortisation	(1,913)	(1,810)
Total software – net book value	658	761
Total intangible assets – net book value	658	761

Accounting policy

IT development and software

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

Amortisation is calculated on a straight line bases over periods generally ranging from 5 to 10 years.

C2 Leasing activities

C2-1 Council as a lessee

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

Office and IT equipment

Leases for office and IT equipment are for multi-function devices. The lease term is for 4 - 5 years, the payments are fixed with renewal options available at the expiry of the lease term.

Land

Council leases Crown land from the State of New South Wales within the meaning of Crown Lands Act (CLA). The term of the lease is 25 years with no renewal option but to continue the arrangement on a month to month basis on the expiration of the term of the lease.

C2-1 Council as a lessee (continued)

(a) Right of use assets

\$ '000	Office and IT Equipment	Land	Total
2023			
Opening balance at 1 July	46	1,990	2,036
Adoption of AASB 16 at 1 July 2021 – first time lease recognition	–	–	–
Adjustments to right-of-use assets due to re-measurement of lease liability	(1)	(343)	(344)
Depreciation charge	(18)	(75)	(93)
Balance at 30 June	26	1,572	1,598
2022			
Opening balance at 1 July	65	2,190	2,255
Adoption of AASB 16 at 1 July 2021 – first time lease recognition	–	–	–
Adjustments to right-of-use assets due to re-measurement of lease liability	–	(109)	(109)
Depreciation charge	(20)	(90)	(110)
Balance at 30 June	46	1,990	2,036

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	45	1,680	93	2,019
Total lease liabilities	45	1,680	93	2,019

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	45	198	1,482	1,725	1,725
2022					
Cash flows	93	423	1,596	2,112	2,112

C2-1 Council as a lessee (continued)

(ii) Lease liabilities relating to restricted assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Total lease liabilities relating to unrestricted assets	45	1,680	93	2,019
Total lease liabilities	45	1,680	93	2,019

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	77	24
Depreciation of right of use assets	93	110
Expenses relating to low-value leases	271	193
	441	327

C2-1 Council as a lessee (continued)

(e) Statement of Cash Flows

\$ '000	2023	2022
Total cash outflow for leases	(118)	(114)
	(118)	(114)

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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community and commercial groups. These leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- Investment property - where the asset is predominantly for rental or capital growth purposes (refer note C1-8)
- IPP&E - where the rental is incidental, or the asset is held to meet Council's service delivery objective (refer note C1-7).

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

\$ '000	2023	2022
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(i) Assets held as investment property

Investment property operating leases relate to current tenancies relating to Council's Investment Property at 828 Pacific Highway Gordon.

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

Lease income relating to variable lease payments not dependent on an index or a rate	2,775	2,807
Total income relating to operating leases for investment property assets	2,775	2,807

C2-2 Council as a lessor (continued)

\$ '000	2023	2022
Operating lease expenses		
Direct operating expenses that generated rental income	(1,016)	(764)
Total expenses relating to operating leases	(1,016)	(764)
Repairs and maintenance: investment property		
Contractual obligations for future repairs and maintenance	94	121
Total repairs and maintenance: investment property	94	121
(ii) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of childcare, community and recreation facilities. The table below relates to operating leases on assets disclosed in C1-7.		
Lease income (excluding variable lease payments not dependent on an index or rate)	4,824	4,619
Total income relating to operating leases for Council assets	4,824	4,619
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for an operating leases:		
< 1 year	2,667	2,391
1–2 years	2,066	2,160
2–3 years	923	1,548
3–4 years	61	636
4–5 years	–	61
Total undiscounted lease payments to be received	5,717	6,796

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	7,130	–	6,973	–
Goods and services – capital expenditure	4,924	–	3,851	–
Security bonds, deposits and retentions	12,819	–	11,361	–
Other	348	–	391	–
Total payables	25,221	–	22,576	–

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 – Loans, security bonds, deposits and retentions	11,349	9,460
Total payables	11,349	9,460

Accounting policy

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2023		2022	
		Current	Non-current	Current	Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	11,512	–	11,093	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	223	–	557	–
Total grants received in advance		11,735	–	11,650	–
User fees and charges received in advance:					
Upfront fees	(iii)	917	–	885	–
Other		2,821	–	4,923	–
Total user fees and charges received in advance		3,738	–	5,808	–
Total contract liabilities		15,473	–	17,458	–

Notes

(i) Council has received funding to construct assets including sporting facilities, carparks, parks and other infrastructure. The funds received are under an enforceable contract which requires 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 receivable which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

C3-2 Contract Liabilities (continued)

(iii) Upfront membership fees for various program and classes do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when the benefit or services are provided.

Contract liabilities relating to restricted assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	11,735	-	11,650	-
Contract liabilities relating to externally restricted assets	11,735	-	11,650	-
Total contract liabilities relating to restricted assets	11,735	-	11,650	-
Total contract liabilities relating to unrestricted assets	3,738	-	5,808	-
Total contract liabilities	15,473	-	17,458	-

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:		
Operating grants (received prior to performance obligation being satisfied)	390	169
Total revenue recognised that was included in the contract liability balance at the beginning of the period	390	169

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	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured ¹	3,227	27,598	3,535	30,825
Total borrowings	3,227	27,598	3,535	30,825

(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 D1

Borrowings relating to restricted assets

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Total borrowings relating to restricted assets	3,227	27,598	3,535	30,825
Total borrowings	3,227	27,598	3,535	30,825

(a) Changes in borrowings arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	34,360	(3,535)	-	-	-	-	30,825
Lease liability (Note C2-1b)	2,112	(387)	-	-	-	-	1,725
Total liabilities from financing activities	36,472	(3,922)	-	-	-	-	32,550

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Credit cards	120	120
Total financing arrangements	120	120
Drawn facilities		
– Credit cards	120	120
Total drawn financing arrangements	120	120

Accounting policy

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

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

C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	3,873	-	4,074	-
Sick leave	268	-	249	-
Long service leave	8,646	227	7,436	415

C3-4 Employee benefit provisions (continued)

Total employee benefit provisions	12,787	227	11,759	415
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Employee benefit provisions relating to restricted assets

Refer to Note C1-3 for restricted assets (internal) related to provisions.

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

\$ '000	2023	2022
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employee benefits	8,124	7,183
	8,124	7,183

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
as at 30/06/23				
At beginning of year	4,074	249	7,851	12,174
Additional provisions	3,196	19	1,899	5,114
Payments	(3,397)	–	(877)	(4,274)
Total ELE provisions at end of year	3,873	268	8,873	13,014
as at 30/06/22				
At beginning of year	3,773	294	8,179	12,246
Additional provisions	3,096	–	706	3,802
Payments	(2,795)	(45)	(1,034)	(3,874)
Total ELE provisions at end of year	4,074	249	7,851	12,174

C3-4 Employee benefit provisions (continued)

Accounting policy

Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlements beyond 12 months – even though it is not anticipated that all employees with more than 5 years' service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit 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 AASB 119 *Employee benefits*.

Sufficient reliable information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme, however, is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

In relation to further disclosure below, under item d (iii) the expected contributions by Council to the Fund for the next annual reporting period are \$247,681. Based on a Past Service Liabilities methodology, for item (d) (iv) the share of any funding surplus or deficit that can be attributed to Council is 0.77%.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$20M per annum) is assessed annually by the Actuary.

