

Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Bayside Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

444/446 Princes Highway
Rockdale NSW 2216

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: www.bayside.nsw.gov.au.

Bayside Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

The attached general purpose financial statements have been prepared in accordance with:

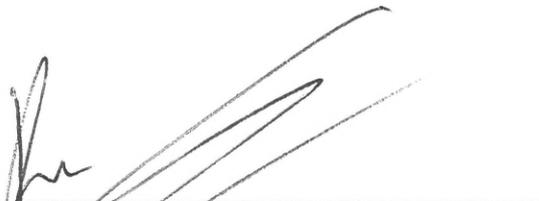
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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



Bill Saravinoski
Mayor
25 October 2023



Joe Awada
Deputy Mayor
25 October 2023



Meredith Wallace
General Manager
25 October 2023



Richard Sheridan
Responsible Accounting Officer
25 October 2023

Bayside Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Income from continuing operations				
134,306	Rates and annual charges	B2-1	135,970	132,124
10,879	User charges and fees	B2-2	14,618	13,711
13,254	Other revenues	B2-3	13,668	12,964
10,010	Grants and contributions provided for operating purposes	B2-4	12,918	13,698
21,227	Grants and contributions provided for capital purposes	B2-4	61,390	91,887
2,453	Interest and investment income	B2-5	15,749	2,761
2,400	Other income	B2-6	3,849	1,582
194,529	Total income from continuing operations		258,162	268,727
Expenses from continuing operations				
80,089	Employee benefits and on-costs	B3-1	72,604	69,528
70,005	Materials and services	B3-2	70,264	65,238
318	Borrowing costs	B3-3	413	93
31,112	Depreciation, amortisation and impairment of non-financial assets	B3-4	30,745	30,171
3,820	Other expenses	B3-5	4,537	3,918
–	Net loss from the disposal of assets	B4-1	10,920	91
–	Net share of interests in joint ventures and associates using the equity method	D2-1	(35)	29
185,344	Total expenses from continuing operations		189,448	169,068
9,185	Operating result from continuing operations		68,714	99,659
9,185	Net operating result for the year attributable to Council		68,714	99,659
(12,044)	Net operating result for the year before grants and contributions provided for capital purposes		7,324	7,772

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

Bayside Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		68,714	99,659
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain /(loss) on revaluation of infrastructure, property, plant and equipment	C1-6	40,897	152,343
Gain /(loss) on revaluation of equity instruments at fair value through other comprehensive income		-	95
Total items which will not be reclassified subsequently to the operating result		40,897	152,438
Total other comprehensive income for the year		40,897	152,438
Total comprehensive income for the year attributable to Council		109,611	252,097

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

Bayside Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	27,613	35,101
Investments	C1-2	481,658	426,006
Receivables	C1-4	20,963	21,181
Inventories	C1-5	310	263
Other	C1-8	1,385	954
Total current assets		531,929	483,505
Non-current assets			
Investments	C1-2	4,901	4,282
Infrastructure, property, plant and equipment (IPPE)	C1-6	1,751,922	1,692,812
Intangible assets	C1-7	951	1,762
Right of use assets	C2-1	133	182
Investments accounted for using the equity method	D2-1	338	303
Total non-current assets		1,758,245	1,699,341
Total assets		2,290,174	2,182,846
LIABILITIES			
Current liabilities			
Payables	C3-1	27,643	25,412
Lease liabilities	C2-1	52	50
Borrowings	C3-3	3,600	3,762
Employee benefit provisions	C3-4	18,440	19,277
Provisions	C3-5	3,146	3,442
Total current liabilities		52,881	51,943
Non-current liabilities			
Lease liabilities	C2-1	81	133
Borrowings	C3-3	3,698	7,298
Employee benefit provisions	C3-4	1,737	1,843
Provisions	C3-5	2,596	2,059
Total non-current liabilities		8,112	11,333
Total liabilities		60,993	63,276
Net assets		2,229,181	2,119,570
EQUITY			
Accumulated surplus		1,950,143	1,881,429
IPPE revaluation reserve	C4-1	279,038	238,141
Council equity interest		2,229,181	2,119,570
Total equity		2,229,181	2,119,570

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

Bayside Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		1,881,429	238,141	2,119,570	1,781,675	85,798	1,867,473
Net operating result for the year		68,714	–	68,714	99,659	–	99,659
Net operating result for the period		68,714	–	68,714	99,659	–	99,659
Other comprehensive income							
Gain /(loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	40,897	40,897	–	152,343	152,343
Gain /(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	–	95	–	95
Total comprehensive income		68,714	40,897	109,611	99,754	152,343	252,097
Closing balance at 30 June		1,950,143	279,038	2,229,181	1,881,429	238,141	2,119,570

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

Bayside Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
133,074	Rates and annual charges		136,015	133,191
11,108	User charges and fees		15,567	14,549
2,435	Interest received		12,103	2,317
30,391	Grants and contributions		68,297	43,391
–	Bonds, deposits and retentions received		612	–
15,911	Other		27,650	23,654
<i>Payments:</i>				
(80,617)	Payments to employees		(73,721)	(70,652)
–	Bonds, deposits and retentions refunded		–	(329)
(69,879)	Payments for materials and services		(81,973)	(72,337)
(318)	Borrowing costs		(413)	(93)
(5,895)	Other		(2,931)	(6,181)
36,210	Net cash flows from operating activities	G1-1	101,206	67,510
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investments		510,020	510,046
3,859	Proceeds from sale of IPPE		1,848	1,911
<i>Payments:</i>				
(5,000)	Purchase of investments		(565,670)	(521,000)
(61,830)	Payments for IPPE		(51,079)	(61,374)
(62,971)	Net cash flows used in investing activities		(104,881)	(70,417)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings		–	9,650
<i>Payments:</i>				
(3,472)	Repayment of borrowings		(3,762)	(755)
–	Principal component of lease payments		(51)	(47)
(3,472)	Net cash flows from / (used) in financing activities		(3,813)	8,848
(30,233)	Net change in cash and cash equivalents		(7,488)	5,941
37,597	Cash and cash equivalents at beginning of year		35,101	29,160
7,364	Cash and cash equivalents at end of year	C1-1	27,613	35,101
424,245	plus: Investments on hand at end of year	C1-2	486,559	430,288
431,609	Total cash, cash equivalents and investments		514,172	465,389

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

Bayside 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 25 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Certain comparative figures in the prior period have been reclassified in order to conform to changes in current year presentation.

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.

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) Infrastructure, property, plant and equipment (estimated useful lives and fair value) – refer Note C1-6.
- (ii) Estimated tip site remediation provisions – refer Note C3-5.
- (iii) Employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations

A1-1 Basis of preparation (continued)

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by Council in trust, which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not recognise volunteer services on the basis that the services would not be purchased if it had not been donated.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023. None of these standards had a significant impact on the reported position or performance of Council.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Bayside will be a Vibrant Place	66,527	81,486	64,925	58,443	1,602	23,043	46,906	64,511	916,008	853,975
Our People will be Connected in a Smart City	5,392	5,106	20,853	18,081	(15,461)	(12,975)	2,386	2,446	215,549	206,828
Bayside will be green, leafy and sustainable	37,819	37,471	30,469	31,244	7,350	6,227	1,129	1,374	436,499	464,486
We will be a Prosperous Community	148,424	144,664	73,201	61,300	75,223	83,364	23,887	37,254	722,118	657,462
Other	-	-	-	-	-	-	-	-	-	95
Total functions and activities	258,162	268,727	189,448	169,068	68,714	99,659	74,308	105,585	2,290,174	2,182,846

B1-2 Components of functions or activities

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

Bayside will be a Vibrant Place

Built forms focus on efficient use of energy, are sympathetic to the natural landscape and make our area a great place to live. Neighbours, visitors and businesses are connected in dynamic urban environments.

Our People will be Connected in a Smart City

Knowledge sharing and collaboration ensures that we have the expertise and relationships to lead with integrity, adapt to change, connect vulnerable people to community and effectively respond in times of adversity and stress.

Bayside will be Green, Leafy and Sustainable

The biodiversity of the area is protected and enhanced through collaborative partnerships. Vital habitats are supported to rehabilitate, thrive, adapt and recover from risks and climate events. The landscape will be preserved and regenerated to benefit a healthy environment now and in future.

