



Annual Financial Statements

For the year ended 30 June 2022

Ku-ring-gai Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

"...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 2022

"...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 2022

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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: <http://www.kmc.nsw.gov.au>.

Ku-ring-gai Council

General Purpose Financial Statements

for the year ended 30 June 2022

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 2022.

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 2022

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:

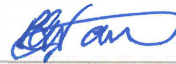
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 20 September 2022.




Jeff Pettett
Mayor
20 September 2022



Barbara Ward
Deputy Mayor
20 September 2022



John McKee
General Manager
20 September 2022



Angela Apostol
Responsible Accounting Officer
20 September 2022

Ku-ring-gai Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
92,689	Rates and annual charges	B2-1	92,508	90,853
20,133	User charges and fees	B2-2	18,053	20,661
5,043	Other revenues	B2-3	4,608	5,066
8,281	Grants and contributions provided for operating purposes	B2-4	11,483	9,453
17,902	Grants and contributions provided for capital purposes	B2-4	14,757	18,494
2,413	Interest and investment income	B2-5	2,883	3,381
7,244	Other income	B2-6	9,167	7,572
1,900	Net gain from the disposal of assets	B4-1	770	–
155,605	Total income from continuing operations		154,229	155,480
	Expenses from continuing operations			
46,190	Employee benefits and on-costs	B3-1	44,312	42,992
61,041	Materials and services	B3-2	61,515	62,025
458	Borrowing costs	B3-3	401	304
21,573	Depreciation, amortisation and impairment of non financial assets	B3-4	20,514	20,380
4,006	Other expenses	B3-5	3,556	3,286
–	Net loss from the disposal of assets	B4-1	–	909
133,268	Total expenses from continuing operations		130,298	129,896
22,337	Operating result from continuing operations		23,931	25,584
22,337	Net operating result for the year attributable to Council		23,931	25,584
4,435	Net operating result for the year before grants and contributions provided for capital purposes		9,174	7,090

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 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		23,931	25,584
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	C1-6	<u>193,414</u>	<u>211,594</u>
Total items which will not be reclassified subsequently to the operating result		193,414	211,594
Total other comprehensive income for the year		193,414	211,594
Total comprehensive income for the year attributable to Council		217,345	237,178

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 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	22,784	9,303
Investments	C1-2	85,500	83,820
Receivables	C1-4	15,199	24,023
Inventories	C1-5	252	243
Other		3,544	2,685
Total current assets		127,279	120,074
Non-current assets			
Investments	C1-2	110,440	103,550
Receivables	C1-4	92	125
Infrastructure, property, plant and equipment (IPPE)	C1-6	2,060,514	1,845,005
Investment property	C1-7	49,760	47,173
Intangible assets	C1-8	761	864
Right of use assets	C2-1	2,036	2,255
Total non-current assets		2,223,603	1,998,972
Total assets		2,350,882	2,119,046
LIABILITIES			
Current liabilities			
Payables	C3-1	22,576	21,297
Contract liabilities	C3-2	17,458	16,915
Lease liabilities	C2-1	93	78
Borrowings	C3-3	3,535	19,460
Employee benefit provisions	C3-4	11,759	11,925
Total current liabilities		55,421	69,675
Non-current liabilities			
Lease liabilities	C2-1	2,019	2,233
Borrowings	C3-3	30,825	1,960
Employee benefit provisions	C3-4	415	321
Total non-current liabilities		33,259	4,514
Total liabilities		88,680	74,189
Net assets		2,262,202	2,044,857
EQUITY			
Accumulated surplus		947,889	923,958
IPPE revaluation reserve		1,314,313	1,120,899
Total equity		2,262,202	2,044,857

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 2022

\$ '000	Notes	as at 30/06/22			as at 30/06/21		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		923,958	1,120,899	2,044,857	898,374	909,305	1,807,679
Opening balance		923,958	1,120,899	2,044,857	898,374	909,305	1,807,679
Net operating result for the year		23,931	–	23,931	25,584	–	25,584
Net operating result for the period		23,931	–	23,931	25,584	–	25,584
Other comprehensive income							
– Gain on revaluation of IPP&E	C1-6	–	193,414	193,414	–	211,594	211,594
Other comprehensive income		–	193,414	193,414	–	211,594	211,594
Total comprehensive income		23,931	193,414	217,345	25,584	211,594	237,178
Closing balance at 30 June		947,889	1,314,313	2,262,202	923,958	1,120,899	2,044,857

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 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
92,659	Rates and annual charges		91,904	91,105
20,133	User charges and fees		9,792	33,928
2,413	Interest received		3,130	4,055
26,608	Grants and contributions		43,885	14,615
–	Bonds, deposits and retentions received		4,414	4,669
1,458	Other		12,340	10,058
7,244	Rental Income		7,426	7,572
3,425	Fines		2,161	2,687
<i>Payments:</i>				
(44,884)	Payments to employees		(44,476)	(42,638)
(45,628)	Payments for materials and services		(67,259)	(68,349)
(458)	Borrowing costs		(401)	(304)
–	Bonds, deposits and retentions refunded		(2,536)	(2,477)
(21,570)	Other		(5,628)	(3,225)
(3,784)	Contributions/levies to other levels of government		(3,289)	(3,107)
37,616	Net cash provided in operating activities	G1-1	51,463	48,589
Cash flows from investing activities				
<i>Receipts:</i>				
79,750	Sale of investments		76,000	69,500
1,900	Proceeds from sale of IPPE		5,827	1,518
<i>Payments:</i>				
(63,330)	Purchase of investments		(84,290)	(70,050)
–	Transfer of term deposits		(280)	(8,820)
–	Purchase of investment property		(846)	(1,003)
(75,833)	Payments for IPPE		(47,243)	(50,305)
–	Purchase of intangible assets		–	(45)
(57,513)	Net cash (used in) investing activities		(50,832)	(59,205)
Cash flows from financing activities				
<i>Receipts:</i>				
13,500	Proceeds from borrowings		13,500	–
<i>Payments:</i>				
(1,903)	Repayment of borrowings		(560)	(560)
(65)	Principal component of lease payments		(90)	(75)
11,532	Net cash flow (used in) financing activities		12,850	(635)
(8,365)	Net increase (decrease) in cash and cash equivalents		13,481	(11,251)
24,382	Cash and cash equivalents at beginning of year		9,303	20,554
16,017	Cash and cash equivalents at end of year	C1-1	22,784	9,303
112,257	plus: Investments on hand at end of year	C1-2	195,940	187,370
128,274	Total cash, cash equivalents and investments		218,724	196,673

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 20 September 2022.

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 C1-7,
- (ii) estimated fair values of infrastructure, property, plant and equipment refer Note C1-6,
- (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.

COVID 19 Impact

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. Council continued to respond to the COVID-19 pandemic with many of Council's services adapted to comply with public health orders and to meet emerging needs in the community.

This Pandemic has had a financial impact for Council in the financial year ended 30 June 2022, which was reported by Council during the year, and is expected to further impact the following financial year. As at the end of the current reporting period Council estimated a loss from COVID 19 of approximately \$1.2m mainly from the use of the fitness and aquatic centre, sportsfields, income from parking and other fines. No material changes have been noted in asset values and collection of rates.

A1-1 Basis of preparation (continued)

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

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 2022 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 the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2021:

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

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Access, Traffic and Transport	4,121	3,397	1,840	2,055	2,281	1,342	2,017	1,107	3,198	2,138
Community, People and Culture	10,906	12,317	22,999	23,655	(12,093)	(11,338)	3,268	3,280	68,403	65,932
Leadership and Governance	85,017	80,905	22,870	22,995	62,147	57,910	5,321	3,918	328,368	293,689
Local Economy and Employment	2	2	176	204	(174)	(202)	3	2	11,684	11,504
Natural Environment	23,552	22,703	31,203	28,327	(7,651)	(5,624)	1,062	617	14,581	13,897
Places, Spaces and Infrastructure	30,631	36,156	51,210	52,660	(20,579)	(16,504)	14,569	19,023	1,924,648	1,731,886
Total functions and activities	154,229	155,480	130,298	129,896	23,931	25,584	26,240	27,947	2,350,882	2,119,046

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	2022	2021
Ordinary rates		
Residential	33,064	32,363
Business	4,520	4,519
Less: pensioner rebates	(598)	(609)
Pensioner rate subsidies received	236	241
Total ordinary rates	37,222	36,514
Special rates		
Environmental levy	3,220	3,161
Infrastructure levy	29,458	28,847
Less: pensioner rebates	(164)	(166)
Total special rates	32,514	31,842
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	21,909	21,640
Stormwater management services	1,023	1,018
Section 611 charges	85	91
Less: pensioner rebates	(401)	(414)
Pensioner subsidies received:		
– Domestic waste management	156	162
Total annual charges	22,772	22,497
Total rates and annual charges	92,508	90,853