As previously notified, the past service contributions \$20M per annum remain in place and will continue to be reviewed on an annual basis or as required. The funding requirements for the defined benefit schemes are assessed by the Trustee on an annual basis with the outcome of each annual funding update communicated in the new year. We advise that under item (d) (v), it is estimated that there are \$153,817.92 past service contributions remaining.

C3-4 Employee benefit provisions (continued)

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2023 was \$285,919.97. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2022.

Council received further disclosure requirements under paragraph 148 of the AASB119 which are detailed below:

(a) a description of the funding arrangements, including the method used to determine the entity's rate of contribution and any minimum funding requirements.

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 standard employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Member; 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 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.

(b) A description of the extent to which the entity can be liable to the plan other entities' obligations under the terms and conditions of the multi-employer plan.

As stated 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.

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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) A description of any agreed allocation of a deficit or surplus on:

- *Wind-up the plan*

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

- *The entity's withdrawal from the plan*

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

(d) Given the entity accounts for that plan as if it were defined contribution plan in accordance with paragraph 34, the following information:

(i) the fact that the plan is a defined benefit plan

We confirm the plan is a defined benefit plan.

(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

See earlier section on "AASB 119 accounting observations".

(iii) The expected contributions to the plan for the next annual reporting period.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

C3-4 Employee benefit provisions (continued)

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

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

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

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

Investment return	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2023.

(v) An indication of the level of participation of the entity in the plan compared with other participating entities.

An employer's past service contribution per annum (see cover letter) as a percentage of the total past service contributions for all Pooled Employers (\$20m for each year from 1 January 2022 to 31 December 2024) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

D Risks and accounting uncertainties

D1-1 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.

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	13,164	22,784	13,164	22,784
Receivables	15,081	15,291	16,866	15,291
Investments				
– Debt securities at amortised cost	200,280	195,940	200,280	195,940
Total financial assets	228,525	234,015	230,310	234,015
Financial liabilities				
Payables	25,221	22,576	25,221	22,576
Loans/advances	30,825	34,360	30,825	34,360
Total financial liabilities	56,046	56,936	56,046	56,936

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be carrying value that approximates market value.
- **Borrowings and held-to-maturity 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.
- **Payables** – exclude payments received in advance.

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 the *Local Government Act 1993* and Minister's investment order 625. This policy is regularly reviewed by Council and it's 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 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.
- **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 also seeks advice from independent advisors before placing any funds in cash equivalents and investments.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
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The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

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

Impact of a 1% movement in interest rates

– Equity / Income Statement	624	528
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Impact of a 10% movement in price of investments

– Equity / Income Statement	6,238	5,284
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(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages the credit risk by monitoring outstanding debts and employing stringent debt recovery procedures.

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

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

A profile of Council's receivables credit risk at balance date follows:

Credit risk profile

Receivables – rates and annual charges

\$ '000	Not yet overdue rates and annual charges			Total
	overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	–	4,092	64	4,156
2022				
Gross carrying amount	–	3,756	80	3,836

Receivables - non-rates and annual charges and contract assets

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount	1,996	4,075	506	2,154	2,232	10,963
2022						
Gross carrying amount	4,379	2,573	(35)	1,379	3,159	11,455

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

(c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (i.e.principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	0.00%	12,819	–	–	–	12,819	25,221
Borrowings	5.18%	–	3,227	13,476	14,122	30,825	30,825
Total financial liabilities		12,819	3,227	13,476	14,122	43,644	56,046
2022							
Payables	0.00%	11,361	15,700	–	–	27,061	22,576
Borrowings	2.15%	–	3,535	13,243	17,582	34,360	34,360
Total financial liabilities		11,361	19,235	13,243	17,582	61,421	56,936

D2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Investment property	C1-8						
Investment properties		50,400	49,760	–	–	50,400	49,760
Total investment property		50,400	49,760	–	–	50,400	49,760
Infrastructure, property, plant and equipment	C1-7						
Operational Land		–	–	331,588	193,444	331,588	193,444
Community Land		–	–	972,360	751,295	972,360	751,295
Land Under Roads		–	–	2,462	1,337	2,462	1,337
Land Improvements Depreciable		–	–	1,441	1,599	1,441	1,599
Stormwater Drainage		–	–	187,604	181,563	187,604	181,563
Structure (Car Parks)		–	–	44,401	42,300	44,401	42,300
Buildings – Non Specialised		–	–	4,956	4,810	4,956	4,810
Buildings – Specialised		–	–	104,139	101,092	104,139	101,092
Furniture & Fittings		–	–	159	178	159	178
Library Books		–	–	3,193	3,046	3,193	3,046
Office Equipment		–	–	752	758	752	758
Plant & Equipment (e.g. Fleet & Small Plant)		–	–	10,728	10,760	10,728	10,760
Crown Land		–	–	230,334	158,064	230,334	158,064
Other (Artworks, Sculptures)		–	–	1,029	1,029	1,029	1,029
Roads and Bulk earthworks		–	–	339,387	315,391	339,387	315,391
Bridges		–	–	11,099	10,547	11,099	10,547
Footpaths		–	–	59,156	54,391	59,156	54,391
Kerb & Gutter		–	–	107,287	100,383	107,287	100,383
Road Structure & Street Furniture		–	–	9,568	9,249	9,568	9,249
Recreational Facilities		–	–	93,643	81,824	93,643	81,824
Swimming Pools		–	–	2,894	2,685	2,894	2,685
Total infrastructure, property, plant and equipment		–	–	2,518,180	2,025,745	2,518,180	2,025,745
Non-current assets classified as held for sale	C1-6						
Land Asset		–	–	1,400	–	1,400	–

D2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2023	2022
		2023	2022	2023	2022		
Total NCA's classified as held for sale		-	-	1,400	-	1,400	-

D2-1 Fair value measurement (continued)

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

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

Council obtains an independent valuation of its investment property on an annual basis and at the end of each reporting period the financial statements reflect the most up to date valuation. The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Income that may arise out of renting the property based on direct capitalisation method.

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs (Level 2 inputs) and minimising unobservable inputs (Level 3 inputs) (based on the per square metres).

The market approach was used to value the investment property. It was valued on 30 June 2023 by Scott Fullarton FAPI, Certified Practising Valuer, API Membership No. 67557.

Infrastructure, property, plant and equipment (IPPE)

Community Land

Assets within the "Community Land" class are Council owned Community Land, and Community Land under Council's control, care, and management. Council's community land was revalued in 2022/23, based on the most recent Unimproved Capital Value (UCV), provided by the Valuer General .

Currently all Council assets in this asset class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Crown Land

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. Crown Land was revalued in 2022/23, based on the most recent Unimproved Capital Value (UCV), provided by the Valuer General .

Currently, Crown Land is valued on the UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. The total area of land as at 30 June 2023 was 101,505m². Council's operational land is valued regularly with a comprehensive valuation completed and revalued every five years. Operational land was valued in 2022/23 by Nicholas Brady AAPI (VAL, P&M), Certified Practising Valuer, API Member No. 68548. Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Remaining useful life, condition of asset, future cash flow from the use of asset are also considered when determining the fair value.