We will be a Prosperous Community

Business innovation, technology, flourishing urban spaces and efficient transport will attract diverse business, skilled employees and generate home based business. Growth in services to the local community will generate employment support, a thriving community and livelihoods.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	63,926	61,415
Farmland	7	7
Business	22,504	21,960
Less: pensioner rebates (mandatory)	(1,343)	(1,366)
Rates levied to ratepayers	85,094	82,016
Pensioner rate subsidies received	739	751
Total ordinary rates	85,833	82,767
Special rates		
Parking	109	106
Main street	109	106
Infrastructure levy	12,587	12,254
Local area rates	538	524
Community safety levy	494	480
Total special rates	13,837	13,470
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	35,125	34,721
Stormwater management services	1,365	1,359
Section 611 charges	111	115
Less: pensioner rebates (mandatory)	(668)	(685)
Annual charges levied	35,933	35,510
Pensioner annual charges subsidies received:		
– Domestic waste management	367	377
Total annual charges	36,300	35,887
Total rates and annual charges	135,970	132,124

Council has used 2019 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 recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)		
Waste management services (non-domestic)	1,346	1,271
Waste management services (non-rateable)	104	102
Other	1	3
Total specific user charges	1,451	1,376
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Development and planning consent fees	2,090	1,915
Health inspection and approvals fee	1,311	1,010
Section 10.7 certificates (EPA Act)	517	543
Section 603 certificates	309	385
Town planning	309	101
Building consents and construction certificates	144	181
Building inspections	113	125
Other	477	455
Total fees and charges – statutory/regulatory	5,270	4,715
(ii) Fees and charges – other (incl. general user charges (per s608))		
Restoration charges	1,306	1,413
Long day care	2,550	2,491
Leaseback fees – Council vehicles	483	506
Swimming centres	491	393
Street furniture advertising fee	218	188
SEPP64 Advertising	588	611
Permits and inspection fees	254	212
Engineering inspections and other fees	334	395
Design review panel	308	195
Golf course	445	439
Library and art gallery	88	42
Sundry sales	60	53
Parking fees	30	30
Contract services	6	39
Park rents	362	345
Other	374	268
Total fees and charges – other	7,897	7,620
Total other user charges and fees	13,167	12,335
Total user charges and fees	14,618	13,711
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	3,447	3,067
User charges and fees recognised at a point in time	11,171	10,644
Total user charges and fees	14,618	13,711

Accounting policy

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

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

Where an upfront fee is charged, the fee is recognised on a straight-line basis over the expected life of the service.

B2-3 Other revenues

\$ '000	2023	2022
Ex gratia rates	4,859	4,724
Fines – parking	5,803	5,404
Fines – other	98	453
Legal fees recovery – rates and charges (extra charges)	540	–
Commissions and agency fees	2	3
Diesel rebate	62	41
Insurance claims recoveries	172	168
Rental income – other council properties	286	–
Legal fees recovery – other	93	1,008
Other	97	121
Sales – general	178	110
Other credit card service fee	106	101
Contract rebates	122	91
Rental income – halls and community facilities	465	239
Rental income – parks and sporting facilities	411	167
Non asset sales	25	16
Recoveries under management agreement	198	175
Energy Savings Rebates	151	143
Total other revenue	13,668	12,964
Timing of revenue recognition for other revenue		
Other revenue recognised over time	1,196	672
Other revenue recognised at a point in time	12,472	12,292
Total other revenue	13,668	12,964

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	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,225	1,948	–	–
Financial assistance – local roads component	416	620	–	–
Payment in advance - future year allocation				
Financial assistance – general component	4,507	2,990	–	–
Financial assistance – local roads component	1,468	956	–	–
Amount recognised as income during current year	7,616	6,514	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Library	574	538	–	–
Aged care	–	44	–	–
Child care	2,952	2,844	–	–
Community care	44	255	–	–
Emergency Services	–	509	–	–
Environmental protection	669	833	12	–
Heritage and cultural	9	–	–	–
LIRS subsidy	–	16	–	–
Street lighting	616	603	–	–
Roads and traffic	35	37	4,390	604
Road safety	–	–	3,888	152
Parks	124	381	14,729	6,382
Other community infrastructure	1	–	2,122	5,759
Other specific grants	32	215	–	–
Transport (roads to recovery)	–	–	947	753
Previously contributions:				
Other contributions	–	149	–	136
Community and Environmental Contribution	48	–	–	–
Community Events	198	530	4	–
DPIE Grants	–	230	–	–
Total special purpose grants and non-developer contributions – cash	5,302	7,184	26,092	13,786
Non-cash contributions				
Dedications	–	–	–	306
Other	–	–	159	248
M6 Offset Works	–	–	24	20,462
Total other contributions – non-cash	–	–	183	21,016
Total special purpose grants and non-developer contributions (tied)	5,302	7,184	26,275	34,802
Total grants and non-developer contributions	12,918	13,698	26,275	34,802
Comprising:				
– Commonwealth funding	10,218	9,444	1,892	3,343
– State funding	2,700	4,254	24,200	29,343
– Other funding	–	–	183	2,116
	12,918	13,698	26,275	34,802

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4				
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	12,362	17,900
S 7.11 – contributions towards amenities/services		–	–	11,912	2,549
S 7.12 – fixed development consent levies		–	–	1,238	1,682
Total developer contributions – cash		–	–	25,512	22,131
Non-cash contributions					
S 7.4 – contributions using planning agreements		–	–	9,603	34,954
Total developer contributions non-cash		–	–	9,603	34,954
Total developer contributions		–	–	35,115	57,085
Total contributions		–	–	35,115	57,085
Total grants and contributions		12,918	13,698	61,390	91,887
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		–	–	10,000	–
Grants and contributions recognised at a point in time		12,918	13,698	51,390	91,887
Total grants and contributions		12,918	13,698	61,390	91,887

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	5,665	913	4,641	5,039
Add: operating grants recognised as income in the current period but not yet spent	8,247	5,665	5,671	4,641
Less: capital grants recognised in a previous reporting period now spent	(5,665)	(913)	(4,641)	(1,707)
Less: Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	(3,332)
Unspent funds at 30 June	8,247	5,665	5,671	4,641
Contributions				
Unspent funds at 1 July	-	-	313,963	299,348
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	25,512	22,131
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(3,490)	(7,516)
Unspent contributions at 30 June	-	-	335,985	313,963

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include an obligation to construct specific non-financial assets to identified specifications which will be controlled by Council. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

For construction projects, this is generally recognised 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).

B2-4 Grants and contributions (continued)

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges	501	284
– Cash and investments	15,248	2,477
Total Interest and investment revenue	15,749	2,761

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Other income		3,228	1,583
Total rental income	C2-2	3,228	1,583
Fair value increment on investments			
– Investments at fair value through profit and loss (FVTPL)		621	(1)
Total Fair value increment on investments		621	(1)
Total other income		3,849	1,582

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	54,587	53,179
Travel expenses	9	11
Employee leave entitlements (ELE)	8,805	8,151
Superannuation – defined contribution plans	5,951	5,443
Superannuation – defined benefit plans	663	854
Workers' compensation insurance	3,277	3,233
Fringe benefit tax (FBT)	285	259
Training costs (other than salaries and wages)	468	474
Occupational health and safety	136	175
Other	180	89
Total employee costs	74,361	71,868
Less: capitalised costs	(1,757)	(2,340)
Total employee costs expensed	72,604	69,528

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Council participates in a defined benefit plan under the Local Government Superannuation Scheme. However, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		4,613	5,573
Contractor costs		24,011	20,101
Auditor remuneration	F2-1	345	323
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	636	671
Advertising		506	238
Bank charges		251	212
Electricity and heating		1,786	1,670
Insurance		2,464	2,627
Postage		365	416
Printing and stationery		648	652
Street lighting		2,420	1,973
Subscriptions and publications		278	316
Telephone and communications		606	638
Other expenses		621	441
Food and beverages		319	178
Fees and charges		1,419	544
Property expenses		802	415
Motor vehicle expenses		2,443	1,931
External hire charges		26	34
Legal expenses:			
- Planning and development		724	494
- Other		1,235	755
Variable lease expense relating to usage		5,209	5,414
Computer maintenance		1,919	1,761
Recycling contract		521	479
Waste collection and disposal		16,001	17,351
Other		96	31
Total materials and services		70,264	65,238
Total materials and services		70,264	65,238