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	2022	2021
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	2,394	1,994
Certificates	2	826	820
DA advertising fees	2	2	7
Driveway application fees	2	704	1,162
Outstanding notices	2	214	218
Regulatory application fees	2	410	410
Tree preservation charges	2	93	86
Total fees and charges – statutory/regulatory		4,643	4,697
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Art centre	2	254	384
Bus shelters	2	–	77
Compliance Levy	2	530	516
Golf courses (Gordon and Turramurra)	2	1,942	2,345
Halls	2	331	352
Holiday activities	2	299	387
Leaseback fees – Council vehicles	2	419	419
Restoration charges	2	849	1,586
Library	2	51	68
Nursery and wildflower garden	2	53	74
Parks	2	1,050	1,493
Showground	2	118	126
Swimming centre	2	3,058	4,196
Tennis courts	2	873	574
Thomas Carlyle children centre and family day care	2	934	1,065
Trade waste charges	2	1,889	1,812
Other	2	760	489
Total fees and charges – other		13,410	15,964
Total other user charges and fees		18,053	20,661
Total user charges and fees		18,053	20,661
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)		18,053	20,661
Total user charges and fees		18,053	20,661

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	2022	2021
Fines – parking	2	1,404	1,700
Fines – other	2	757	987
Legal fees recovery – other	2	210	244
Commissions and agency fees	2	7	8
Credit card surcharge	2	166	177
Dog registration fees	2	109	118
Insurance claims recoveries	2	1	417
Domestic waste other income	2	216	219
Other	2	840	477
Licence income	2	411	252
Program fees	2	89	157
Recycling income (non-domestic)	2	398	285
Legal proceedings settlements	2	–	25
Total other revenue		4,608	5,066
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		4,608	5,066
Total other revenue		4,608	5,066

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 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	2,046	1,827	-	-
Payment in advance - future year allocation					
Financial assistance	2	3,145	1,956	-	-
Amount recognised as income during current year		5,191	3,783	-	-
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Better waste and recycling fund	1	217	169	-	-
Pensioners' rates subsidies:					
Community care	2	57	43	-	-
Community centres	2	1,881	2,112	-	-
Environmental protection	1	850	526	126	93
Library	2	378	362	16	17
NSW rural fire services	2	58	58	-	-
Recreation and culture	1	21	14	2,956	6,076
Storm/flood damage		-	-	1,000	-
Road safety	2	785	576	3,836	3,930
Street lighting	2	305	305	-	-
Transport	2	42	42	783	704
Previously contributions:					
Contribution to works	2	1,698	1,463	36	50
Total special purpose grants and non-developer contributions – cash		6,292	5,670	8,753	10,870
Non-cash contributions					
Roads and bridges		-	-	543	-
Total other contributions – non-cash		-	-	543	-
Total special purpose grants and non-developer contributions (tied)		6,292	5,670	9,296	10,870
Total grants and non-developer contributions		11,483	9,453	9,296	10,870
Comprising:					
– Commonwealth funding		2,517	2,563	2,364	2,788
– State funding		8,966	6,890	6,389	8,082
– Other funding		-	-	543	-
		11,483	9,453	9,296	10,870

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services						
		2	–	–	5,461	7,624
Total developer contributions – cash			–	–	5,461	7,624
Total developer contributions			–	–	5,461	7,624
Total contributions			–	–	5,461	7,624
Total grants and contributions			11,483	9,453	14,757	18,494
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			170	140	1,173	1,839
Grants and contributions recognised at a point in time (2)			11,313	9,313	13,584	16,655
Total grants and contributions			11,483	9,453	14,757	18,494

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 2022	Operating 2021	Capital 2022	Capital 2021
Operating & Capital grants				
Unspent funds at 1 July	3,860	2,351	–	–
Add: operating grants recognised as income in the current period but not yet spent	20,038	3,488	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(9,822)	(1,979)	–	–
Unexpended and held as externally restricted assets (operating & capital grants)	14,076	3,860	–	–
Contributions				
Unspent funds at 1 July	126,146	136,347	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(7,170)	(10,201)	–	–
Unspent contributions at 30 June	118,976	126,146	–	–

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	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	153	50
– Cash and investments	2,730	3,331
Total interest and investment income (losses)	2,883	3,381
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	153	50
General Council cash and investments	643	623
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1,647	2,238
Restricted investments/funds – internal:		
Internally restricted assets	440	470
Total interest and investment revenue recognised	2,883	3,381

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investments			
Fair value increment on investments through profit and loss		1,741	–
Total Fair value increment on investments		1,741	–
Rental income			
Investment properties			
Lease income relating to variable lease payments not dependent on an index or a rate		2,807	2,992
Total Investment properties		2,807	2,992
Other lease income			
Community and Commercial rental		4,619	4,580
Total other lease income		4,619	4,580
Total rental income	C2-2	7,426	7,572
Total other income		9,167	7,572

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	35,925	34,600
Employee leave entitlements (ELE)	4,986	5,005
Superannuation	4,080	3,987
Workers' compensation insurance	918	1,203
Fringe benefit tax (FBT)	284	242
Other	121	124
Total employee costs	46,314	45,161
Less: capitalised costs	(2,002)	(2,169)
Total employee costs expensed	44,312	42,992

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	2022	2021
Advertising		260	255
Audit Fees	E2-1	69	67
Bank charges		328	330
Commissions and management fees		277	868
Computer software charges		2,089	1,821
Conferences		62	61
Contractor and consultancy costs		41,894	40,952
Corporate events		32	36
Councillor and Mayoral fees and associated expenses	E1-2	415	371
Family day care (child care assistance)		657	684
Election expenses		701	–
Electricity and heating		877	1,009
External plant hire		101	105
Insurance		1,796	1,628
Insurance excess		55	43
Lease expense		178	357
Other expenses		1,487	1,647
Postage		230	266
Rate issue costs		45	46
Raw materials and consumables		3,029	3,763
Rental rebates		1,989	1,992
Street lighting		1,667	1,525
Subscriptions and publications		279	323
Sydney water		285	278
Telephone and communications		395	444
Training costs (other than salaries and wages)		238	207
Valuation fees		218	238
Vehicle registration		185	185
Legal expenses:			
– Legal expenses: planning and development		1,400	2,035
– Legal expenses: other		84	193
Expenses from leases of low value assets		193	296
Total materials and services		61,515	62,025

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
Interest bearing liability costs		
Interest on leases	24	38
Interest on loans	377	266
Total interest bearing liability costs expensed	401	304
Total borrowing costs expensed	401	304

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	2022	2021
Depreciation and amortisation			
Plant and equipment		1,315	1,266
Office equipment		189	219
Furniture and fittings		45	46
Land improvements (depreciable)		158	169
Infrastructure:	C1-6		
– Buildings – non-specialised		168	161
– Buildings – specialised		3,203	3,091
– Other structures		332	313
– Roads		8,271	8,437
– Bridges		229	229
– Footpaths		1,071	1,062
– Stormwater drainage		1,785	1,725
– Swimming pools		30	30
– Other open space/recreational assets		2,924	2,773
Right of use assets	C2-1	110	115
Other assets:			
– Library books		581	597
– Other		–	39
Intangible assets	C1-8	103	108
Total depreciation and amortisation costs		20,514	20,380
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		20,514	20,380

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	2022	2021
Impairment of receivables			
User charges and fees		50	15
Total impairment of receivables	C1-4	50	15
Other			
Contributions/levies to other levels of government			
– Department of planning levy		456	455
– Emergency services levy (includes FRNSW, SES, and RFS levies)		2,833	2,652
Donations, contributions and assistance to other organisations (Section 356)		217	164
Total other expenses		3,556	3,286

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	2022	2021
Plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		827	1,518
Less: carrying amount of plant and equipment assets sold and written off		(609)	(1,260)
Net gain on disposal		218	258
Infrastructure Assets			
	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure and other assets sold and written off		(498)	(1,167)
Net loss on disposal		(498)	(1,167)
Financial Assets			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		76,000	69,500
Less: carrying amount of financial assets sold/redeemed/matured		(76,000)	(69,500)
Gain (or loss) on disposal		–	–
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		770	(909)

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 15 June 2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Operating grants and contributions	8,281	11,483	3,202	39% F
Favourable mainly due to unbudgeted grants (\$2.9m) and contribution to emergency services levy (\$0.8m) partly offset by budgeted grants yet to be received (\$0.5m).				
Capital grants and contributions	17,902	14,757	(3,145)	(18)% U
Unfavourable mainly due to less than budgeted development contributions received (\$4.4m) partly offset by unbudgeted grants received for Community Infrastructure.				
Net gains from disposal of assets	1,900	770	(1,130)	(59)% U
Unfavourable variance due to budgeted asset sales related to infrastructure asset renewal being deferred.				
Expenses				
Borrowing costs	458	401	57	12% F
Mainly due to timing of the loan drawdown for St Ives Indoor Basketball Courts.				
Statement of cash flows				
Cash flows from investing activities	(57,513)	(50,832)	6,681	(12)% F
Actual cash outflow from investing activities less than budget mainly due to reduced expenditure on capital works compared to budget and increased proceeds from sale of IPPE. Reduced expenditure is mainly due to incomplete capital works at end of financial year which are carried forward to the following year.				
Cash flows from financing activities	11,532	12,850	1,318	11% F
Favourable mainly due to new loan for St Ives Indoor Basketball Courts taken out later in the year than planned.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	22,784	9,303
Total cash and cash equivalents	22,784	9,303

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	22,784	9,303
Balance as per the Statement of Cash Flows	22,784	9,303