D2-1 Fair value measurement (continued)

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

Land Under Roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Land Improvements Depreciable

The land improvements asset class consists of land improvement capital works surrounding Council buildings and parks. Council values these land improvements internally using cost approach. Replacement costs (unit rates) and useful lives of Council's land improvement assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, dimensions and residual value. The condition of each asset was determined by completing field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits and pipes. Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in 2022/23.

Replacement costs (unit rates) and useful lives for Stormwater Drainage assets were determined through a combination of historic subdivision data and technical knowledge of Council staff, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, and residual value. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Other Structure (Car Park)

Council's car parks are componentised into the pavement, surface, formation and kerb & gutter for inspection and valuation. Council undertook the full revaluation of car park assets in June 2020.

The condition of each asset was determined by engineers completing field inspections using the rate 1 (Excellent) to 5 (Very Poor). Replacement costs (unit rate) of Council's car park assets were determined using technical knowledge from council engineers and managers based on current contractor cost information. The useful lives were determined using SSROC useful life as a guide. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, pattern of consumption, dimensions, components and residual value.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

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

Buildings - Non specialised and Specialised

Council engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2022/23. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of residual value, useful life, asset condition and componentisation) required extensive professional judgment and impacted significantly on the final determination of fair value, as such, these assets have been valued utilising Level 3 inputs.

D2-1 Fair value measurement (continued)

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. Council undertook the full revaluation of road assets in June 2020.

The condition of Councils roads is determined utilising a pavement condition index which is based on surface cracking, surface texture and roughness, rutting. The condition is assessed completed by external consultant Infrastructure Management Group through field inspection. This pavement condition index is converted into road technical ratings condition 1 (Excellent) to 5 (Very Poor). The replacement costs (unit rates) are determined based on current contractor cost information for different road classes and materials. Useful lives were reviewed by Council's roads engineer based on Austroads 2009 guide. Remaining useful life is based on the new condition rate and Austroads Health Indices calculated by the Council's pavement management system SMEC.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

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

Bridges

Council's bridges register consists of pedestrian, road, culvert, and vehicle access bridges. Council undertook the full revaluation of bridge assets in June 2020. The bridges were inspected and valued by an independent consultant Aurecon Australasia Pty Ltd. In order to apply fair valuation and condition based depreciation, the following information was determined by the consultant for each component:

- Condition assessment - Bridge site inspection is at component level, based on which the average condition rating at decimal format is calculated for the component. The rate is then round up or down based on Aurecon Australasia's professional methodology.
- The useful life and remaining useful life - Useful life of a component is based on primary material that the component in question is comprised of. The remaining useful life (RUL) is calculated by taking into account both condition and age and subtracting that from the design life.
- Replacement cost - The cost to replace a component to a current day equivalent.
- Residual value - For the purposes of calculating Fair Value for all bridge components at the end of their Useful Life, the RV has been assumed to be \$0 since generally there is no significant re-sale value potential for bridge components.
- Depreciation Method - For the purposes of the fair value calculation, a straight-line depreciation is adopted.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

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

Footpaths

Council's engineer completed the full valuation of the Footpath assets internally in June 2020.

Replacement costs (unit rates) are determined based on invoices for footpath construction 2019-2020 and Council's Minor Works Tender Schedule of Rates. Useful lives are reviewed using technical knowledge with no changes being implemented to existing adopted useful lives. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset are the latest condition rate is Council's asset system. The condition rates are updated per a five-year condition assessment program. Besides this, footpaths are also inspected with conditions updated as part of customer requests, authorised road opening work and Council's capital works program. Council models the footpath defects to determine an overall footpath condition rating for each footpath segment.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Kerb & Gutter

Council staff performed the valuation of the assets internally in June 2020.

The condition rates are assessed by external consultant Infrastructure Management Group through inspection and engineer's desktop assessment. Replacement costs (unit rates) are based on current contractor cost information. Useful lives are reviewed using technical knowledge with no changes being implemented to existing adopted useful lives. Some of

D2-1 Fair value measurement (continued)

the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

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

Road Structure and Street Furniture

The Road Structures and Street Furniture register comprises of all structures (e.g. traffic islands, guardrails) and furniture (e.g. bollards, signs) within Council's road network. Council staff completed the valuation of the assets internally in June 2020.

The condition of these assets are monitored during Council's routine suburbs audit, and maintained if necessary. In addition, their conditions are updated regularly following customers' requests and completion of Council's capital works program. The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

Replacement costs (unit rates) are based on current invoices, quotations Council's Minor Works Tender and Schedule of Rates and capital works handover spreadsheets. The useful lives of Council's road structures and street furniture are reviewed and updated using technical knowledge from Council engineers based on SSROC guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open Space / Recreational Assets

Council's recreational facilities register includes all assets within our sports fields, bushland and park locations. This includes but is not limited to ovals, playing courts, playgrounds, fences and fire trails.

Council staff completed the valuation of these assets internally in 2020/21 financial year. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management) and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of these assets was determined by field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

A fair value assessment was performed during the 2022/23 financial year to account for increases in inflation.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Swimming Pool

Council engages an independent valuer, Scott Fullarton Valuation Pty Ltd, to value its swimming pools. The last comprehensive valuation was performed in 2022/23. Substantial components of the pool are valued using replacement cost method. Replacement costs were determined using square metre rates and other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, components, dimensions and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor vehicles, trucks, mowers, buses, earthmoving equipment
Office Equipment – Computer equipment
Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at Fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

D2-1 Fair value measurement (continued)

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at fair value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. Valuation techniques remain the same for this reporting period. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset.

Others (Artwork, Sculptures)

Council engaged McWilliam and Associates Pty Ltd to value all artwork, memorabilia and monuments in the 2020/21 financial year and this information was updated into Council's public art register.

The valuation was completed using the replacement cost approach and market value in accordance with AASB 116. The replacement value for artworks and memorabilia was determined by the price at which the items could be purchased from a reputable dealer, gallery or retail outlet.

The replacement value for monuments was determined as the cost of replacing an asset with a similar object in a condition equal to, but not better than its condition when new. An estimate of associated costs including consultancy and site management is included in the determination of the replacement value.

Where the fair value of an asset could not be determined by sale on the open market, a depreciable replacement cost has been adopted. Other significant inputs considered in the valuation are the condition of the asset, pattern of consumption and remaining useful life.