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
Interest on leases	6	8
Interest on loans	407	85
Total borrowing costs expensed	413	93

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Infrastructure, property, plant and equipment	C1-6	3,129	3,285
Office equipment		18	37
Furniture and fittings		48	56
Infrastructure:	C1-6		
– Buildings		5,594	3,886
– Other structures		197	92
– Roads		8,375	8,471
– Car parks		267	197
– Bridges		199	101
– Footpaths		2,350	2,348
– Other road assets		644	822
– Stormwater drainage		1,985	1,726
– Swimming pools		331	95
– Other open space/recreational assets		6,028	5,891
– Other infrastructure		247	227
Right of use assets	C2-1	50	48
Other assets:			
– Library books		472	479
Intangible assets	C1-7	811	534
Total gross depreciation and amortisation costs		30,745	28,295
Total depreciation and amortisation costs		30,745	28,295
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Swimming pools		–	1,876
Total gross IPPE impairment / revaluation decrement costs		–	1,876
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	1,876
Total depreciation, amortisation and impairment for non-financial assets		30,745	30,171

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets, Note C1-7 for intangible assets and Note C2-1 for right of use assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value, and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
Other		(105)	168
Total impairment of receivables	C1-4	(105)	168
Other			
Contributions/levies to other levels of government			
– Department of planning levy		313	303
– Emergency services levy (includes FRNSW, SES, and RFS levies)		3,034	2,534
– Other contributions/levies		1,216	782
Donations, contributions and assistance to other organisations (Section 356)		79	131
Total other		4,642	3,750
Total other expenses		4,537	3,918

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		1,848	1,911
Less: carrying amount of plant and equipment assets sold/written off		<u>(1,086)</u>	<u>(1,031)</u>
Gain (or loss) on disposal		<u>762</u>	<u>880</u>
Gain (or loss) on disposal of infrastructure	C1-6		
Less: carrying amount of infrastructure assets sold/written off		<u>(11,682)</u>	<u>(971)</u>
Gain (or loss) on disposal		<u>(11,682)</u>	<u>(971)</u>
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemptions/maturities – financial assets		510,000	503,000
Less: carrying amount of financial assets sold/redeemed/matured		<u>(510,000)</u>	<u>(503,000)</u>
Gain (or loss) on disposal		<u>–</u>	<u>–</u>
Net gain (or loss) from disposal of assets		<u>(10,920)</u>	<u>(91)</u>

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	134,306	135,970	1,664	1% F
User charges and fees	10,879	14,618	3,739	34% F
The increase is driven by an increase in construction activities and services post pandemic, as well as an increase in the number of children in childcare centres.				
Other revenues	13,254	13,668	414	3% F
Operating grants and contributions	10,010	12,918	2,908	29% F
Increased due to the advanced payment of the FY24 Financial Assistance Grant received by Council in June 2023.				
Capital grants and contributions	21,227	61,390	40,163	189% F
Capital grants and contributions is higher due to Barton Park grant, VPA and dedicated asset (Affordable Housing) which were not included in the original budget due to timing uncertainty.				
Interest and investment revenue	2,453	15,749	13,296	542% F
The steady increase in interest rates combined with increasing cash results in significant increase in interest and investment revenue.				
Other income	2,400	3,849	1,449	60% F
Other income is higher than budget expectations due to an increase in commercial and affordable housing rental income.				
Expenses				
Employee benefits and on-costs	80,089	72,604	7,485	9% F
Council employee costs are under budget due to vacancies carried throughout the year compounded by high turnover due to competition for roles across the sector and economy. Some of the vacant positions were backfilled by agency staff which is included in Material and Services.				
Materials and services	70,005	70,264	(259)	0% U
Borrowing costs	318	413	(95)	(30)% U
Borrowing costs are higher due to the timing of interest rate forecasted for the loan for the Barton Park development.				
Depreciation, amortisation and impairment of non-financial assets	31,112	30,745	367	1% F
Depreciation is higher than anticipated due to additional assets being purchased and timing of higher indexation of assets and impairments of \$2.5m.				
Other expenses	3,820	4,537	(717)	(19)% U

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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This increased due to an increase in ESL levy and higher fees paid to Revenue NSW relating to increase in parking infringement notices issued.

Joint ventures and associates – net losses	–	(35)	35	∞	F
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Statement of cash flows

Cash flows from operating activities	36,210	101,206	64,996	179%	F
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Council received additional revenue from grants and contributions that were not included in the original budget, including receiving the Financial Assistance Grants in Advance. Users charges and fees are up due to an increase in construction activities. Higher interest rates have driven up interest income. Operating expenses are lower than budget due to lower employee costs.

Cash flows from investing activities	(62,971)	(104,881)	(41,910)	67%	U
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Council has increased its investment in term deposits during the year to gain the benefits from the steady increase in interest rates throughout the financial year.

Cash flows from financing activities	(3,472)	(3,813)	(341)	10%	U
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C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	27,613	25,101
Cash equivalent assets		
– Deposits at call	–	10,000
Total cash and cash equivalents	27,613	35,101

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	27,613	35,101
Balance as per the Statement of Cash Flows	27,613	35,101

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Financial assets at fair value through the profit and loss				
Non-convertible debentures, Floating rate notes (with maturities > 3 months)	–	5	–	5
Listed equity securities	8	–	6	–
CivicRisk	–	4,896	–	4,277
Total	8	4,901	6	4,282
Debt securities at amortised cost				
Long term deposits	481,650	–	426,000	–
Total	481,650	–	426,000	–
Total financial investments	481,658	4,901	426,006	4,282
Total cash assets, cash equivalents and investments	509,271	4,901	461,107	4,282

Accounting policy

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

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

Financial assets

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

Classification

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

- amortised cost

C1-2 Financial investments (continued)

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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.

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

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve).

Other net gains and losses, excluding dividends, are recognised in Other Comprehensive Income Statement.

No strategic investments were disposed of during 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	514,172	465,389
Less: Externally restricted cash, cash equivalents and investments	<u>(409,304)</u>	<u>(384,829)</u>
Cash, cash equivalents and investments not subject to external restrictions	104,868	80,560

External restrictions

External restrictions – included in liabilities

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

External restrictions – other

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

Advertising SEPP64	2,147	1,558
Community safety levy	733	677
Developer contributions – general	335,982	313,963
Domestic waste management	13,826	17,606
Infrastructure levy reserve	24,055	21,133
Local area funds	13,725	13,383
Mascot main street	1,323	1,218
Mascot parking rate	1,803	1,698
Roads reserve	514	895
Specific purpose unexpended grants	7,945	6,360
Stormwater management	7,251	6,338
External restrictions – other	409,304	384,829
Total external restrictions	409,304	384,829

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.

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

\$ '000	2023	2022
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Affordable Housing reserve	623	–
Arncliffe Youth Centre	971	1,070
Asset Expenditure	5,958	3,052
Audit & legal	4,226	4,286
Barton Park Loan Unexpended	10,037	9,660
Botany Aquatic Centre	122	122
Brighton Bath amenities building	1,809	1,809
Business improvements and efficiencies	3,006	3,215
Community and environmental projects	5,047	4,187
Contribution to works	485	598
Council election	809	559
Deposits, retentions and bonds	2,600	2,600
Employees leave entitlement	6,771	6,771
Energy Efficiency Initiatives	353	222
Financial assistance grants in advance	5,974	3,946
General revenue funded carry-over works	1,195	595
Internal borrowings against consolidated internal restrictions	(190)	–
Mascot oval	80	80
Office equipment and IT reserve	5,795	5,012
Parking infrastructure	2,908	2,908
Planning proposals	360	135
Plant and equipment	4,421	3,229
Public liability claims	692	608
Smart Compliance	667	34
Strategic priorities	32,925	19,504
Synthetic fields	1,014	723
Work health & safety	249	375
Total internal allocations	98,907	75,300

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

C1-4 Receivables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	9,810	–	9,864	–
Interest and extra charges	1,080	–	1,027	–
User charges and fees	2,848	–	3,195	–
Accrued interest on investments	4,663	–	1,060	–
Government grants and subsidies	1,733	–	5,508	–
Net GST receivable	1,652	–	1,461	–
Total	21,786	–	22,115	–
Less: provision for impairment				
Rates and annual charges	(147)	–	(139)	–
Interest and extra charges	(157)	–	(147)	–
User charges and fees	(519)	–	(648)	–
Total provision for impairment – receivables	(823)	–	(934)	–
Total net receivables	20,963	–	21,181	–

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year	934	1,084
+ provisions recognised / (reversed) during the year	(95)	159
– amounts already provided for and written off this year	(16)	(309)
Balance at the end of the year	823	934

Accounting policy

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

Impairment

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

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 60 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.