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Long term deposits	77,000	66,100	77,820	65,000
FRN's (with maturities > 3 months)	8,500	44,340	6,000	38,550
Total	85,500	110,440	83,820	103,550
Total financial investments	85,500	110,440	83,820	103,550
Total cash assets, cash equivalents and investments	108,284	110,440	93,123	103,550

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	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	218,724	196,673
Less: Externally restricted cash, cash equivalents and investments	<u>(161,439)</u>	<u>(147,161)</u>
Cash, cash equivalents and investments not subject to external restrictions	57,285	49,512
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>11,650</u>	2,232
External restrictions – included in liabilities	11,650	2,232
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	<u>118,976</u>	126,146
Specific purpose unexpended grants (recognised as revenue) – general fund	<u>2,426</u>	1,628
Environmental levy	<u>3,809</u>	3,568
Other (External Loan)	<u>12,766</u>	–
Domestic waste management	<u>11,812</u>	13,587
External restrictions – other	149,789	144,929
Total external restrictions	161,439	147,161

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	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	57,285	49,512
Less: Internally restricted cash, cash equivalents and investments	<u>(51,195)</u>	<u>(42,977)</u>
Unrestricted and unallocated cash, cash equivalents and investments	6,090	6,535
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Employees leave entitlement	<u>3,017</u>	2,650
Carry over works	<u>4,069</u>	3,074

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

\$ '000	2022	2021
Deposits, retentions and bonds	670	670
Infrastructure and facilities	37,337	34,245
Other	6,102	2,338
Total internal allocations	51,195	42,977

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	6,090	6,535

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	3,776	60	3,152	80
Interest and extra charges	231	32	154	45
User charges and fees	2,928	–	2,570	–
Accrued revenues				
– Interest on investments	942	–	1,253	–
– Other income accruals	609	–	1,869	–
Government grants and subsidies	5,330	–	13,929	–
Net GST receivable	1,377	–	628	–
Other debtors	6	–	468	–
Total	15,199	92	24,023	125
Total net receivables	15,199	92	24,023	125

There are no restrictions applicable to the above assets.

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	647
– amounts already provided for and written off this year	–	(647)
Balance at the end of the year	–	–

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.

C1-4 Receivables (continued)

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.

COVID 19

Council's rates and annual charges collection have not been significantly impacted by the COVID-19 Pandemic and are comparable to prior years, therefore no adjustment has been made by the impairment provision.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	202	-	195	-
Trading stock	50	-	48	-
Total inventories at cost	252	-	243	-
Total inventories	252	-	243	-

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 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Revalua- tion 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).

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period									At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other adjustments	Revalua- tion decrements to equity (ARR)	Revalua- tion increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	27,851	–	27,851	2,801	22,800	–	–	(7,061)	–	(35)	–	–	46,356	–	46,356
Plant and equipment	14,254	(4,774)	9,480	2,364	–	(1,255)	(1,266)	64	(81)	1	–	–	14,294	(4,987)	9,307
Office equipment	1,713	(835)	878	13	–	(5)	(219)	5	33	–	–	–	1,692	(987)	705
Furniture and fittings	633	(389)	244	15	2	–	(46)	26	(18)	–	–	–	654	(431)	223
Land:															
– Operational land	160,960	–	160,960	–	2,056	–	–	–	5,489	–	–	–	168,505	–	168,505
– Community land	452,607	–	452,607	–	–	–	–	–	(5,489)	–	–	211,913	659,031	–	659,031
– Crown land	138,653	–	138,653	–	–	–	–	–	–	–	–	–	138,653	–	138,653
– Land under roads (post 30/6/08)	1,173	–	1,173	–	–	–	–	–	–	–	–	–	1,173	–	1,173
Land improvements – depreciable	2,946	(1,229)	1,717	–	–	–	(169)	–	209	–	–	–	7,743	(5,986)	1,757
Infrastructure:															
– Buildings – non-specialised	8,662	(4,263)	4,399	19	96	–	(161)	–	–	–	–	–	8,777	(4,424)	4,353
– Buildings – specialised	154,977	(65,142)	89,835	2,473	2,985	–	(3,091)	1,651	–	1	–	–	162,087	(68,233)	93,854
– Other structures	17,626	(7,188)	10,438	247	136	–	(313)	121	131	(1)	–	–	18,362	(7,603)	10,759
– Roads	548,195	(220,911)	327,284	8,198	209	–	(8,437)	1,183	(14)	–	–	–	553,720	(225,297)	328,423
– Bridges	15,322	(5,299)	10,023	–	–	–	(229)	–	–	–	–	–	15,322	(5,528)	9,794
– Footpaths	71,816	(23,856)	47,960	2,153	55	(1)	(1,062)	767	–	–	–	–	74,647	(24,775)	49,872
– Bulk earthworks (non-depreciable)	75,391	–	75,391	–	–	–	–	–	–	–	–	–	75,391	–	75,391
– Stormwater drainage	242,009	(79,508)	162,501	1,169	397	(24)	(1,725)	284	2,675	–	–	–	247,886	(82,609)	165,277
– Swimming pools	3,007	(541)	2,466	13	–	–	(30)	13	–	–	–	–	3,033	(571)	2,462
– Other open space/recreational assets	130,245	(55,697)	74,548	2,699	1,703	(1,138)	(2,773)	2,947	(2,726)	–	(231)	–	130,982	(55,953)	75,029
Other assets:															
– Library books	7,393	(4,246)	3,147	502	–	–	(597)	–	–	–	–	–	7,895	(4,843)	3,052
– Other	5,918	(4,549)	1,369	–	3	(4)	(39)	–	(209)	(3)	(88)	–	1,029	–	1,029
Total infrastructure, property, plant and equipment	2,081,351	(478,427)	1,602,924	22,666	30,442	(2,427)	(20,157)	–	–	(37)	(319)	211,913	2,337,232	(492,227)	1,845,005

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

C1-6 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 to 150
Computer equipment	4 to 10		
Vehicles	10	Other infrastructure assets	
Other plant and equipment	3 to 20	Bulk earthworks	NA
		Swimming pools	100
		Recreation assets	5 to 120
Transportation assets		Other Asset	
Road surface	20 to 100	Other Asset (Art Works)	NA
Road pavements	60 to 80	Library Books	10
Road structures	10 to 120		
Bridge	3 to 70	Buildings	
Other structure (Car Park)	25 to 60	Buildings	25 to 100
Kerb and Gutter	60 to 100		
Footpaths	40 to 80		

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.

C1-7 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	49,760	47,173
Total owned investment property	49,760	47,173
Owned investment property		
At fair value		
Opening balance at 1 July	47,173	46,170
Acquisitions	846	1,003
– Net gain from fair value adjustments	1,741	–
Closing balance at 30 June	49,760	47,173

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	2,571	2,526
Accumulated amortisation	(1,707)	(1,599)
Net book value – opening balance	864	927
Movements for the year		
Other movements	–	63
Purchases	–	45
Amortisation charges	(103)	(108)
Closing values at 30 June		
Gross book value	2,571	2,571
Accumulated amortisation	(1,810)	(1,707)
Total software – net book value	761	864
Total intangible assets – net book value	761	864

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
2022			
Opening balance at 1 July	65	2,190	2,255
Adoption of AASB 16 at 1 July 2020 – 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
2021			
Opening balance at 1 July	52	1,687	1,739
Adoption of AASB 16 at 1 July 2020 – first time lease recognition	36	–	36
Adjustments to right-of-use assets due to re-measurement of lease liability	(3)	598	595
Depreciation charge	(20)	(95)	(115)
Balance at 30 June	65	2,190	2,255

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	93	2,019	78	2,233
Total lease liabilities	93	2,019	78	2,233

(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
2022					
Cash flows	93	423	1,596	2,112	2,112
2021					
Cash flows	78	385	1,848	2,311	2,311

C2-1 Council as a lessee (continued)

(ii) Lease liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total lease liabilities relating to unrestricted assets	93	2,019	78	2,233
Total lease liabilities	93	2,019	78	2,233

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	24	38
Depreciation of right of use assets	110	115
Expenses relating to low-value leases	193	296
	327	449

C2-1 Council as a lessee (continued)

(e) Statement of Cash Flows

\$ '000	2022	2021
Total cash outflow for leases	(114)	(113)
	(114)	(113)

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:

- As investment property - where the asset is predominantly for rental or capital growth purposes (refer note C1-7)
- IPP&E - where the rental is incidental, or the asset is held to meet Council's service delivery objective (refer note C1-6).

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

\$ '000	2022	2021
---------	------	------

(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	2,807	2,992
Total income relating to operating leases for investment property assets	2,807	2,992

Operating lease expenses

continued on next page ...