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

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Fair value 2023	Valuation technique/s	Unobservable inputs
Community Land	972,360	NSW Valuer General	Unimproved Capital Value provided by Valuer General
Bridges	11,099	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Buildings - Specialised	104,139	Cost Approach	Useful life 10-100 years Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 4 Excellent to Poor Useful life 25-100 years Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical

D2-1 Fair value measurement (continued)

\$ '000	Fair value 2023	Valuation technique/s	Unobservable inputs
Buildings Non Specialised	4,956	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 2 - 4 Good to Poor Useful life 25-100 years Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical
Crown Land	230,334	NSW Valuer General	Unimproved Capital Value provided by Valuer General
Footpaths	59,156	Cost Approach	Replacement Cost - Unit Rates \$118 - \$517 vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 40- 100 years
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	11,639	Cost Approach	Cost vary from asset to asset Useful life 2-20 years Residual Value \$nil - \$10
Kerb and Gutter	107,287	Cost Approach	Replacement Cost - Unit Rate \$172 - \$288 vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 60-100 years
Land Improvements Depreciable	1,441	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Land Under Roads	2,462	Cost Approach / Englobo valuation	Useful life 20 years Total area (85,374,620m2) Total area LUR (20,388m2)
Library Books	3,193	Cost Approach	Englobo valuation basis (AASB116) Replacement Costs vary from asset to asset Asset Condition rating 1-5 Excellent to Very poor Useful life 10 years
Operational Land	331,588	Market Value / Cost Approach	Residual Value \$nil - \$10 Total area (101,505m2)
Other (Artworks, Sculptures)	1,030	Cost Approach	Sale price based on specialists' professional judgments and Replacement costs vary from asset to asset
Other Structures (Car park)	44,401	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 25-100 years

D2-1 Fair value measurement (continued)

\$ '000	Fair value 2023	Valuation technique/s	Unobservable inputs
Recreational Facilities	93,643	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 7-150 years
Road Structure and Street Furniture	9,568	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 10-120 years
Roads	339,388	Cost Approach	Unit Rates Surface: \$28-\$38 Pavement: \$62-\$406 Asset Condition rating 1 - 5 Excellent to Very poor Pavement useful life 60 - 100 years Surface useful life 20 - 120 years
Stormwater Drainage	187,604	Cost Approach	Replacement Cost Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 10-100 years
Swimming Pools	2,894	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1-3 Excellent to Satisfactory Useful life 100 years

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

\$ '000	Community Land		Land under Roads		Land improvements depreciable		Stormwater drainage	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	751,295	659,031	1,337	1,173	1,599	1,757	181,563	165,277
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	(4,240)	2,056	90	-	-	-	(9)	(9)
Purchases (GBV)	-	4	-	-	-	-	1,143	2,770
Disposals (WDV)	-	-	-	-	-	-	(114)	-
Depreciation and impairment	-	-	-	-	(158)	(158)	(2,237)	(1,785)
Revaluation	225,305	90,204	1,035	164	-	-	7,258	15,310
Closing balance	972,360	751,295	2,462	1,337	1,441	1,599	187,604	181,563

\$ '000	Structures (car parks)		Building specialised		Other		Roads and Bulk Earth Work	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	42,300	10,759	101,092	93,854	1,029	1,029	315,391	301,809

D2-1 Fair value measurement (continued)

\$ '000	Structures (car parks)		Building specialised		Other		Roads and Bulk Earth Work	
	2023	2022	2023	2022	2023	2022	2023	2022
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	28	(101)	–	1	–	–	(30)
Purchases (GBV)	691	28,331	3,982	3,505	–	–	8,321	8,312
Disposals (WDV)	–	–	(38)	–	–	–	–	(11)
Depreciation and impairment	(904)	(332)	(3,402)	(3,203)	–	–	(6,342)	(6,195)
Revaluation	2,314	3,514	2,606	6,936	–	–	22,017	11,506
Closing balance	44,401	42,300	104,139	101,092	1,030	1,029	339,387	315,391

D2-1 Fair value measurement (continued)

\$ '000	Bridges		Footpaths		Kerb and gutter		Road structure and street furniture	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	10,547	9,794	54,391	49,872	100,383	92,940	9,249	9,064
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	-	-	(4)	-	(8)	-	(27)
Purchases (GBV)	-	34	2,933	2,583	1,167	2,255	-	703
Disposals (WDV)	-	-	-	-	-	(31)	-	(129)
Depreciation and impairment	(240)	(229)	(1,144)	(1,071)	(1,832)	(1,714)	(363)	(362)
Revaluation	792	948	2,976	3,011	7,569	6,941	682	-
Closing balance	11,099	10,547	59,156	54,391	107,287	100,383	9,568	9,249

\$ '000	Recreational facilities		Swimming pools		Crown land		Buildings non-specialised	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	81,824	75,030	2,685	2,462	158,064	138,653	4,810	4,353
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	110	-	-	-	-	-	-	-
Purchases (GBV)	10,975	3,505	-	-	-	-	2,500	625
Disposals (WDV)	(493)	(326)	-	-	-	-	(1,759)	-
Depreciation and impairment	(3,170)	(2,924)	(33)	(30)	-	-	(164)	(168)
Revaluation	4,397	6,539	242	253	72,270	19,411	(431)	-
Closing balance	93,643	81,824	2,894	2,685	230,334	158,064	4,956	4,810

D2-1 Fair value measurement (continued)

\$ '000	Furniture and fittings		Office equipment		Plant and equipment		Operational Land	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	178	223	758	705	10,760	9,307	193,444	168,505
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	-	-	-	-	-	2,750	(2,006)
Purchases (GBV)	18	-	188	242	1,756	2,837	10,097	2,758
Disposals (WDV)	-	-	-	-	(641)	(609)	-	(3,950)
Depreciation and impairment	(37)	(45)	(194)	(189)	(1,459)	(1,315)	-	-
Revaluation	-	-	-	-	312	540	125,297	28,137
Closing balance	159	178	752	758	10,728	10,760	331,588	193,444

\$ '000	Library books		Total	
	2023	2022	2023	2022
Opening balance	3,046	3,052	2,025,745	1,798,649
Transfers from/(to) another asset class	-	-	(1,399)	-
Purchases (GBV)	739	575	44,510	59,039
Disposals (WDV)	-	-	(3,045)	(5,056)
Depreciation and impairment	(592)	(581)	(22,271)	(20,301)
Revaluation	-	-	474,641	193,414
Closing balance	3,193	3,046	2,518,181	2,025,745

Highest and best use

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

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) 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.

(ii) 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.

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

Where agreement is reached independent valuations guide the acquisition process in accordance with Council's Acquisition and Divestment of Land Policy. At reporting date, independent valuations have not yet been secured to accurately determine the value of any potential liability to Council (and subsequent land asset) from all such potential acquisitions.

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 30/6/2008.

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. KMP defined for this disclosure are elected members, general manager, directors and some managers (based on their responsibility and financial delegations).

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	3,812	3,898
Other long-term benefits	69	16
Total	3,881	3,914

Other transactions with KMP and their related parties

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

Council does not use Other transactions with KMP and their related parties.