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

C1-4 Receivables (continued)

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

None of the receivables that have been written off during the year are subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Stores and materials	286	–	230	–
Trading stock	24	–	33	–
Total inventories at cost	310	–	263	–
Total inventories	310	–	263	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation on increments / (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	11,526	–	11,526	36,810	10,201	–	–	(24,203)	(1,680)	–	32,655	–	32,655
Plant and equipment	24,430	(12,297)	12,133	5,286	–	(1,086)	(3,129)	53	–	–	26,839	(13,582)	13,257
Office equipment	349	(318)	31	–	–	–	(18)	–	–	–	349	(336)	13
Furniture and fittings	759	(627)	132	–	–	–	(48)	–	–	–	760	(676)	84
Land:													
– Operational land	462,954	–	462,954	–	5,881	–	–	3,596	–	(37,964)	434,467	–	434,467
– Community land	167,523	–	167,523	–	–	–	–	–	–	17,765	185,288	–	185,288
– Land under roads (post 30/6/08)	5,551	–	5,551	–	–	–	–	–	–	588	6,139	–	6,139
Land improvements – non-depreciable	1,532	–	1,532	–	–	–	–	–	–	162	1,694	–	1,694
Infrastructure:													
– Buildings	314,620	(107,955)	206,665	–	957	(5,383)	(5,594)	2,659	–	15,065	332,370	(118,002)	214,368
– Other structures	7,866	(2,618)	5,248	–	–	(139)	(197)	86	–	418	8,332	(2,916)	5,416
– Roads	564,252	(173,507)	390,745	–	350	(1,348)	(8,375)	3,859	–	7,964	570,318	(177,123)	393,195
– Car Parks	16,347	(5,078)	11,269	–	–	(338)	(267)	20	–	904	17,190	(5,602)	11,588
– Bridges	14,794	(5,545)	9,249	–	–	(98)	(199)	1,502	–	533	16,907	(5,920)	10,987
– Footpaths	165,224	(74,778)	90,446	–	1,332	(578)	(2,350)	1,390	–	10,981	189,919	(88,696)	101,223
– Other road assets (including bulk earthworks)	40,990	(17,343)	23,647	–	306	(38)	(644)	933	–	1,374	44,556	(18,979)	25,577
– Bulk earthworks (non-depreciable)	69,080	–	69,080	–	–	–	–	–	–	3,712	72,792	–	72,792
– Stormwater drainage	189,639	(75,282)	114,357	–	343	(14)	(1,985)	354	–	11,316	210,918	(86,546)	124,372
– Swimming pools	9,877	(5,590)	4,287	–	–	–	(331)	–	–	357	10,774	(6,460)	4,314
– Other open space/recreational assets	129,183	(35,270)	93,913	–	573	(3,726)	(6,028)	9,751	–	6,845	142,114	(40,786)	101,328
– Other infrastructure	17,638	(6,261)	11,377	–	–	(20)	(247)	–	–	877	18,993	(7,007)	11,986
Other assets:													
– Library books	2,392	(1,245)	1,147	504	–	–	(472)	–	–	–	2,310	(1,131)	1,179
Total infrastructure, property, plant and equipment	2,216,526	(523,714)	1,692,812	42,600	19,943	(12,768)	(29,884)	–	(1,680)	40,897	2,325,684	(573,762)	1,751,922

(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 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets ²	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements WIP Expensed	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	10,850	–	10,850	6,163	2,171	–	–	–	(7,347)	–	(311)	–	11,526	–	11,526
Plant and equipment	23,877	(11,406)	12,471	3,978	–	(1,031)	(3,285)	–	–	–	–	–	24,430	(12,297)	12,133
Office equipment	349	(281)	68	–	–	–	(37)	–	–	–	–	–	349	(318)	31
Furniture and fittings	759	(572)	187	–	–	–	(56)	–	–	1	–	–	759	(627)	132
Land:															
– Operational land	366,965	–	366,965	–	52,024	–	–	–	–	–	–	43,965	462,954	–	462,954
– Community land	160,200	–	160,200	–	3,900	–	–	–	–	–	–	3,423	167,523	–	167,523
– Land under roads (post 30/6/08)	5,090	–	5,090	–	348	–	–	–	–	(1)	–	114	5,551	–	5,551
Land improvements – non-depreciable	1,500	–	1,500	–	–	–	–	–	–	–	–	32	1,532	–	1,532
Infrastructure:															
– Buildings	270,420	(99,739)	170,681	4,267	13,000	(971)	(3,886)	–	1,982	14	–	21,578	314,620	(107,955)	206,665
– Other structures	6,673	(2,160)	4,513	179	344	–	(92)	–	119	(3)	–	188	7,866	(2,618)	5,248
– Roads	507,686	(151,793)	355,893	3,234	455	–	(8,471)	–	51	2	–	39,581	564,252	(173,507)	390,745
– Bridges	9,281	(1,615)	7,666	–	312	–	(101)	–	–	–	–	1,372	14,794	(5,545)	9,249
– Footpaths	142,322	(63,214)	79,108	2,704	1,572	–	(2,348)	–	968	1	–	8,441	165,224	(74,778)	90,446
– Other road assets (including bulk earthworks)	35,562	(14,831)	20,731	1,114	916	–	(822)	–	104	(56)	–	1,660	40,990	(17,343)	23,647
– Bulk earthworks (non-depreciable)	62,342	–	62,342	–	–	–	–	–	–	–	–	6,738	69,080	–	69,080
– Stormwater drainage	167,629	(65,574)	102,055	164	1,036	–	(1,726)	–	1,152	–	–	11,676	189,639	(75,282)	114,357
– Swimming pools	6,988	(755)	6,233	–	–	–	(95)	(1,876)	–	25	–	–	9,877	(5,590)	4,287
– Car Parks	14,214	(4,884)	9,330	229	444	–	(197)	–	39	–	–	1,424	16,347	(5,078)	11,269
– Other open space/recreational assets	103,333	(33,663)	69,670	3,917	12,823	–	(5,891)	–	2,729	(36)	–	10,701	129,183	(35,270)	93,913
– Other infrastructure	13,881	(5,698)	8,183	90	1,625	–	(227)	–	203	53	–	1,450	17,638	(6,261)	11,377
Other assets:															
– Library books	2,481	(1,190)	1,291	335	–	–	(479)	–	–	–	–	–	2,392	(1,245)	1,147
Total infrastructure, property, plant and equipment	1,912,402	(457,375)	1,455,027	26,374	90,970	(2,002)	(27,713)	(1,876)	–	–	(311)	152,343	2,216,526	(523,714)	1,692,812

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

(2) New additions to WIP comprise costs related to software development which are not available for use as at 30 June 2020. These assets will be transferred to intangible assets once they are completed and available for use.