C2-2 Council as a lessor (continued)

\$ '000	2022	2021
Direct operating expenses that generated rental income	(764)	(851)
Total expenses relating to operating leases	(764)	(851)
Repairs and maintenance: investment property		
Contractual obligations for future repairs and maintenance	121	107
Total repairs and maintenance: investment property	121	107
(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 C1-6.		
Lease income (excluding variable lease payments not dependent on an index or rate)	4,619	4,580
Total income relating to operating leases for Council assets	4,619	4,580
(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	2,391	2,679
1–2 years	2,160	2,393
2–3 years	1,548	2,167
3–4 years	636	1,560
4–5 years	61	648
> 5 years	–	63
Total undiscounted lease payments to be received	6,796	9,510

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	6,973	–	6,557	–
Goods and services – capital expenditure	3,851	–	4,184	–
Security bonds, deposits and retentions	11,361	–	9,483	–
Other	391	–	1,073	–
Total payables	22,576	–	21,297	–

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

\$ '000	2022	2021
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	9,460	7,300
Total payables	9,460	7,300

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	2022		2021	
		Current	Non-current	Current	Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	11,093	–	1,953	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	557	–	279	–
Total grants received in advance		11,650	–	2,232	–
User fees and charges received in advance:					
Upfront fees	(iii)	3,172	–	3,078	–
Other		2,636	–	11,605	–
Total user fees and charges received in advance		5,808	–	14,683	–
Total contract liabilities		17,458	–	16,915	–

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	11,650	-	2,232	-
Contract liabilities relating to externally restricted assets	11,650	-	2,232	-
Total contract liabilities relating to restricted assets	11,650	-	2,232	-
Total contract liabilities relating to unrestricted assets	5,808	-	14,683	-
Total contract liabilities	17,458	-	16,915	-

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Operating grants (received prior to performance obligation being satisfied)	169	1,979
Total revenue recognised that was included in the contract liability balance at the beginning of the period	169	1,979

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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	3,535	30,825	19,460	1,960
Total borrowings	3,535	30,825	19,460	1,960

(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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Total borrowings relating to restricted assets	3,535	30,825	19,460	1,960
Total borrowings	3,535	30,825	19,460	1,960

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

\$ '000	2022		2021
The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.			
Borrowings			18,900
Total borrowings			18,900

(a) Changes in borrowings arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	21,420	(560)	13,500	–	–	–	34,360
Lease liability (Note C2-1b)	2,311	(199)	–	–	–	–	2,112
Total liabilities from financing activities	23,731	(759)	13,500	–	–	–	36,472

(b) Financing arrangements

\$ '000	2022		2021
Total facilities			
Bank Facility		–	18,900
Credit cards		120	120
Total financing arrangements		120	19,020
Drawn facilities			
– Bank Facility		–	18,900
– Credit cards		120	100
Total drawn financing arrangements		120	19,000
Undrawn facilities			
– Credit cards		–	20

C3-3 Borrowings (continued)

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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	4,074	–	3,773	–
Sick leave	249	–	294	–
Long service leave	7,436	415	7,858	321
Total employee benefit provisions	11,759	415	11,925	321

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	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	7,183	7,959
	7,183	7,959

Description of and movements in provisions

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
2022				
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
2021				
At beginning of year	3,393	296	8,083	11,772
Additional provisions	2,976	–	856	3,832
Payments	(2,596)	(2)	(760)	(3,358)
Total ELE provisions at end of year	3,773	294	8,179	12,246

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 \$275,658. Based on the past service liabilities methodology, for item (d) (iv) the share of any funding surplus or deficit that can be attributed to Council is 0.83%.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (were \$40M per annum until 31 December 2021, followed by \$20M per annum thereafter) is assessed annually by the Actuary.

As previously notified, the past service contributions of \$40M per annum until 31 December 2021 followed by \$20M per annum thereafter 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 \$165,522.00 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 2022 was \$266,581.46. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2021.

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 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum for 1 July 2019 to 30 June 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. 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 2022 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

*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	5.5% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022.

(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 (of \$40m for each year from 1 July 2019 to 30 June 2021 and \$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 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	22,784	9,303	22,784	9,303
Receivables	15,291	24,148	15,291	24,148
Investments				
– Debt securities at amortised cost	195,940	187,370	195,940	193,843
Total financial assets	234,015	220,821	234,015	227,294
Financial liabilities				
Payables	22,576	21,297	22,576	21,297
Loans/advances	34,360	21,420	34,360	21,420
Total financial liabilities	56,936	42,717	56,936	42,717

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	2022	2021
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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	528	445
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Impact of a 10% movement in price of investments

– Equity / Income Statement	5,284	4,455
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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	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	3,756	80	3,836
2021				
Gross carrying amount	–	3,172	60	3,232

Receivables - non-rates and annual charges and contract assets

\$ '000	Not yet overdue	0 - 30 days	Overdue debts			Total
			31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	4,379	2,573	(35)	1,379	3,159	11,455
2021						
Gross carrying amount	17,250	448	35	1,398	1,785	20,916

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
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
2021							
Payables	0.00%	9,483	11,814	–	–	21,297	21,297
Borrowings	1.06%	–	19,460	1,160	800	21,420	21,420
Total financial liabilities		9,483	31,274	1,160	800	42,717	42,717

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	
		2022	2021	2022	2021	2022	2021
Investment property	C1-7						
Investment properties		49,760	47,173	–	–	49,760	47,173
Total investment property		49,760	47,173	–	–	49,760	47,173
Infrastructure, property, plant and equipment	C1-6						
Operational Land		–	–	193,444	168,505	193,444	168,505
Community Land		–	–	751,295	659,031	751,295	659,031
Land Under Roads		–	–	1,337	1,173	1,337	1,173
Land Improvements Depreciable		–	–	1,599	1,757	1,599	1,757
Stormwater Drainage		–	–	181,563	165,277	181,563	165,277
Structure (Car Parks)		–	–	42,300	10,759	42,300	10,759
Buildings – Non Specialised		–	–	4,810	4,353	4,810	4,353
Buildings – Specialised		–	–	101,092	93,854	101,092	93,854
Furniture & Fittings		–	–	178	223	178	223
Library Books		–	–	3,046	3,051	3,046	3,051
Office Equipment		–	–	758	704	758	704
Plant & Equipment (e.g. Fleet & Small Plant)		–	–	10,760	9,307	10,760	9,307
Crown Land		–	–	158,064	138,653	158,064	138,653
Other (Artworks, Sculptures)		–	–	1,029	1,032	1,029	1,032
Roads and Bulk earthworks		–	–	315,391	301,808	315,391	301,808
Bridges		–	–	10,547	9,794	10,547	9,794
Footpaths		–	–	54,391	49,873	54,391	49,873
Kerb & Gutter		–	–	100,383	92,941	100,383	92,941
Road Structure & Street Furniture		–	–	9,249	9,065	9,249	9,065
Recreational Facilities		–	–	81,824	75,029	81,824	75,029
Swimming Pools		–	–	2,685	2,462	2,685	2,462
Total infrastructure, property, plant and equipment		–	–	2,025,745	1,798,651	2,025,745	1,798,651

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 2022 by Scott Fullarton FAPI, Certified Practising Valuer, and Registered Valuer No 2144.

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 June 2021, 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.

A fair value assessment was performed during the 2021/22 financial year to account for increases in inflation.

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 is valued on the Unimproved Capital Value provided by the Valuer General. 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.

A fair value assessment was performed during the 2021/22 financial year to account for increases in inflation.

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 at the time of the last valuation was 82,222m². Council's operational land is valued regularly with a comprehensive valuation completed and revalued every five years. Scott Fullarton Valuation Pty Ltd. completed the last valuation in June 2018. 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)

A fair value assessment was performed during the 2021/22 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.

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. Eight locations were identified by Council's Strategic Asset Coordinator by end of 30 June 2019. 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 2021/22 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 June 2018.

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.

A desktop revaluation was performed during the 2021/22 financial year to reflect the increased inflation. Council will undertake a comprehensive review of stormwater drainage assets in 2022/23.

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 2021/22 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 2018. 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

D2-1 Fair value measurement (continued)

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.

A fair value assessment was performed during the 2021/22 financial year to account for increases in inflation.

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 desktop revaluation was performed during the 2021/22 financial year to reflect the increased inflation. Management will continue to monitor the movement in inputs and assumptions and perform a further assessment in the following year.

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 2021/22 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 2021/22 financial year to account for increases in inflation.

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

A desktop revaluation was performed during the 2021/22 financial year to reflect the increased inflation. Management will continue to monitor the movement in inputs and assumptions and perform a further assessment in the following year.

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.

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 2021/22 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 2018 with a further fair value assessment report in 2021/22. 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.

A fair value assessment was performed during the 2021/22 financial year to account for increases in inflation.

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. 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.

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 this current financial year.

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 2022	Valuation technique/s	Unobservable inputs
Bridges	10,547	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 2 - 5 Good to Very poor
Community Land	751,295	NSW Valuer General	Useful life 3-70 years Unimproved Capital Value provided by Valuer General

D2-1 Fair value measurement (continued)

\$ '000	Fair value 2022	Valuation technique/s	Unobservable inputs
Buildings - Specialised	101,092	Cost Approach	<p>Replacement Cost - Unit Rates vary from asset to asset</p> <p>Asset Condition rating 1 - 4 Excellent to Poor</p> <p>Useful life 25-100 years</p> <p>Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical</p>
Buildings Non Specialised	4,810	Cost Approach	<p>Replacement Cost - Unit Rates vary from asset to asset</p> <p>Asset Condition rating 1 - 4 Excellent to Poor</p> <p>Useful life 25-100 years</p> <p>Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical</p>
Crown Land	158,064	NSW Valuer General	Unimproved Capital Value provided by Valuer General
Footpaths	54,391	Cost Approach	<p>Replacement Cost - Unit Rates \$110 - \$480 vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 40- 80 years</p> <p>Cost vary from asset to asset</p>
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	11,696	Cost Approach	Useful life 2-10 years Residual Value \$nil - \$10
Kerb and Gutter	100,383	Cost Approach	<p>Replacement Cost - Unit Rate \$160 - \$267 vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 60-100 years</p>
Land Improvements Depreciable	1,599	Cost Approach	<p>Replacement Cost - Unit Rates vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 20 years</p>
Land Under Roads	1,337	Cost Approach / Englobo valuation	<p>Total area (85,374,620m2)</p> <p>Total area LUR (19,421m2)</p>
Library Books	3,046	Cost Approach	<p>Englobo valuation basis (AASB116)</p> <p>Replacement Costs vary from asset to asset</p> <p>Asset Condition rating 1-5 Excellent to Very poor</p> <p>Useful life 10 years</p>
Operational Land	193,444	Market Value / Cost Approach	<p>Residual Value \$nil - \$10</p> <p>Total area (82,222m2)</p>

continued on next page ...