E1-2 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	71	63
Councillors' fees	304	251
Other Councillors' expenses (including Mayor)	68	101
Total	443	415

E2 Other relationships

E2-1 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	79	69
Remuneration for audit and other assurance services	79	69
Total Auditor-General remuneration	79	69
Total audit fees	79	69

F Other matters

F1-1 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	24,841	23,931
Add / (less) non-cash items:		
Depreciation and amortisation	22,467	20,514
Net loss on disposal of assets	1,968	(770)
Non-cash capital grants and contributions	–	(543)
Gains recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(46)	(1,741)
Movements in operating assets and liabilities and other cash items:		
(Increase)/decrease in receivables	172	8,857
Increase/(decrease) in provision for doubtful debts	38	–
(Increase)/decrease in inventories	(17)	(9)
(Increase)/decrease in other assets	351	(859)
Increase/(decrease) in payables – operating	157	416
Increase / (decrease) in other liabilities	1,415	1,196
Increase / (decrease) in contract liabilities	(1,985)	543
Increase/(decrease) in employee leave entitlements	840	(72)
Net cash provided from operating activities from the Statement of Cash Flows	50,201	51,463

F2-1 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		
Buildings	471	607
Other	10,176	15,059
Total commitments	10,647	15,666
These expenditures are payable as follows:		
Within the next year	10,647	15,666
Total payable	10,647	15,666
Sources for funding of capital commitments:		
Unrestricted general funds	10,647	15,666
Total sources of funding	10,647	15,666

F3-1 Events occurring after the reporting date

In the period after balance sheet date to signing of this report, Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

F4 Statement of developer contributions as at 30 June 2023

F4-1 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					
Traffic facilities	22,924	1,585	–	–	817	(4,240)	–	21,086	–
Parking	866	–	–	–	27	(45)	–	848	–
Open space	74,956	3,806	–	–	2,183	(17,704)	–	63,241	–
Community facilities	7,573	635	–	–	245	(321)	–	8,132	–
Other	71	37	–	–	2	(29)	–	81	–
S7.11 contributions – under a plan	106,390	6,063	–	–	3,274	(22,339)	–	93,388	–
S7.12 levies – under a plan	12,586	3,999	–	–	422	(2,587)	–	14,420	–
Total S7.11 and S7.12 revenue under plans	118,976	10,062	–	–	3,696	(24,926)	–	107,808	–
Total contributions	118,976	10,062	–	–	3,696	(24,926)	–	107,808	–

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.

F4-2 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 – 1993 Plan										
Parking	866	–	–	–	27	(45)	–	848	–	
Total	866	–	–	–	27	(45)	–	848	–	
CONTRIBUTION PLAN – 2000 to 2003 Residential Plan										
Open space	566	–	–	–	12	(372)	–	206	–	
Total	566	–	–	–	12	(372)	–	206	–	
CONTRIBUTION PLAN – 2004/2009 Residential Plan										
Open space	1,098	49	–	–	31	(284)	–	894	–	
Community facilities	3,003	–	–	–	95	(47)	–	3,051	–	
Traffic and other	–	–	–	–	–	–	–	–	–	
Total	4,101	49	–	–	126	(331)	–	3,945	–	
CONTRIBUTION PLAN – 2010 Plan										
Traffic facilities	22,924	1,585	–	–	817	(4,240)	–	21,086	–	
Open space	72,928	3,757	–	–	2,128	(17,045)	–	61,768	–	
Community facilities	4,570	635	–	–	150	(274)	–	5,081	–	
Other	71	37	–	–	2	(29)	–	81	–	
Total	100,493	6,014	–	–	3,097	(21,588)	–	88,016	–	
CONTRIBUTION PLAN – Ku-ring-gai SEPP 5 Plan										
Open space	364	–	–	–	12	(3)	–	373	–	
Total	364	–	–	–	12	(3)	–	373	–	

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER – Section 7.12 levies

Indirect contribution	12,586	3,999	–	–	422	(2,587)	–	14,420	–
Total	12,586	3,999	–	–	422	(2,587)	–	14,420	–

F5 Statement of performance measures

F5-1 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	12,043	7.85%	4.90%	5.85%	4.65%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	153,505					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	136,078	80.87%	82.70%	82.03%	83.83%	> 60.00%
Total continuing operating revenue	168,266					
3. Unrestricted current ratio						
Current assets less all external restrictions ²	85,662	3.35x	2.81x	2.30x	3.42x	> 1.50x
Current liabilities less specific purpose liabilities ³	25,545					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	35,953	7.16x	26.29x	30.56x	20.06x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,020					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	4,479	4.53%	4.27%	3.62%	4.12%	< 5.00%
Rates and annual charges collectable	98,922					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	151,064	13.47 months	16.02 months	15.52 months	15.95 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	11,211					

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

(2) Refer Note C1. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Note C3 - excludes all loans, payables and provisions not expected to be paid in the next 12 months (incl.ELE).

End of the audited financial statements

G Additional Council disclosures (unaudited)

G1-1 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 7.85%

Council's Performance Ratio is above the benchmark of (0%), which means that Council can contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The increase from the previous year is mainly due to increased operating grants and additional interest earned during the financial year.

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 80.87%

Council's Own Source Operating Revenue Ratio has remained stable and above the benchmark of (>60%) in the last four years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.

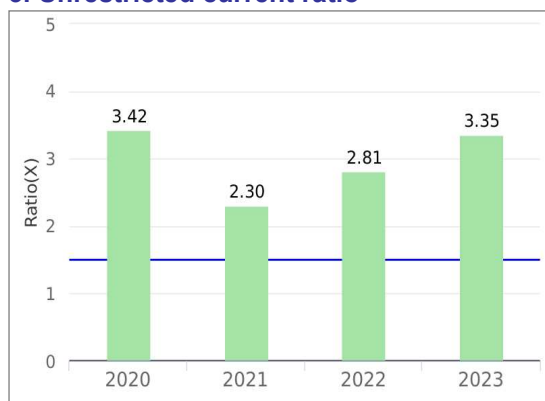
Benchmark: — > 60.00%

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 3.35x

Council's Unrestricted Current Ratio is above the benchmark of >1.5x and has been outperforming the benchmark for the last four years. The ratio saw an increase from previous year mainly due to an increase in net current assets. Council's liquidity is good, and it can readily pay its debts as they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 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 7.16x

The Debt Service Cover Ratio has decreased from the previous year but remains above the benchmark of 2x. This is mainly due to increased principal and interest repayments on Council's current loans compared to the previous years.

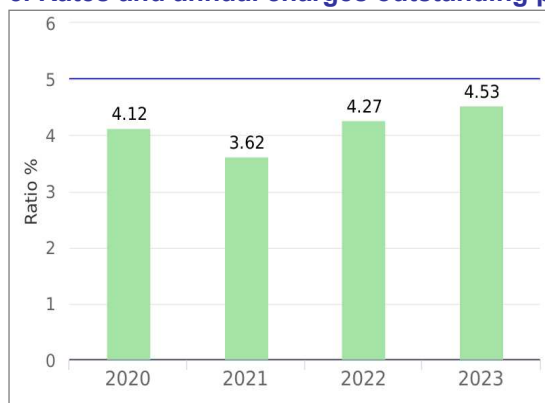
Benchmark: — > 2.00x

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 4.53%

The rates and annual charges outstanding ratio of 4.53% is satisfactory and is better than the benchmark of "less than 5%". A slight increase from the previous year is noticed mainly due to additional outstanding rates during the period. Council will continue to monitor uncollected rates and actively engage in debt recovery processes to ensure these are maintained within the current benchmark.