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Asset Class	Years
Plant and equipment	5 to 10
Office equipment	4 to 10
Furniture & Fittings	10

Infrastructure	
Buildings	15 to 212
Other Structures	20 to 100
Roads	30 to 214
Car Parks	22 to 162
Bridges	2 to 158
Footpaths	40 to 100
Other Road Assets	25 to 156
Stormwater Drainage	0 to 136
Swimming Pools	15 to 80
Other Open Space/Recreational Assets	0 to 101
Other Infrastructure	30 to 102

Other Assets	
Library Books	5

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

Land under roads

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

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

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

Crown reserves

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

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

C1-7 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	4,742	4,742
Accumulated amortisation	(2,980)	(2,446)
Net book value – opening balance	1,762	2,296
Movements for the year		
Amortisation charges	(811)	(534)
Closing values at 30 June		
Gross book value	4,742	4,742
Accumulated amortisation	(3,791)	(2,980)
Total software – net book value	951	1,762

Accounting policy

IT development and software

Costs incurred in developing products or 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, external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

C1-8 Other

Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	1,385	–	954	–
Total other assets	1,385	–	954	–

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Office and IT equipment

Leases for office and IT equipment relate to items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Office & IT Equipment	Total
2023		
Opening balance at 1 July	182	182
Depreciation charge	(50)	(50)
Other movement	1	1
Balance at 30 June	133	133
2022		
Opening balance at 1 July	230	230
Depreciation charge	(48)	(48)
Balance at 30 June	182	182

(b) Lease liabilities

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	50	83	–	133	133
2022					
Cash flows	50	133	–	183	183

(c) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	6	8
Variable lease payments based on usage not included in the measurement of lease liabilities	5,209	5,414
Depreciation of right of use assets	50	48
	5,265	5,470

C2-1 Council as a lessee (continued)

(d) Statement of Cash Flows

\$ '000	2023	2022
Total cash outflow for leases	5,215	5,422
	5,215	5,422

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

Council has a number of leases at significantly below market value for land which are used for parks and open space.

The leases are generally between 2 and 20 years and require payments of a maximum amount of \$9,000 per year. The use of the right-of-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (i) below) in the Statement of Financial Position. These leases are held on a rolling 12 month basis.

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

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

(i) Operating lease income

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	3,228	1,583
Total income relating to operating leases	3,228	1,583

Amount of IPPE leased out by Council under operating leases

Buildings	47,137	36,069
Total amount of IPPE leased out by Council under operating leases	47,137	36,069

Accounting policy

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

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

Council's operating leases are all short term property leases with renewal on a rolling 12 month basis.

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

The lease income is recognised on a straight-line basis over the lease term.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	4,065	–	4,790	–
Accrued expenses:				
– Salaries and wages	1,407	–	947	–
– Other expenditure accruals	4,587	–	4,010	–
Prepaid rates	1,316	–	1,333	–
Security bonds, deposits and retentions	14,864	–	14,252	–
Builders service and plan first levy payable	68	–	20	–
Other	1,336	–	60	–
Total payables	27,643	–	25,412	–

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

\$ '000	2023	2022
	Payables – security bonds, deposits and retentions	13,274
Total payables	13,274	12,637

Accounting policy

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

The financial liabilities of the Council comprise trade payables, bank and other loans.

Payables

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

C3-3 Borrowings

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured ¹	3,600	3,698	3,762	7,298
Total borrowings	3,600	3,698	3,762	7,298

(1) Disclosures on liability interest rate exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	11,060	(3,762)	–	–	–	–	7,298
Lease liability (Note C2-1b)	183	(50)	–	–	–	–	133
Total liabilities from financing activities	11,243	(3,812)	–	–	–	–	7,431

\$ '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	2,165	8,895	–	–	–	–	11,060
Lease liability (Note C2-1b)	230	(47)	–	–	–	–	183
Total liabilities from financing activities	2,395	8,848	–	–	–	–	11,243

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
The amount of financing facilities available to Council at the reporting date is:		
Credit cards/purchase cards	80	80
Total financing arrangements	80	80
Drawn facilities		
– Credit cards/purchase cards	5	12
Total drawn financing arrangements	5	12
Undrawn facilities		
– Credit cards/purchase cards	75	68
Total undrawn financing arrangements	75	68

Breaches and defaults

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

Security over loans

All loans secured over future cash flows from Councils general purpose revenues.

Leased liabilities are secured by the underlying leased assets.

C3-3 Borrowings (continued)

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	7,212	–	7,305	–
Sick leave	773	–	833	–
Long service leave	10,169	1,737	10,816	1,843
Gratuities	286	–	323	–
Total employee benefit provisions	18,440	1,737	19,277	1,843

\$ '000	2023	2022
Current provisions not anticipated to be settled within the next twelve months	10,219	11,104
	10,219	11,104

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2023		2022	
	Current	Non-Current	Current	Non-Current
Other provisions				
Self-insurance - workers compensation - public liability	–	161	–	278
Remediation Provision	1,242	2,435	1,538	1,781
Land Disposal Tax	1,904	–	1,904	–
Sub-total – other provisions	3,146	2,596	3,442	2,059
Total provisions	3,146	2,596	3,442	2,059

C3-5 Provisions (continued)

Description of and movements in provisions

\$ '000	Other provisions			Total
	Self insurance	Asset Remediation	Land Disposal Tax	
2023				
At beginning of year	278	3,319	1,904	5,501
Additional provisions	–	358	–	358
Amounts used (payments)	(117)	–	–	(117)
Total other provisions at end of year	161	3,677	1,904	5,742
2022				
At beginning of year	5	4,604	1,904	6,513
Additional provisions	273	–	–	273
Remeasurement effects	–	(29)	–	(29)
Unused amounts reversed	–	(1,256)	–	(1,256)
Total other provisions at end of year	278	3,319	1,904	5,501

Nature and purpose of provisions

Asset remediation

Council has, as a result of past operating activities, a number of former tip sites situated within its LGA, that may require future restoration and remediation works if the contamination at any point becomes significant.

The asset remediation provision represents the present value estimate of future costs Council may incur to rehabilitate and reinstate the former tip sites. The provision for remediation also includes an estimate of future monitoring costs estimates over a reasonable number of years.

Self-insurance

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

C3-5 Provisions (continued)

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

D1-1 Details of internal loans

In accordance with s410(3) of the Local Government Act 1993, the Minister for Local has approved an internal loan from Domestic Waste to General Fund for \$10m, with a term of 20 years for property acquisition.

Details of individual internal loans	Domestic Waste
Borrower (by purpose)	General Fund
Lender (by purpose)	Domestic Waste
Date of Minister's approval	19/01/2023
Date raised	19/01/2023
Term years	20
Dates of maturity	19/01/2043
Rate of interest (%) *	4%
Amount originally raised (\$'000)	10,000
Total repaid during year (principal and interest) (\$'000)	0
Principal outstanding at end of year (\$'000)	10,000

(*) Interest rate is variable and reviewed annually on anniversary.

D2 Interests in other entities

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership		2023	2022
			2023	2022		
Bayside Garden Centre	Kogarah, NSW	Joint Venture	50.0%	50.0%	338	303
Total carrying amounts – material joint ventures					338	303

Bayside Garden Centre

The Bayside Garden Centre is a joint venture between Bayside Council and the Intellectual Disability Foundation of St. George. This Venture was developed to enhance the lives of people with a disability by offering diverse and supported employment opportunities.

Details

Principal activity		Measurement method
Bayside Garden Centre	Wholesale & retail Nursery	Equity method

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2023	2022	2023	2022
Bayside Garden Centre	50.0%	50.0%	50.0%	50.0%

D2-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	Bayside Garden Centre	
	2023	2022
Statement of financial position		
Current assets		
Cash and cash equivalents	520	239
Other current assets	189	266
Non-current assets	137	159
Current liabilities		
Other current liabilities	82	54
Non-current liabilities	110	–
Net assets	654	610
Statement of comprehensive income		
Income	1,103	966
Other expenses	(1,036)	(929)
Depreciation and amortisation	(30)	(27)
Profit/(loss) from continuing operations	37	10
Profit/(loss) for the period	37	10
Total comprehensive income	37	10
Share of income – Council (%)	50.0%	50.0%
Profit/(loss) – Council (\$)	19	5
Total comprehensive income – Council (\$)	19	5
Reconciliation of the carrying amount		
Opening net assets (1 July)	610	671
Profit/(loss) for the period	37	10
Dividends paid	–	(71)
Other adjustments to equity	7	–
Closing net assets	654	610
Council's share of net assets (%)	51.7%	49.7%
Council's share of net assets (\$)	338	303

D2-1 Interests in joint arrangements (continued)

Accounting policy

The council has determined that it has only joint ventures.