D2-1 Fair value measurement (continued)

\$ '000	Fair value 2022	Valuation technique/s	Unobservable inputs
Other (Artworks, Sculptures)	1,029	Cost Approach	sale price based on specialists' professional judgments and Replacement costs vary from asset to asset
Other Structures (Car park)	42,300	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 4 Excellent to poor Useful life 25-60 years
Recreational Facilities	81,824	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 5-120 years
Road Structure and Street Furniture	9,249	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 10-120 years
Roads	315,391	Cost Approach	Unit Rates Surface:\$26-\$35 Pavement:\$58-\$377 Asset Condition rating 1 - 5 Excellent to Very poor Pavement useful life 60 - 80 years Surface useful life 20 - 100 years
Stormwater Drainage	181,563	Cost Approach	Replacement Cost Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 10-150 years
Swimming Pools	2,685	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1-2 Excellent to Good 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	659,031	452,607	1,173	1,173	1,757	1,717	165,277	162,501
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	2,056	(5,489)	-	-	-	209	(9)	2,675
Purchases (GBV)	4	-	-	-	-	-	2,770	1,850
Disposals (WDV)	-	-	-	-	-	-	-	(24)

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D2-1 Fair value measurement (continued)

\$ '000	Community Land		Land under Roads		Land improvements depreciable		Stormwater drainage	
	2022	2021	2022	2021	2022	2021	2022	2021
Depreciation and impairment	–	–	–	–	(158)	(169)	(1,785)	(1,725)
Revaluation	90,204	211,912	164	–	–	–	15,310	–
Closing balance	751,295	659,030	1,337	1,173	1,599	1,757	181,563	165,277

\$ '000	Structures (car parks)		Building specialised		Other		Roads and Bulk Earth Work	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	10,759	10,438	93,854	89,835	1,029	1,369	301,809	301,206
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	28	131	–	–	–	(209)	(30)	–
Purchases (GBV)	28,331	504	3,505	7,109	–	3	8,312	6,967
Disposals (WDV)	–	–	–	–	–	(4)	(11)	–
Depreciation and impairment	(332)	(313)	(3,203)	(3,091)	–	(39)	(6,195)	(6,364)
Revaluation	3,514	–	6,936	–	–	(88)	11,506	–
Closing balance	42,300	10,760	101,092	93,853	1,029	1,032	315,391	301,809

D2-1 Fair value measurement (continued)

\$ '000	Bridges		Footpaths		Kerb and gutter		Road structure and street furniture	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	9,794	10,023	49,872	47,960	92,940	93,165	9,064	8,304
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	–	(4)	–	(8)	–	(27)	(14)
Purchases (GBV)	34	–	2,583	2,976	2,255	1,509	703	1,114
Disposals (WDV)	–	–	–	(1)	(31)	–	(129)	–
Depreciation and impairment	(229)	(229)	(1,071)	(1,062)	(1,714)	(1,734)	(362)	(339)
Revaluation	948	–	3,011	–	6,941	–	–	–
Closing balance	10,547	9,794	54,391	49,873	100,383	92,940	9,249	9,065

\$ '000	Recreational facilities		Swimming pools		Crown land		Buildings non-specialised	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	75,030	74,548	2,462	2,466	138,653	138,653	4,353	4,399
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	(2,726)	–	–	–	–	–	–
Purchases (GBV)	3,505	7,350	–	26	–	–	625	115
Disposals (WDV)	(326)	(1,138)	–	–	–	–	–	–
Depreciation and impairment	(2,924)	(2,773)	(30)	(30)	–	–	(168)	(161)
Revaluation	6,539	(231)	253	–	19,411	–	–	–
Closing balance	81,824	75,030	2,685	2,462	158,064	138,653	4,810	4,353

D2-1 Fair value measurement (continued)

\$ '000	Furniture and fittings		Office equipment		Plant and equipment		Operational Land	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	223	244	705	878	9,307	9,480	168,505	160,960
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	(18)	-	33	-	(81)	(2,006)	5,489
Purchases (GBV)	-	43	242	18	2,837	2,428	2,758	2,056
Disposals (WDV)	-	-	-	(5)	(609)	(1,255)	(3,950)	-
Depreciation and impairment	(45)	(46)	(189)	(219)	(1,315)	(1,266)	-	-
Revaluation	-	-	-	-	540	-	28,137	-
Closing balance	178	223	758	705	10,760	9,306	193,444	168,505

\$ '000	Library books		Total	
	2022	2021	2022	2021
Opening balance	3,052	3,147	1,798,649	1,575,073
Purchases (GBV)	575	502	59,039	34,570
Disposals (WDV)	-	-	(5,056)	(2,427)
Depreciation and impairment	(581)	(597)	(20,301)	(20,157)
Revaluation	-	-	193,414	211,593
Closing balance	3,046	3,052	2,025,745	1,798,652

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 30/6/08.

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	2022	2021
Compensation:		
Short-term benefits	3,898	3,605
Other long-term benefits	16	160
Total	3,914	3,765

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	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	63	69
Councillors' fees	251	258
Other Councillors' expenses (including Mayor)	101	44
Total	415	371

E2 Other relationships

E2-1 Audit fees

\$ '000	2022	2021
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	69	67
Remuneration for audit and other assurance services	69	67
Total Auditor-General remuneration	69	67
Total audit fees	69	67

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	23,931	25,584
Add / (less) non-cash items:		
Depreciation and amortisation	20,514	20,380
Net loss on disposal of assets	(770)	909
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’	(1,741)	–
Movements in operating assets and liabilities and other cash items:		
(Increase)/Decrease in receivables	8,857	(6,325)
Increase/(Decrease) in provision for doubtful debts	–	(647)
(Increase)/Decrease in inventories	(9)	(36)
(Increase)/Decrease in other assets	(859)	355
Increase/(Decrease) in payables– operating	416	(86)
Increase / (decrease) in other liabilities	1,196	2,718
Increase / (decrease) in contract liabilities	543	5,263
Increase/(Decrease) in employee leave entitlements	(72)	474
Net cash provided from operating activities from the Statement of Cash Flows	51,463	48,589

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	607	997
Other	15,059	7,779
Total commitments	15,666	8,776
These expenditures are payable as follows:		
Within the next year	15,666	8,776
Total payable	15,666	8,776
Sources for funding of capital commitments:		
Unrestricted general funds	15,666	8,776
Total sources of funding	15,666	8,776

F3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had a financial impact for Council in the financial year ended 30 June 2022, which was reported to Council, and is expected to further impact the following financial year. The scale, timing and duration of the potential impacts on Council in current environment is unknown, however, it is expected that there will be a decrease in projected revenue.

In the period after balance sheet date to signing of this report, Council was financially sound and there have not been any additional significant adverse operational or financial impacts as a result of COVID-19 Pandemic or other circumstances and any known impacts to date have been reflected in the 30 June 2022 financial statements.

F4 Statement of developer contributions as at 30 June 2022

F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Traffic facilities	25,992	443	–	367	(3,870)	–	22,924	–
Parking	920	–	–	12	(67)	–	866	–
Open space	81,668	1,378	–	1,022	(9,217)	–	74,956	–
Community facilities	7,625	152	–	98	(295)	–	7,573	–
Other	78	–	–	1	(37)	–	71	–
S7.11 contributions – under a plan	116,283	1,973	–	1,500	(13,486)	–	106,390	–
S7.12 levies – under a plan	9,863	3,488	–	147	(912)	–	12,586	–
Total S7.11 and S7.12 revenue under plans	126,146	5,461	–	1,647	(14,398)	–	118,976	–
Total contributions	126,146	5,461	–	1,647	(14,398)	–	118,976	–

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 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – 1993 Plan								
Parking	920	–	–	12	(67)	–	866	–
Total	920	–	–	12	(67)	–	866	–
CONTRIBUTION PLAN – 2000 to 2003 Residential Plan								
Open space	774	–	–	9	(217)	–	566	–
Total	774	–	–	9	(217)	–	566	–
CONTRIBUTION PLAN – 2004/2009 Residential Plan								
Open space	1,380	–	–	16	(297)	–	1,098	–
Community facilities	3,015	–	–	39	(50)	–	3,003	–
Traffic and other	–	–	–	–	–	–	–	–
Total	4,395	–	–	55	(347)	–	4,101	–
CONTRIBUTION PLAN – 2010 Plan								
Traffic facilities	25,992	443	–	367	(3,870)	–	22,924	–
Open space	79,156	1,378	–	992	(8,703)	–	72,928	–
Community facilities	4,610	152	–	59	(245)	–	4,570	–
Other	78	–	–	1	(37)	–	71	–
Total	109,836	1,973	–	1,419	(12,855)	–	100,493	–
CONTRIBUTION PLAN – Ku-ring-gai SEPP 5 Plan								
Open space	358	–	–	5	–	–	364	–
Total	358	–	–	5	–	–	364	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER – Section 7.12 levies