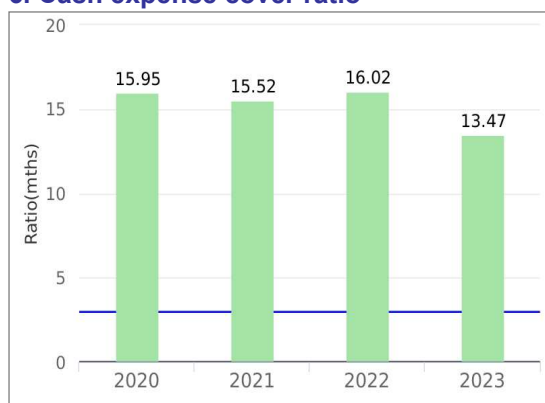
Benchmark: — < 5.00%

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 13.47 months

Council's Cash Expense Cover Ratio is satisfactory and remains above the benchmark of "greater than 3 months". The decrease from previous year's is primarily due to a decrease in overall cash, cash equivalents and long term deposits.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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



Mary Yuen
Delegate of the Auditor-General for New South Wales

22 September 2023
SYDNEY



Mr Sam Ngai
 Mayor
 Ku-ring-gai Council
 Locked Bag 1056
 PYMBLE NSW 2073

Contact: Mary Yuen
 Phone no: 02 9275 7215
 Our ref: R008-16585809-44653

22 September 2023

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2023
 Ku-ring-gai Council**

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

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

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

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	94.6	92.5	↑ 2.3
Grants and contributions revenue	32.2	26.2	↑ 22.7
Operating result from continuing operations	24.8	23.9	↑ 3.8
Net operating result before capital grants and contributions	10.1	9.2	↑ 9.9

The Council's operating result from continuing operations (\$24.8 million including depreciation and amortisation expense of \$22.5 million) was \$0.9 million higher than the 2021–22 result.

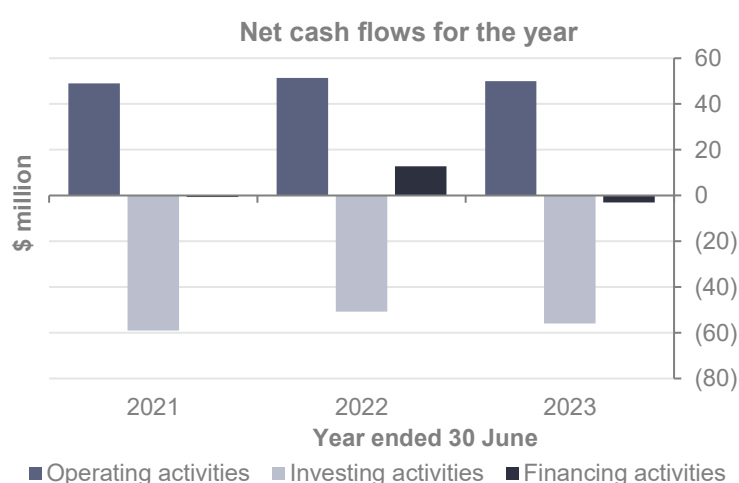
The net operating result before capital grants and contributions (\$10.1 million) was \$0.9 million higher than the 2021–22 result. This result includes an increase in rates and annual charges (\$2.1 million), an increase in user charges and fees (\$3.6 million) and an increase in grants and contribution revenue (\$6 million) offset by increase in materials and services cost (\$6 million), employee benefits and on-costs (\$1.6 million).

Rates and annual charges revenue (\$94.6 million) increased by \$2.1 million (2.3 per cent) in 2022–23 due to rate peg and natural growth in rateable properties.

Grants and contributions revenue (\$32.2 million) increased by \$6 million (23 per cent) in 2022–23 due to additional grant funding received.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities decreased by \$1.2 million in FY2022–23 due to an increase in payment to employees, payment for materials and services and borrowing costs which is offset by increase in rates and annual charges and user charges income during the year.
- Council's cash outflows from investing activities increased by \$5.4 million in FY2022–23 primarily due to additional investment in securities during the year.
- Net cash from financing activities decreased by \$16.4 million in FY2022–23 as no further borrowings were drawn in the current year. The current year outflow is largely due to a repayment of borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	213.4	218.7	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted funds decreased by \$13.8 million as a result of reduced developer contributions and reductions in external loans.
Restricted cash and investments:			
• External restrictions	147.6	161.4	<ul style="list-style-type: none"> • Internally restricted cash and investments have been restricted in use by resolution or by a policy of
• Internal restrictions	60.9	51.2	

Cash and investments	2023	2022	Commentary
	\$m	\$m	
• Unrestricted	4.9	6.1	<p>Council to reflect identified programs of works and any forward plans identified by Council. Internal restrictions for infrastructure and facilities have increased.</p> <ul style="list-style-type: none"> • Council's unrestricted cash balance has decreased year on year in the normal course of business, with its overall cash balance being relatively consistent and healthy.

Debt

At 30 June 2023, Council recognised \$30.8 million in loans (30 June 2022: \$34.4 million). Council's loans are secured over the general rating income of Council.

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, Industry and Environment.

Operating performance ratio

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

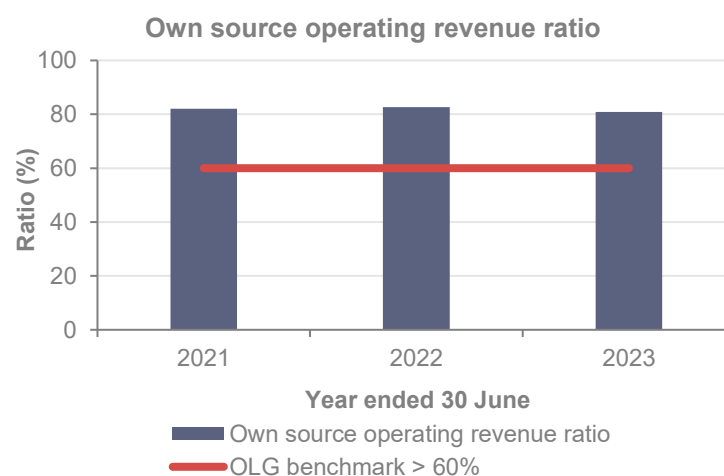
The Council exceeded the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

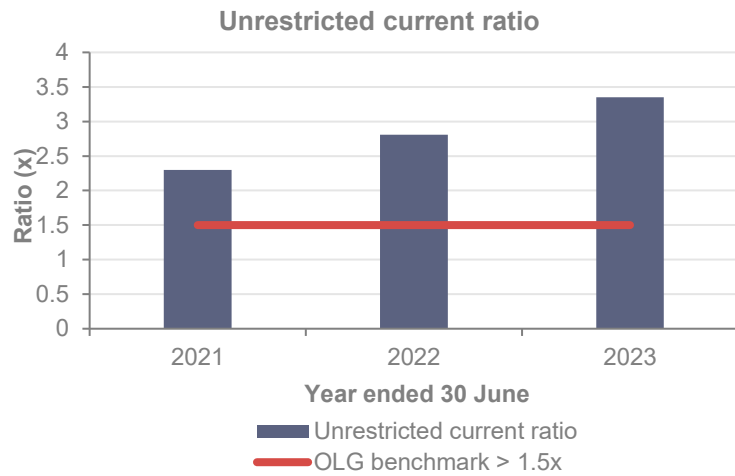
The Council exceeded the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