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with *AASB 128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and 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.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

Council has an investment policy which complies with 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 financial instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates		
– Equity / Income Statement	4,817	4,260
Impact of a 10% movement in price of investments		
– Equity / Income Statement	491	857

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

(b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2023				
Gross carrying amount	47	8,799	964	9,810
2022				
Gross carrying amount	51	8,875	938	9,864

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount	11,441	103	84	50	298	11,976
ECL provision	372	34	2	–	112	520
2022						
Gross carrying amount	10,563	498	111	128	951	12,251
ECL provision	74	69	5	68	431	647

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	0.00%	14,864	12,779	–	–	27,643	27,643
Borrowings	4.41%	–	3,600	3,698	–	7,298	7,298
Total financial liabilities		14,864	16,379	3,698	–	34,941	34,941
2022							
Payables	0.00%	14,252	11,160	–	–	25,412	25,412
Borrowings	4.02%	–	3,762	7,298	–	11,060	11,060
Total financial liabilities		14,252	14,922	7,298	–	36,472	36,472

Loan agreement breaches

No breaches to loan agreements have occurred during the reporting year.

E2-1 Fair value measurement

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

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

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).

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy							
		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
At fair value through profit or loss – designated at fair value on initial recognition		8	6	5	5	4,896	4,277	4,909	4,288
Total financial assets		8	6	5	5	4,896	4,277	4,909	4,288
Infrastructure, property, plant and equipment									
Operational land	C1-6	–	–	323,155	308,574	111,312	154,380	434,467	462,954
Plant and equipment		–	–	13,257	12,133	–	–	13,257	12,133
Office equipment		–	–	13	31	–	–	13	31
Furniture and fittings		–	–	84	132	–	–	84	132
Library books		–	–	1,179	1,147	–	–	1,179	1,147
Community land		–	–	–	–	185,288	167,523	185,288	167,523
Land improvements		–	–	–	–	1,694	1,532	1,694	1,532
Buildings		–	–	–	–	214,368	206,665	214,368	206,665
Other structures		–	–	–	–	5,416	5,248	5,416	5,248
Roads		–	–	–	–	393,195	390,745	393,195	390,745
Car Parks		–	–	–	–	11,588	11,269	11,588	11,269
Bridges		–	–	–	–	10,987	9,249	10,987	9,249
Footpaths		–	–	–	–	101,223	90,446	101,223	90,446
Bulk Earthworks		–	–	–	–	72,792	69,080	72,792	69,080
Stormwater Drainage		–	–	–	–	124,372	114,357	124,372	114,357
Swimming Pools		–	–	–	–	4,314	4,287	4,314	4,287
Land under roads		–	–	–	–	6,139	5,551	6,139	5,551
Other road assets		–	–	–	–	25,577	23,647	25,577	23,647
Other infrastructure assets		–	–	–	–	11,986	11,377	11,986	11,377
Openspace / recreation assets		–	–	–	–	101,328	93,913	101,328	93,913
Total infrastructure, property, plant and equipment		–	–	337,688	322,017	1,381,579	1,359,269	1,719,267	1,681,286

E2-1 Fair value measurement (continued)

Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. 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:

Level 1 measurements

Financial assets

The Council's financial assets relates to its investment in a listed entity on the ASX. Valuation is based on the quoted price at closing on the 30 June.

Level 2 measurements

Financial Assets

The Council's financial assets relates to its investment in an unlisted private entity. Valuation is based on historical cost of shareholding.

Infrastructure, property, plant and equipment (IPPE)

Operational Land

The Council engages external, independent, and qualified valuers to determine the fair value of the Council's Operational Land.

The fair value of Operational Land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

Operational land assets are categorised as Level 2 and level 3 as determined by the valuation report provided by Australis Asset Advisory Group.

Valuation techniques remained the same for this reporting period.

Operational land was last revalued as at 30 June 2023.

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor Vehicles, trucks, mowers, ancillary 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 is 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. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life is based on internal factors which are unobservable in the market making it a level 3 asset. Valuation techniques remain the same for this reporting period.

Level 3 measurements

Financial Assets

E2-1 Fair value measurement (continued)

The Council is a member of CivicRisk Mutual and the financial assets represent the fair value of the Council's interest in the Mutual.

The valuation is performed by Finity Consulting Pty Limited as at 30 June 2023 using an income approach based on expected future investments, payment profile and discounting.

Land Under Roads

Land Under Roads identified as roads constructed post 30/6/2008 has been valued based on Municipal Average Land Rate discounted by 90%. Council has elected to only recognise land under roads for new roads constructed after 30/6/2008.

The Council uses Local Government Area rateable land values provided by the NSW Valuer-General to determine the fair value of the Council's Land Under Roads (LUR) assets.

The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land).

The urban Average Rateable Value by LGA is derived from data provided by the Valuer – General. Measurement of land area in situ under roads.

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

Land Under Roads was last revalued as at 30 June 2023.

Community Land

The Council engages the Valuer General of New South Wales to determine the fair value of the Council's Community Land.

The fair value for Community Land has been determined using an Unimproved Capital Value, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of Community land, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer General's valuation is considered the most practicable approach to valuing Community Land.

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

Community land was last revalued as at 30 June 2023.

Infrastructure assets

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Infrastructure assets. Infrastructure assets were last revalued by independent valuers on dates as specified below.

Generally, the nature of infrastructure assets requires that they are valued by gross replacement value using the application of unit rates. Unit rates are developed by summing each component which goes into producing a unit (be it metres, square metres, tonnes, etc) of an asset. The major components of any asset are the raw materials, plant, labour and indirect costs (overheads). These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the Fair Value.

The raw cost of material, as well as plant and labour hire rates, are established either through communicating directly with suppliers and obtaining quoted prices, by using cost guides such as the Rawlinsons' Construction Handbook and through reviewing contract quotes and prices obtained by Council. Overheads are estimated using industry standards.

Useful lives are a measure of the estimated time an asset or asset component is expected to be available for use by an entity. It should be noted that in reality, no two assets provide the same useful life due to varying usage, levels of service requirements and obsolescence factors.

Our useful lives are determined based on guidance from the Institute of Public Works Engineering Australia's (IPWEA) practice note 12. The useful lives used in this valuation have been tailored to the entity based on our assessment of the specific assets in question.

The remaining lives used in the depreciation calculations are estimated using three different methods depending on the available data:

- Condition;
- Known Age; and
- Estimated Age.

E2-1 Fair value measurement (continued)

Ideally, where both the condition and age of the asset are known, these two inputs are used in conjunction to determine the appropriate level of accumulated depreciation. If the asset is determined to be in an “average” condition for its age, the calculation reverts to the construction year. However, if the asset is found to be in better or worse condition for its age, the remaining life is adjusted accordingly.

Where only condition of the asset is known from the Council’s / Valuer’s inspection or where detailed condition reports have been prepared, the remaining life is dependent on the recorded condition, using a sliding scale. Where detailed condition is not available the remaining life is estimated using the current age of the assets, adjusted for obsolescence.

Where neither the condition nor the age are known, assumptions are made as the age and condition of the assets in collaboration with Council staff, in order to obtain a current replacement cost which reasonably reflects the value of the asset.

Roads, Other Road Assets & Footpaths

Road assets are assets with the primary function of enabling transportation of vehicles. The asset register system adopted has a hierarchical structure in which all Roads are identified by name and number. Each road is then subdivided into a number of segments based on length, geometry and change of structure or traffic. Some roads may have only one segment. Measurement is derived from spatial modelling of the assets in Council’s GIS (geographical information system). The components located within the road segment are as follows.

- Road Surface (surface)
- Road pavement structure (pavement)
- Road bulk earthworks (bulk earthworks)
- Kerb and gutter

Other Road Assets are assets supporting the primary road function, which includes:

- Bus shelters
- Centre Medians
- Crash Barriers
- Pedestrian Refuges
- Retaining Walls-Roads
- Roundabouts
- Speed Humps and Thresholds
- Street Furniture
- Street Lighting
- Traffic Calming Devices
- Traffic Islands
- Traffic Management Devices

Other Road Assets may be lineal features, area features or point features. Measurement is derived from spatial modelling of the assets in Council’s GIS (geographical information system).