Indirect contribution	9,863	3,488	–	147	(912)	–	12,586	–
Total	9,863	3,488	–	147	(912)	–	12,586	–

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ¹	6,713	4.90%	5.85%	4.65%	10.22%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	136,961					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	125,478	82.70%	82.03%	83.83%	85.20%	> 60.00%
Total continuing operating revenue	151,718					
3. Unrestricted current ratio						
Current assets less all external restrictions ²	76,280	2.81x	2.30x	3.42x	3.65x	> 1.50x
Current liabilities less specific purpose liabilities ³	27,128					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	27,628	26.29x	30.56x	20.06x	17.72x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,051					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	4,099	4.27%	3.62%	4.12%	3.73%	< 5.00%
Rates and annual charges collectable	96,092					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	165,884	16.46	15.52	15.95	16.35	> 3.00
Monthly payments from cash flow of operating and financing activities	10,079	mths	mths	mths	mths	mths

(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 C1-1 to C1-5 inclusive. 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 2021/22 result

2021/22 ratio 4.90%

Council's Performance Ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The decrease from the previous year is mainly due to reduced general income as a result of impacts from COVID-19 Pandemic revenue in the first half of 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 2021/22 result

2021/22 ratio 82.70%

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.

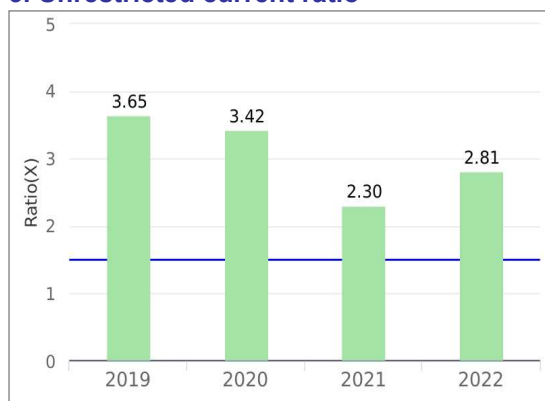
Benchmark: — > 60.00%

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 2021/22 result

2021/22 ratio 2.81x

Council's Unrestricted Current Ratio is above the benchmark of >1.5x and has been outperforming benchmark for the last four years. The ratio saw a increase from previous year mainly due to a significant decrease in current liabilities. 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 2021/22 result

2021/22 ratio 26.29x

The Debt Service Cover Ratio has decreased from the previous year and is above the benchmark of 2x, mainly due to a decrease in the operating cash, as well as increased principal and interest repayments during the financial year compared to the previous year.

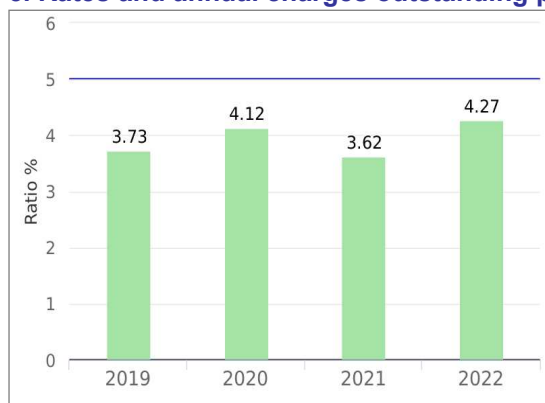
Benchmark: — > 2.00x

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 2021/22 result

2021/22 ratio 4.27%

The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council's ratio of 4.27% is satisfactory and is better than the benchmark of "less than 5%". An increase from the previous year is noticed mainly due to additional uncollected rates and legal action to recover rates not taken on some ratepayers as a result of the impact from the Covid-19 Pandemic.

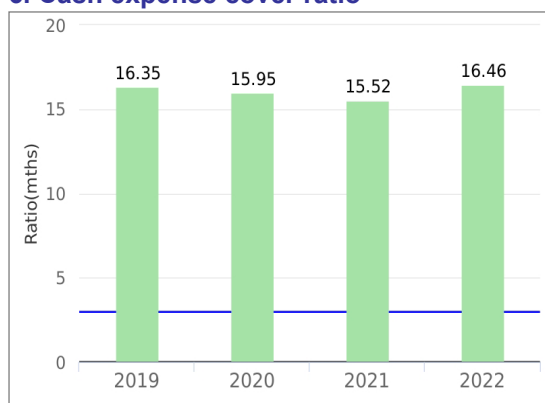
Benchmark: — < 5.00%

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 2021/22 result

2021/22 ratio 16.46 mths

Council's Cash Expense Cover Ratio is satisfactory and above benchmark of "greater than 3 months". This ratio has marginally increased compared to previous year.

Benchmark: — > 3.00mths

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 the 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended 30 June 2022 in accordance with Australian Accounting Standards.
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine(s) 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.

DMobilia

Daniel Mobilia

Delegate of the Auditor-General for New South Wales

21 September 2022
SYDNEY



Mr Jeff Pettett
Mayor
Ku-ring-gai Council
Locked Bag 1056
PYMBLE NSW 2073

Contact: Daniel Mobilia
Phone no: 02 9275 7379
Our ref: D2218958/1748

21 September 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
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 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The Accounting Standards require that Council reviews whether its IPPE assets are stated at their fair values at the end of every reporting period. Like most Councils, Ku-Ring-Gai has formal external and internal valuations occurring on a cyclical basis. This typically sees full revaluations done once every 5 years.

In circumstances where a 5-year valuation cycle is not appropriate the Council is required to give consideration to more frequent full valuations or desktop valuations which are necessary to give comfort that the assets are being reflected in the financial report at their fair values.

This reporting period has been impacted by high inflation, and certain material adjustments were agreed as part of this year's audit process in order to report certain asset classes at their fair value. Management ultimately arrived at its fair value assessment having made estimates and judgements on the impacts of indexation using information available to them to make a reasonable and accurate assessment.



INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	92.5	90.9	↑ 2
Grants and contributions revenue	26.2	27.9	↓ 6
Operating result from continuing operations	23.9	25.6	↓ 6
Net operating result before capital grants and contributions	9.2	7.1	↑ 29

The Council's operating result from continuing operations (\$23.9 million including depreciation and amortisation expense of \$20.5 million) was \$1.7 million lower than the 2020–21 result.

This result includes an increase in rates and annual charges (\$1.6 million), a decrease in user charges and fees (\$2.6 million), a decrease in grants and contribution revenue (\$1.7 million), a decrease in interest and investment income (\$0.5 million) and an increase in other income (\$1.6 million).

The eventual net decrease of Council's operating result is due to a higher increase in the total expenses (\$0.4 million) and a decrease in the total income (\$1.3 million).

The net operating result before capital grants and contributions (\$9.2 million) was \$2.1 million higher than the 2020–21 result. This result includes an increase in employee benefits and on-costs (\$1.3 million), depreciation, amortisation and impairment (\$0.1 million) and other expenses (\$0.2 million).

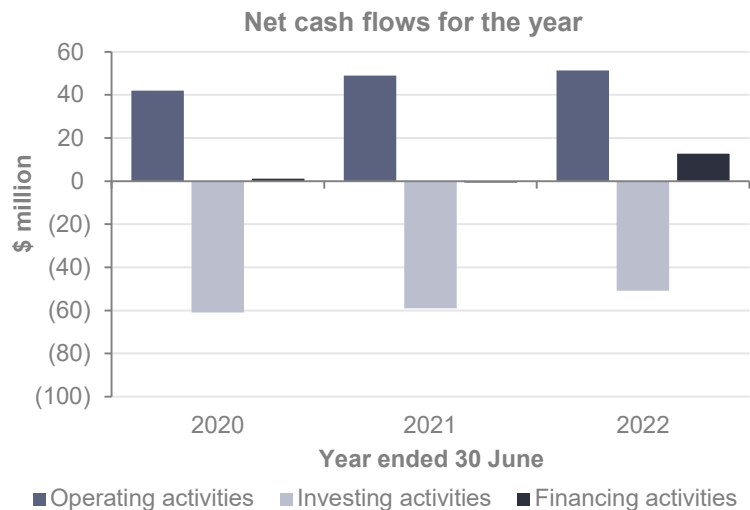
Rates and annual charges revenue (\$92.5 million) increased by \$1.6 million (1.7 per cent) in 2021–22 due to the rate peg and natural growth in rateable properties.

Grants and contributions revenue (\$26.2 million) decreased by \$1.7 million (6 per cent) in 2021–22 due to additional grant funding received.