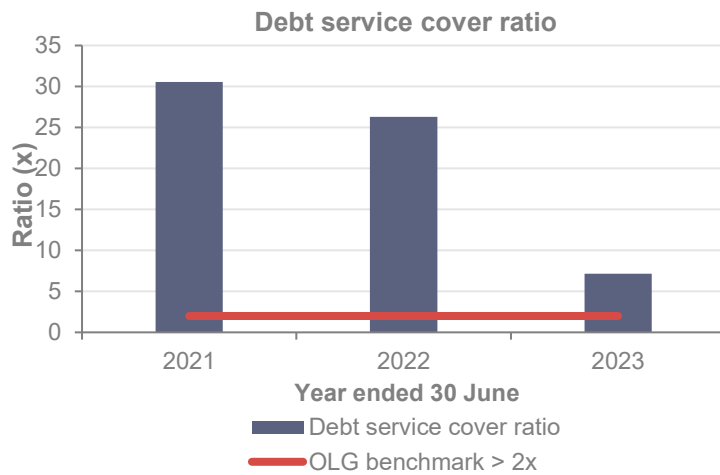
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

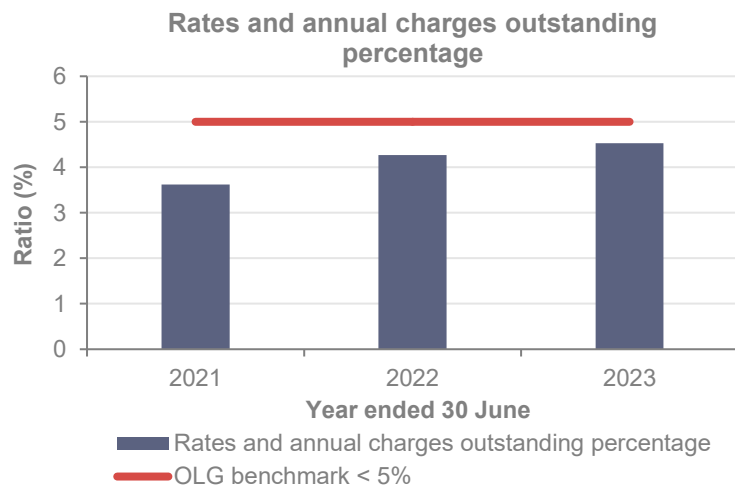
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.

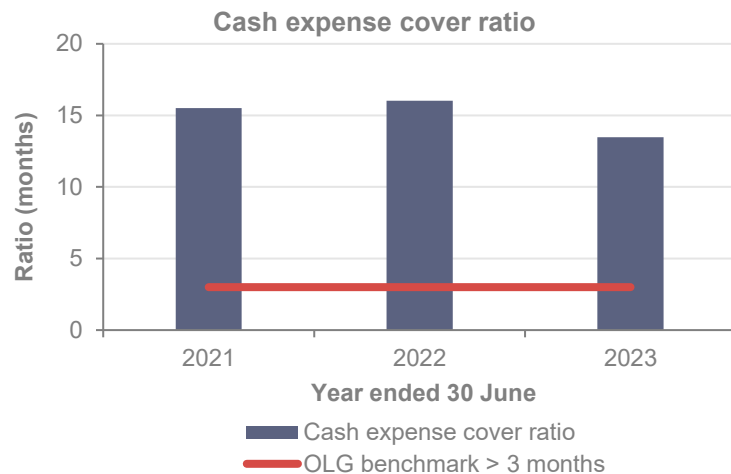
The Council exceeded the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council renewed \$22.7 million of infrastructure, property, plant and equipment during the 2022–23 financial year. This was mainly spent on roads, recreational assets and plant and equipment. A further \$30.8 million was spent on new assets, with this being attributed to operational land, additions to non-specialised buildings, investment in recreational assets and a large amount of projects still being in capital works in progress at 30 June 2023.

OTHER MATTERS

Legislative compliance

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

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

Mary Yuen
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr David Marshall, Acting General Manager
Mr Brian Hrnjak, Chair of Audit, Risk and Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning and Environment

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
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Income Statement of Trade Waste	4
Statement of Financial Position of Trade Waste	5
Note – Significant Accounting Policies	6
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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).

Ku-ring-gai Council

Special Purpose Financial Statements for the year ended 30 June 2023

Statement by Councillors and Management

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 19 September 2023.



Sam Ngai

Mayor

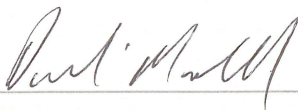
19 September 2023



Christine Kay

Deputy Mayor

19 September 2023



David Marshall

Acting General Manager

19 September 2023



Angela Apostol

Responsible Accounting Officer

19 September 2023

Ku-ring-gai Council

Income Statement of Trade Waste

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	1,997	1,889
Other income	181	137
Total income from continuing operations	2,178	2,026
Expenses from continuing operations		
Employee benefits and on-costs	79	47
Materials and services	1,186	1,096
Other expenses	–	22
Total expenses from continuing operations	1,265	1,165
Surplus (deficit) from continuing operations before capital amounts	913	861
Surplus (deficit) from continuing operations after capital amounts	913	861
Surplus (deficit) from all operations before tax	913	861
Less: corporate taxation equivalent (25%) [based on result before capital]	(228)	(215)
Surplus (deficit) after tax	685	646
Plus accumulated surplus	570	565
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	228	215
Less:		
– Dividend paid	(932)	(856)
Closing accumulated surplus	551	570
Return on capital %	116.0%	110.1%

Ku-ring-gai Council

Statement of Financial Position of Trade Waste

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	787	782
Total non-current assets	787	782
Total assets	787	782
LIABILITIES		
Current liabilities		
Payables	106	125
Employee benefit provisions	130	87
Total current liabilities	236	212
Total liabilities	236	212
Net assets	551	570
EQUITY		
Accumulated surplus	551	570
Total equity	551	570

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 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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

(where gross operating turnover is over \$2 million)

Nil

Category 2

(where gross operating turnover is less than \$2 million)

Trade Waste

Comprising the whole of the operations and assets of Trade Waste.

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.

Note – Significant Accounting Policies (continued)

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):

Corporate income tax rate – 25% (21/22 25%)

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 corporate income tax rate, currently 25%. (21/22 25%)

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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.

Loan and debt guarantee fees

There are no loans applicable to the business activity in the operating statement.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when 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.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of the reported business activity.

(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'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective 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.

(iii) Dividends

Council is not required to pay dividends to either itself or to any external entities.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Ku-ring-gai 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 Activity of the Council is:

- Trade waste.

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.



Mary Yuen
Delegate of the Auditor-General for New South Wales

22 September 2023
SYDNEY

Ku-ring-gai Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

Special Schedules

for the year ended 30 June 2023

Contents

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Special Schedules:

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2023 6

Special Schedules are not audited (with the exception of the Permissible income for general rates Statement).

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as:

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS)
- the Office of Local Government (OLG)

(ii) The financial data is collected for various users including:

- the allocation of Financial Assistance Grants
- the incorporation of Local Government financial figures in national statistics
- the monitoring of loan approvals
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

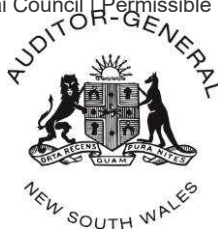
Ku-ring-gai Council

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	70,388	72,357
Plus or minus adjustments ²	b	190	18
Notional general income	c = a + b	70,578	72,375
Permissible income calculation			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	i = e x c	1,764	2,678
Sub-total	k = (c + i)	72,342	75,053
Plus (or minus) last year's carry forward total	l	190	175
Sub-total	n = l	190	175
Total permissible income	o = k + n	72,532	75,228
Less notional general income yield	p	72,357	74,721
Catch-up or (excess) result	q = o - p	175	507
Carry forward to next year ⁵	t = q	175	507

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)*.
- (5) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Ku-ring-gai 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.