Footpaths include pathways that are used by pedestrians and cyclists, as pedestrian only paths, cyclist only paths or shared paths. Footpaths are categorised by material. Footpaths are not componentised. Measurement is derived from spatial modelling of the assets in Council’s GIS (Geographical information system).

The valuation of Roads, Other Road Assets and Footpaths was conducted by iinSights Pty Ltd as at 30 June 2023 using an appropriate cumulative index and cost approach method. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, and depreciated value.

These asset classes are categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

E2-1 Fair value measurement (continued)

Bridges

Bridges were last revalued by iinSights Pty Ltd as at 30 June 2023 using indexation methodology.

Bridges include road bridges, foot bridges and also large road culverts. A road culvert is determined to be a bridge if the culvert supports a road and the length of the culvert is 6 metres or greater, measured along the centre line of the carriageway.

Stormwater Drainage

The stormwater drainage network comprises the following types of assets:

- Stormwater pipes
- Stormwater channels – earth lined
- Stormwater channels – concrete lined
- Stormwater pits
- Gross pollutant traps (GPTs), and stormwater quality improvement devices (SQIDs)
- Flood management devices

Measurement is derived from spatial modelling of the assets in Council's GIS (geographical information system).

The valuation of Stormwater Drainage was conducted by iinSights Pty Ltd as at 30 June 2023 using an appropriate cumulative index and cost approach methodology. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, and depreciated value.

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

Buildings

Council engaged iinSights Pty Ltd for the valuation of buildings as at 30 June 2023 using an appropriate cumulative index.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

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/Recreation Assets

Open space and recreational infrastructure assets are those that enables recreational, leisure and sporting opportunities at parks, reserves or sportsgrounds. This is a broad category and includes most infrastructure located in parks, reserves, sportsgrounds and sports facilities such as barbecues, barbecue shelters, bins, lighting, irrigation, electrical equipment, park furniture, park fixtures, retaining walls, landscape edging, bollards, fencing, signs, public art, playground equipment, fitness facilities, sports tracks, fields and courts.

The valuation of Open Space/Recreation assets was conducted by iinSights Pty Ltd as at 30 June 2023 using an appropriate cumulative index. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, remaining useful life, and depreciated value.

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

E2-1 Fair value measurement (continued)

Other Structures

Other Structures are those large and significant structures and shelters greater than 30m² but not those already included within the Buildings Class.

The valuation of Other Structures using an indexation methodology was conducted by iinSights Pty Ltd as at 30 June 2023. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, remaining useful life, and depreciated value.

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

Other Infrastructure Assets

Other Infrastructure assets include jetties, boat ramps, sea walls, viewing decks, boardwalks and retaining wall within Parks and Reserves.

The valuation of Other Infrastructure assets was conducted by iinSights Pty Ltd as at 30 June 2023 using an appropriate cumulative index. Significant unobservable inputs considered in the valuation of these assets are gross replacement value based on an appropriate unit rate, effective useful life, remaining useful life, and depreciated value.

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

Swimming Pools

Assets within this class are comprised of swimming pools and associated structures.

The revaluation of swimming pools using indexation methodology was conducted by iinSights Pty Ltd as at 30 June 2023. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

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

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Total	
	2023	2022
Opening balance	1,209,166	1,067,377
Total gains or losses for the period		
Recognised in profit or loss – revaluation decrement	–	(1,876)
Recognised in profit & loss - released	619	95
Recognised in other comprehensive income – revaluation surplus	78,861	108,378
Other movements		
Transfers from/(to) another asset class	–	(1)
Purchases (GBV)	24,415	60,020
Disposals (WDV)	(11,682)	(971)
Depreciation and impairment	(26,217)	(23,856)
Closing balance	1,275,162	1,209,166

Highest and best use

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

E3-1 Contingencies

LIABILITIES NOT RECOGNISED

(i) Defined benefit plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2023 was \$457,652. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield (FIAA) as at 30 June 2022.

The estimated past service contributions remaining is \$283,394. Council's expected contributions to the Fund for the next annual reporting period is \$440,828.

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

E3-1 Contingencies (continued)

Defined Benefit reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.74%

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

The share of any funding surplus or deficit that can be attributed to Council is 1.42%.

Council's share of that surplus cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member Councils. For this reason, no asset for the surplus has been recognised in Council's accounts.

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

Investment return	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6.0% for FY22/23 and 2.5% per annum thereafter

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

(ii) CivicRisk Metro (Formerly Metro Pool)

Council is a member of CivicRisk Metro, a former joint venture of seven local councils in New South Wales, now treated as an equity investment.

It was established in 1990 to allow sharing of public liability and professional indemnity risks of its member councils.

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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) CivicRisk Mutual (Formerly United Independent Pools (UIP))

Council is a member of CivicRisk Mutual, a former joint venture now treated as an equity investment, incorporated in July 2005 by CivicRisk West (formerly West Pool) and CivicRisk Metro (formerly Metro Pool).

CivicRisk Mutual "pools" the Industrial Special Risk, commercial motor property damage, Councillors', Directors' and Officers'/Statutory Liability and Fidelity Guarantee/Crime/Cyber risks of its 17 member Councils. It also undertakes various other activities, including running risk management forums and the bulk purchase of certain other insurances.

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 30/6 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.

(iv) StateCover Limited

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

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

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

E3-1 Contingencies (continued)

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

(v) Other guarantees

Council has three bank guarantees on issue to the value of \$3.82M. One for the purchase of Guess Avenue Wolli Creek and provision of a park with in contract terms, and two related to deviation works at Bonar Street Arncliffe. If claimed they will be funded using externally restricted assets.

Other liabilities

(i) Remediation

The Council as part of past Council operations may have remediation liabilities. While some provision has been made in the accounts for this, there is the potential for further exposure to losses not already provided for.

(ii) 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.

(iii) S7.11 / S7.12 Plans

Council levies section 7.11/7.12 contributions upon various development across the Council area through the required contribution plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iv) 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.

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

(v) Property sale tax liability

The Council as part of past transactions may have tax liabilities that arise from prior periods. While some provision has been made in the accounts for this, there is the potential for further exposure to losses not already provided for.

E3-1 Contingencies (continued)

ASSETS NOT RECOGNISED

(i) Legal actions

Council has provided for some legal settlements, but is currently defending these legal claims which are potential contingent assets if successful.

(ii) 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.

(iii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by Revenue NSW.

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	2,284	2,115
Post-employment benefits	200	177
Other long-term benefits	54	63
Termination benefits	216	–
Total	2,754	2,355

Other transactions with KMP and their related parties

Council has determined that no transactions between KMP (or their related parties) and Council have occurred during the reporting period.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	92	83
Councillors' fees	475	436
Other Councillors' expenses (including Mayor)	69	152
Total	636	671

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
(i) Audit and other assurance services: Auditors of Council - NSW Auditor General		
Audit and review of financial statements	270	290
Total fees paid or payable to the Auditor-General	270	290
(ii) Other non-assurance services: Other firms		
Internal audits and other reviews (other firms)	75	33
Total fee paid or payable for non-assurance services	75	33
Total audit fees	345	323

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
Net operating result from Income Statement	68,714	99,659
Add / (less) non-cash items:		
Depreciation, amortisation and impairment	30,745	28,295
(Gain) / loss on disposal of assets	10,920	91
Non-cash contributions and dedications	(9,786)	(55,970)
Decrements/(reversal of previous revaluation decrements) from revaluations		
– Investments classified as ‘at fair value’ or ‘held for trading’	(621)	1
– Revaluation decrements / impairments of IPP&E direct to P&L	–	1,876
Share of net (profits) or losses of associates/joint ventures using the equity method	(35)	29
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	329	(2,482)
Increase / (decrease) in provision for impairment of receivables	(111)	(150)
(Increase) / decrease of inventories	(47)	82
Decrease/(increase) in other assets	(431)	356
Increase / (decrease) in payables	(725)	1,724
Increase / (decrease) in other accrued expenses payable	1,037	(668)
Increase / (decrease) in other liabilities	1,919	(314)
Increase / (decrease) in contract liabilities	–	(3,332)
Increase/(decrease) in employee benefits	(943)	(986)
Increase / (decrease) in other provisions	241	(1,012)
Work-in-progress expensed	–	311
Net cash flows from operating activities	101,206	67,510

(b) Non-cash investing and financing activities

Other dedications	9,786	55,970
Total non-cash investing and financing activities	9,786	55,970

Refer to Note C2 for information on acquisition of assets under leases.