STATEMENT OF CASH FLOWS

- Cash flows from operating activities increased by \$2.9 million in FY2021-22 due to an increase in receipts of rates & annual charges and increase in grants & contributions and an offset by decrease in user charges & fees income during the year.
- Council's cash outflows from investing activities reduced by \$8.4 million in FY2021-22 due to movements in investment securities during the year, purchase of IPPE and utilisation of term deposits.
- Net cash from financing activities increased by \$13.5 million in FY2021-22 due to proceeds from borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	218.7	196.7	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted funds increased by \$14.2 million as a result of external loan of \$12.7million and increase in special purpose unexpended fund. • Internally restricted cash and investments have been restricted in use by resolution or by a policy of Council to reflect identified programs of works and any forward plans identified by Council. Internal restrictions for infrastructure and facilities have increased. • Council's unrestricted cash balance is relatively consistent and healthy.
Restricted cash and investments:			
• External restrictions	161.4	147.2	
• Internal restrictions	51.1	43.0	
• Unrestricted	6.1	6.5	

Debt

At 30 June 2022, Council recognised \$34.4 million in loans (30 June 2021: \$21.4 million). Council's loans are secured over the general rating income of Council.



PERFORMANCE

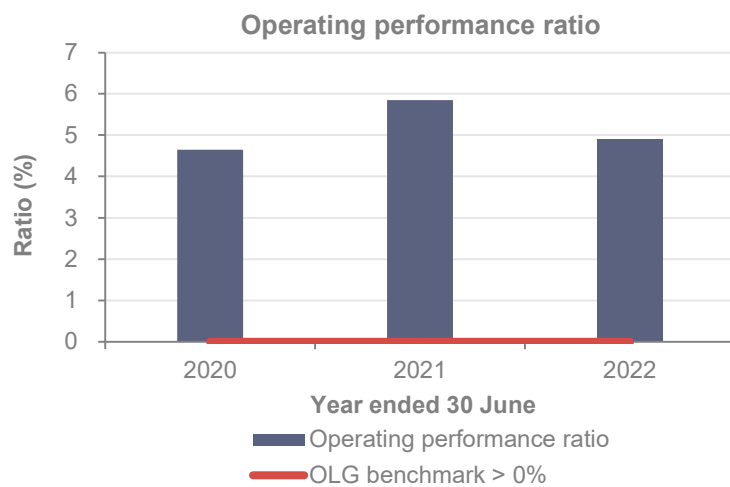
Performance measures

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.

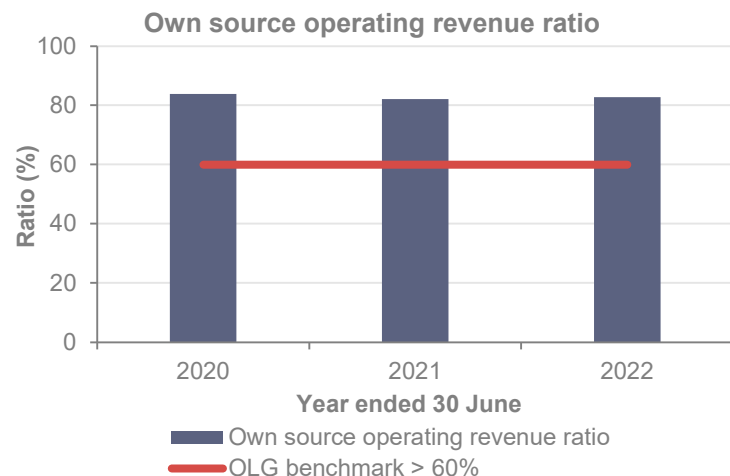
The Council exceeded the OLG benchmark for the current reporting period.



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.

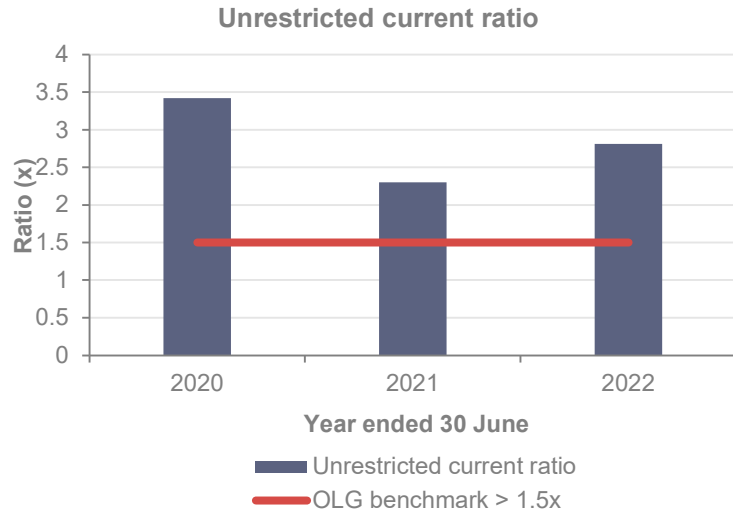




Unrestricted current ratio

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.

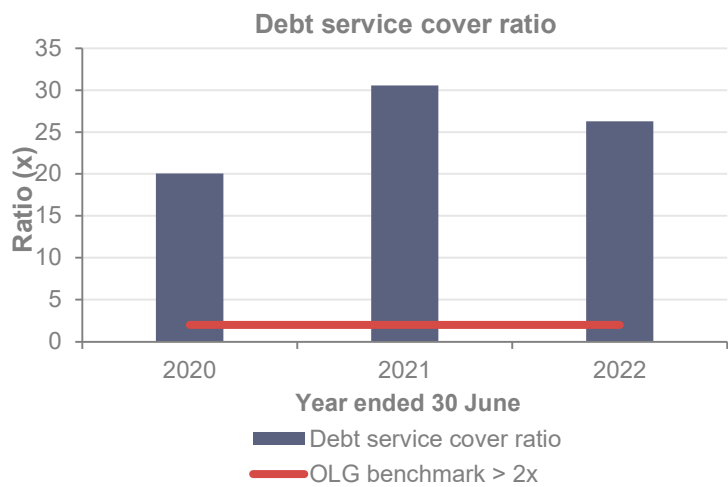
The Council exceeded the OLG benchmark for the current reporting period.



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.

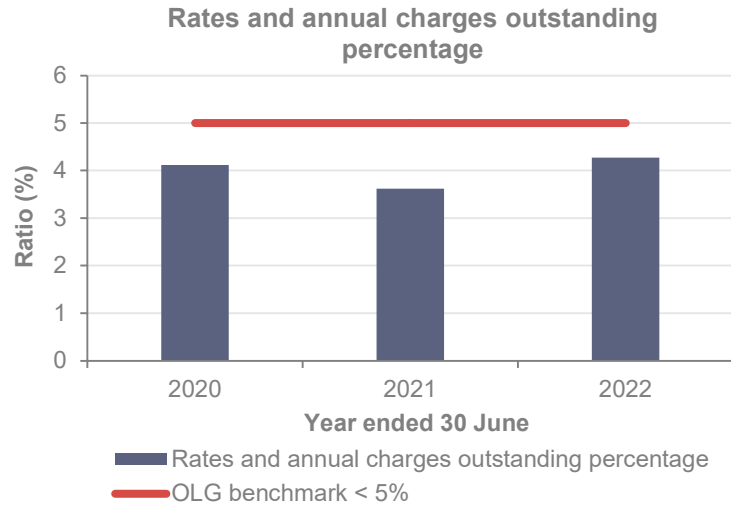




Rates and annual charges outstanding percentage

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.

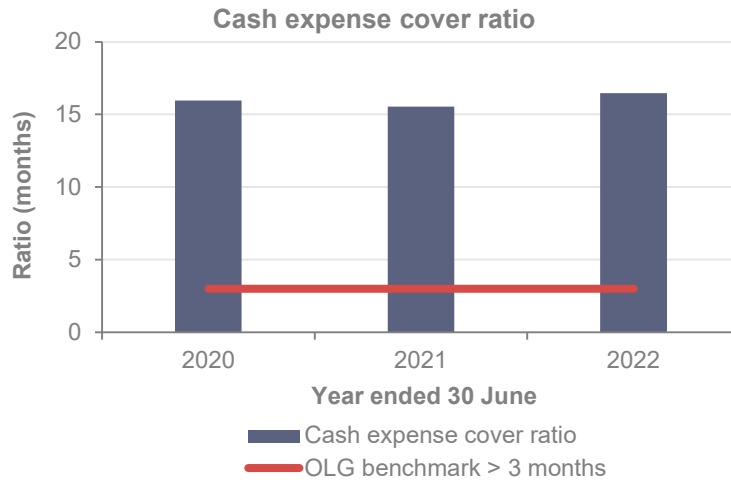
The Council exceeded the OLG benchmark for the current reporting period.



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

During the 30 June 2022 financial year, Council recognised \$23 million in additions renewals (30 June 2021: \$22.7 million). Council performed a combination of external revaluations and internal assessments in forming a view on the fair value of its assets. Upward revaluations of \$193.4 million were made as a result of the valuations and the overall fair value assessment, with indexation being a key factor.



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.

DMobilia

Daniel Mobilia

Delegate of the Auditor-General for New South Wales

cc: Mr John McKee, General Manager
Mr Stephen Coates, Chair of Audit, Risk and Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

"...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 2022

Contents	Page
Statement by Councillors and Management	3
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Income Statement of Trade Waste	4
Statement of Financial Position of Trade Waste	5
Note – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	8

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 2022

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 20 September 2022.