Mary Yuen
Delegate of the Auditor-General for New South Wales

22 September 2023
SYDNEY

Ku-ring-gai Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^c	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 ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	All Council Buildings	747	9,984	3,930	4,402	109,095	196,920	25.0%	8.9%	61.0%	5.1%	0.0%
	Sub-total	747	9,984	3,930	4,402	109,095	196,920	25.0%	8.9%	61.0%	5.1%	0.0%
Other structures (Car Parks)	Other structures (Car Parks)	1,754	4,461	700	288	44,401	53,128	57.3%	9.2%	25.2%	3.8%	4.5%
	Sub-total	1,754	4,461	700	288	44,401	53,128	57.3%	9.2%	25.2%	3.8%	4.5%
Roads	Roads	25,251	96,027	1,930	1,531	252,569	385,341	9.7%	38.7%	26.7%	19.4%	5.5%
	Bridges	298	1,069	80	15	11,099	17,069	2.2%	80.9%	10.6%	4.6%	1.6%
	Footpaths	1,220	5,388	1,280	892	59,156	85,388	32.7%	22.6%	38.3%	5.5%	0.8%
	Other Road Assets (Incl. Bulk Earthworks)	2,299	9,668	1,160	990	203,673	308,227	29.8%	8.4%	58.7%	2.6%	0.5%
	Sub-total	29,068	112,152	4,450	3,428	526,497	796,025	19.8%	26.1%	40.0%	11.1%	3.0%

Ku-ring-gai Council

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

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^c	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 ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Stormwater drainage	66,050	194,148	1,570	847	187,604	447,965	5.5%	7.5%	43.7%	25.4%	17.9%
	Sub-total	66,050	194,148	1,570	847	187,604	447,965	5.5%	7.5%	43.7%	25.4%	17.9%
Open space / recreational assets	Swimming Pools & Recreational Assets	460	2,520	7,070	7,235	96,537	158,003	8.9%	19.6%	70.0%	1.5%	0.0%
	Sub-total	460	2,520	7,070	7,235	96,537	158,003	8.9%	19.6%	70.0%	1.5%	0.0%
	Total – all assets	98,079	323,265	17,720	16,200	964,134	1,652,041	16.7%	17.8%	45.9%	13.1%	6.5%

(a) The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community.

(b) The estimated cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by Council.

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Ku-ring-gai 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 ¹						
Asset renewals ¹	20,023					
Depreciation, amortisation and impairment	19,831	100.97%	107.76%	110.66%	86.36%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	98,079					
Net carrying amount of infrastructure assets ²	1,007,852	9.73%	2.99%	2.80%	2.97%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	16,200					
Required asset maintenance	17,720	91.42%	95.28%	105.96%	114.03%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	323,265					
Gross replacement cost	1,652,041	19.57%	8.20%	7.47%	7.75%	< 0.00%

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

(1) Excludes Work In Progress (WIP) in 2020

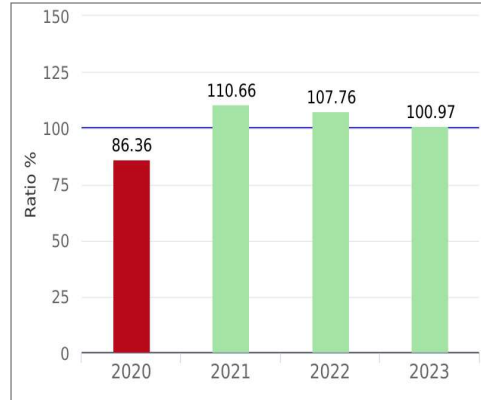
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) Includes Work In Progress (WIP)

Ku-ring-gai 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	100.97%
The ratio is lower than the previous year due to the increase in depreciation. The ratio is above the benchmark of 100%. Council will continue to focus on appropriate assets standards for renewal and maintenance of its assets and prioritise renewal capital works programs.	

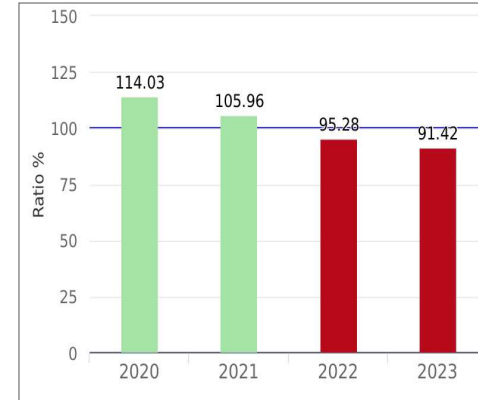
Benchmark: — $\geq 100.00\%$

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	91.42%
A ratio above 100% indicates that the Council is investing enough funds within the year to ensure assets reach their useful lives. The ratio decreased as result of a larger asset portfolio value from indexation and a review of actual maintenance costs. Council is committed to increase expenditure on asset maintenance in future to maintain its infrastructure assets in satisfactory condition in the long term.	

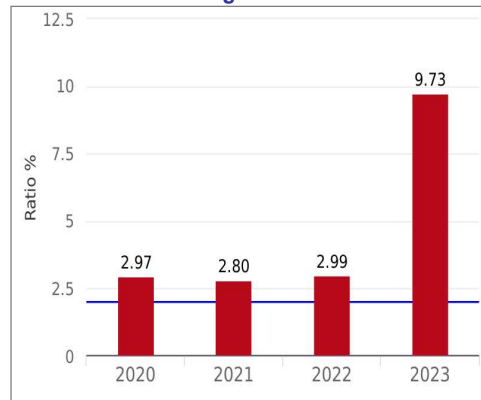
Benchmark: — $> 100.00\%$

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 net value of a Council's infrastructure.

Commentary on result	
22/23 ratio	9.73%
There is an increase in the ratio when compared to last financial year, mainly due to the reassessment of the useful life and asset condition of stormwater drainage assets. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.	

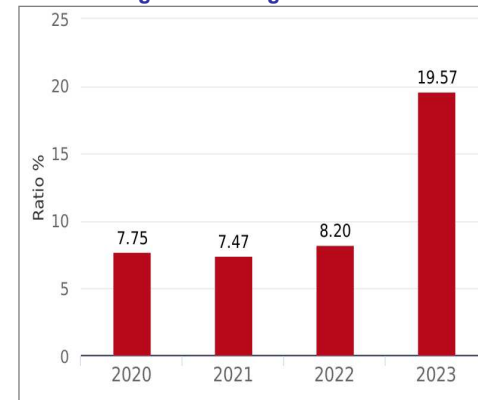
Benchmark: — $< 2.00\%$

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	19.57%
The ratio is an estimate of the cost to renew existing assets that have reached the condition-based intervention level. The ratio increased on prior years mainly due to the reassessment of the useful life and asset condition of drainage assets. Council is committed to increase expenditure on asset renewals in future years and reduce the cost to bring assets to agreed level of service. This is reflected in Council's Long Term Financial Plan and Asset Management Strategy.	

Benchmark: — $< 0.00\%$

Source of benchmark:

Ratio achieves benchmark

Ratio is outside benchmark

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