Jeff Pettett

Mayor

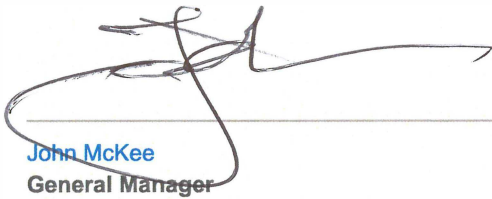
20 September 2022



Barbara Ward

Deputy Mayor

20 September 2022



John McKee

General Manager

20 September 2022



Angela Apostol

Responsible Accounting Officer

20 September 2022

Ku-ring-gai Council

Income Statement of Trade Waste

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	1,889	1,812
Other income	137	99
Total income from continuing operations	2,026	1,911
Expenses from continuing operations		
Employee benefits and on-costs	47	45
Materials and services	1,096	1,141
Other expenses	22	–
Total expenses from continuing operations	1,165	1,186
Surplus (deficit) from continuing operations before capital amounts	861	725
Surplus (deficit) from continuing operations after capital amounts	861	725
Surplus (deficit) from all operations before tax	861	725
Less: corporate taxation equivalent (25%) [based on result before capital]	(215)	(189)
Surplus (deficit) after tax	646	536
Plus accumulated surplus	565	526
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	215	189
Less:		
– Dividend paid	(856)	(686)
Closing accumulated surplus	570	565
Return on capital %	110.1%	92.9%

Ku-ring-gai Council

Statement of Financial Position of Trade Waste

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	782	780
Total non-current assets	782	780
Total assets	782	780
LIABILITIES		
Current liabilities		
Payables	125	105
Employee benefit provisions	87	110
Total current liabilities	212	215
Total liabilities	212	215
Net assets	570	565
EQUITY		
Accumulated surplus	570	565
Total equity	570	565

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, return 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% (20/21 26%)

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%. (20/21 26%)

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 3.66% at 30/6/22.

(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 the 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 Activity, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activity of the Council are:

- Trade Waste

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

DMobilia

Daniel Mobilia
Delegate of the Auditor-General for New South Wales

21 September 2022
SYDNEY

Ku-ring-gai Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

"...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 2022

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Special Schedules:

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2022 7

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 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	68,889	70,388
Plus or minus adjustments ²	b	305	190
Notional general income	c = a + b	69,194	70,578
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x c	1,384	1,764
Sub-total	k = (c + i)	70,578	72,342
Plus (or minus) last year's carry forward total	l	–	190
Sub-total	n = l	–	190
Total permissible income	o = k + n	70,578	72,532
Less notional general income yield	p	70,388	72,357
Catch-up or (excess) result	q = o – p	190	175
Carry forward to next year ⁵	t = q	190	175

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 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

DMobilia

Daniel Mobilia

Delegate of the Auditor-General for New South Wales

21 September 2022

SYDNEY

Ku-ring-gai Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard ^a \$ '000	Estimated cost to bring to the agreed level of service set by Council ^b \$ '000	2021/22 Required maintenance ^c \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	All Council Buildings	1,691	9,662	3,760	3,461	105,902	187,779	24.0%	9.3%	61.5%	5.2%	0.0%
	Sub-total	1,691	9,662	3,760	3,461	105,902	187,779	24.0%	9.3%	61.5%	5.2%	0.0%
Other structures	Other structures	221	1,265	2,040	232	42,300	50,181	71.5%	10.0%	16.0%	2.5%	0.0%
	Sub-total	221	1,265	2,040	232	42,300	50,181	71.5%	10.0%	16.0%	2.5%	0.0%
Roads	Roads	21,372	83,664	2,400	1,420	233,170	363,440	9.0%	40.6%	27.4%	18.4%	4.6%
	Bridges	271	1,022	80	–	10,547	16,277	0.6%	82.4%	10.7%	4.9%	1.4%
	Footpaths	1,143	5,214	1,550	879	54,391	79,704	32.0%	14.8%	46.7%	5.8%	0.7%
	Other Road Assets (Incl. Bulk Earthworks)	2,228	9,315	1,110	1,376	191,854	294,594	28.9%	8.6%	59.3%	2.7%	0.5%
	Sub-total	25,014	99,215	5,140	3,675	489,961	754,015	19.0%	26.3%	41.6%	10.6%	2.5%

Ku-ring-gai Council

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

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^c	2021/22 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	725	3,142	960	1,828	181,563	273,189	11.7%	67.8%	19.4%	1.0%	0.2%
	Sub-total	725	3,142	960	1,828	181,563	273,189	11.7%	67.8%	19.4%	1.0%	0.2%
Open space / recreational assets	Swimming Pools & Recreational Assets	438	2,216	6,420	8,260	84,509	143,555	16.7%	13.4%	68.3%	1.5%	0.1%
	Sub-total	438	2,216	6,420	8,260	84,509	143,555	16.7%	13.4%	68.3%	1.5%	0.1%
	Total – all assets	28,089	115,500	18,320	17,456	904,235	1,408,719	19.9%	30.2%	41.7%	6.8%	1.4%

(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 2022

Infrastructure asset performance indicators consolidated *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio ¹						
Asset renewals ¹	19,410					
Depreciation, amortisation and impairment	18,013	107.76%	110.66%	86.36%	66.07%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	28,089					
Net carrying amount of infrastructure assets ²	939,004	2.99%	2.80%	2.97%	2.49%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	17,456					
Required asset maintenance	18,320	95.28%	105.96%	114.03%	113.73%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	115,500	8.20%	7.47%	7.75%	6.27%	< 6.00%
Gross replacement cost	1,408,719					

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

(1) Excludes Work In Progress (WIP) in 2020 and 2019

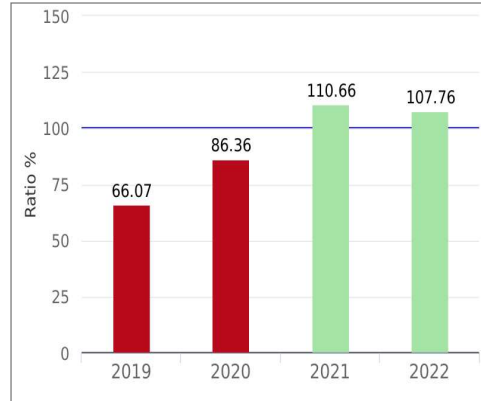
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) Includes Work In Progress (WIP)

Ku-ring-gai Council

Report on infrastructure assets as at 30 June 2022

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

21/22 ratio 107.76%

The ratio is slightly lower than the previous year due to less renewals, mainly on buildings. The ratio is above the benchmark of 100%. Council will continue to focus on appropriate asset standards for renewal and maintenance of its assets and prioritise renewal capital work programs.

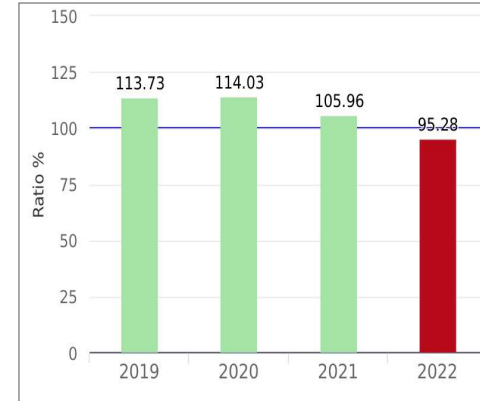
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

21/22 ratio 95.28%

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

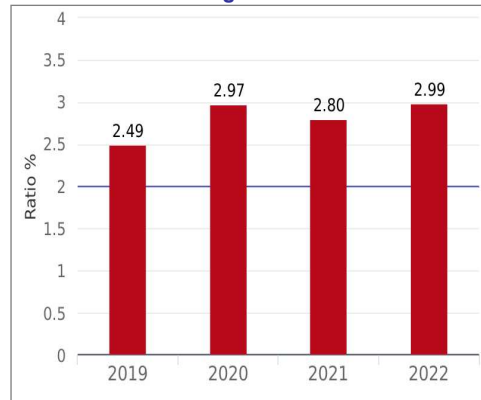
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

21/22 ratio 2.99%

There is an increase in the ratio when compared to last financial year, mainly due to reassessment of asset conditions within the Infrastructure assets class. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.

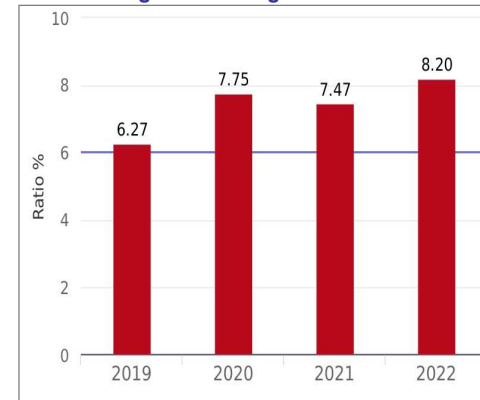
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

21/22 ratio 8.20%

The cost to bring to level of service is an estimate of the cost to renew existing assets that have reached the condition-based intervention level. The ratio has increased on prior year mainly due to reassessment of asset conditions within the infrastructure assets class. Council is committed to increase expenditure on assets renewal in future years and reduce the cost to bring to level of service and this is reflected in Council's Long Term Financial Plan and Asset Management Strategy.

Benchmark: — $< 6.00\%$

Ratio achieves benchmark

Source of benchmark:

Ratio is outside benchmark

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