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date, but not recognised in the financial statements are payable as follows:		
Property, plant and equipment		
Buildings	1,301	2,871
Plant and equipment	2,423	–
Road infrastructure	17,469	13,959
Infrastructure Works	37,983	19,710
Total	59,176	36,540

Details of capital commitments

Capital commitments are based upon the completion of Council's capital works program which has commenced.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Drainage	18,299	430	–	–	541	(4,393)	–	14,877	–
Roads	9,980	–	–	–	295	(80)	–	10,195	–
Traffic facilities	39,675	734	–	–	1,173	(819)	–	40,763	–
Parking	1,189	–	–	–	35	(1)	–	1,223	–
Open space	93,069	8,745	–	–	2,753	(4,541)	–	100,026	–
Community facilities	51,759	1,880	–	–	1,531	(927)	–	54,243	–
Other	51,500	122	–	–	1,522	(446)	–	52,698	–
S7.11 contributions – under a plan	265,471	11,911	–	–	7,850	(11,207)	–	274,025	–
S7.12 levies – under a plan	16,578	1,238	–	–	490	(586)	–	17,720	–
Total S7.11 and S7.12 revenue under plans	282,049	13,149	–	–	8,340	(11,793)	–	291,745	–
S7.11 not under plans	15	–	–	–	–	–	–	15	–
S7.4 planning agreements	31,899	12,362	–	9,603	943	(982)	–	44,222	–
Total contributions	313,963	25,511	–	9,603	9,283	(12,775)	–	335,982	–

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.

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
CONTRIBUTION PLAN - S94 CITY WIDE PLAN (former Botany)										
Drainage	6,325	-	-	-	187	-	-	6,512	-	
Traffic facilities	38,717	-	-	-	1,145	-	-	39,862	-	
Open space	33,518	-	-	-	991	-	-	34,509	-	
Community facilities	12,058	-	-	-	357	-	-	12,415	-	
Other	12,525	-	-	-	370	-	-	12,895	-	
Total	103,143	-	-	-	3,050	-	-	106,193	-	
CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)										
Other	35,500	-	-	-	1,050	-	-	36,550	-	
Total	35,500	-	-	-	1,050	-	-	36,550	-	
CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)										
Traffic facilities	958	734	-	-	28	(819)	-	901	-	
Open space	31,671	5,021	-	-	937	(1,942)	-	35,687	-	
Community facilities	2,295	571	-	-	68	-	-	2,934	-	
Other	183	52	-	-	5	(313)	-	(73)	-	
Total	35,107	6,378	-	-	1,038	(3,074)	-	39,449	-	
Rockdale Contributions Plan 2016 - Urban Renewal Area (Former Rockdale City Council)										
Drainage	8,842	-	-	-	261	(4,393)	-	4,710	-	
Roads	9,980	-	-	-	295	(80)	-	10,195	-	
Community facilities	32,864	-	-	-	972	(887)	-	32,949	-	
Other	577	-	-	-	17	(56)	-	538	-	
Total	52,263	-	-	-	1,545	(5,416)	-	48,392	-	

G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year				Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other						
Rockdale S94 Contributions Plan 2004 (Former Rockdale City Council)										
Drainage	3,132	430	-	-	93	-	-	3,655	-	
Parking	1,189	-	-	-	35	(1)	-	1,223	-	
Open space	27,880	3,724	-	-	825	(2,599)	-	29,830	-	
Community facilities	4,542	1,309	-	-	134	(40)	-	5,945	-	
Other	691	70	-	-	20	(77)	-	704	-	
Total	37,434	5,533	-	-	1,107	(2,717)	-	41,357	-	
Ramsgate Commercial Centre Development Contributions Plan 2006 (Former Rockdale City Council)										
Other	2,024	-	-	-	60	-	-	2,084	-	
Total	2,024	-	-	-	60	-	-	2,084	-	

S7.12 Levies – under a plan

S7.12 Levies

S7.12 Levies	16,578	1,238	-	-	490	(586)	-	17,720	-
Total	16,578	1,238	-	-	490	(586)	-	17,720	-

G4-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2022	Contributions received during the year					Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other	Interest and investment income earned					
(Former Rockdale City Council)										
Inter-allotment Drainage	15	-	-	-	-	-	-	-	15	-
Total	15	-	-	-	-	-	-	-	15	-

G4-4 S7.4 planning agreements

S7.4 planning agreements

Other	31,899	12,362	-	9,603	943	(982)	-	44,222	-
Total	31,899	12,362	-	9,603	943	(982)	-	44,222	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	17,483	8.91%	5.62%	(0.55)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	196,151				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	183,233	71.15%	60.71%	77.71%	> 60.00%
Total continuing operating revenue ¹	257,541				
3. Unrestricted current ratio					
Current assets less all external restrictions	127,526				
Current liabilities less specific purpose liabilities	29,388	4.34x	3.97x	3.60x	> 1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	48,641				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,226	11.51x	42.82x	30.59x	> 2.00x
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	10,586				
Rates and annual charges collectable	147,616	7.17%	7.37%	8.30%	< 5.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	509,263				
Monthly payments from cash flow of operating and financing activities	13,571	37.53 months	36.79 months	33.09 months	> 3.00 months

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

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

End of the audited financial statements



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bayside Council

To the Councillors of Bayside Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Lawrissa Chan
Delegate of the Auditor-General for New South Wales

27 October 2023
SYDNEY



Councillor Bill Saravinovski
Mayor
Bayside Council
PO BOX 21
ROCKDALE NSW 2216

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: R008-16585809-44702

27 October 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Bayside Council**

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

I expressed an unmodified opinion on Council's GPFS.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Audit logs of privileged users are not periodically reviewed (repeat)

There is no defined process to monitor privileged user activity for some key systems.

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	136.0	132.1	 3.0
Grants and contributions revenue	74.3	105.6	 29.6
Operating result from continuing operations	68.7	99.7	 31.1
Net operating result before capital grants and contributions	7.3	7.8	 6.4

Rates and annual charges revenue (\$136.0 million) increased by \$3.9 million (3.0 per cent) in 2022–23, primarily due to rate peg increase of 1.6 per cent.

Grants and contributions revenue (\$74.3 million) decreased by \$31.3 million (29.6 per cent) in 2022–23 mainly due to reduction in developer contributions by \$30.5 million.

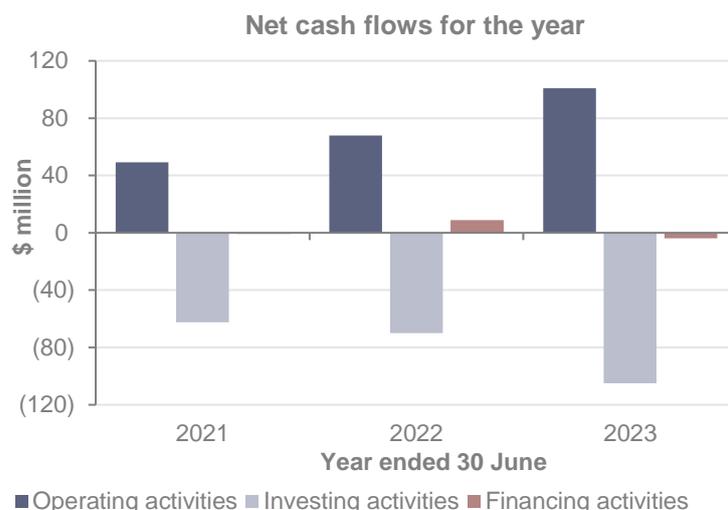
Council's operating result from continuing operations (\$68.7 million including depreciation and amortisation expense of \$30.7 million) was \$31.0 million lower than the 2021–22 result. This was primarily due to the:

- \$13.0 million increase in interest an investment income
- \$3.9 million increase in rates and annual charges revenue detailed above
- \$31.3 million decrease in grants and contributions revenue detailed above
- \$10.8 million increase in net loss from the disposal of assets
- \$5.0 million increase in materials and services expense
- \$3.1 million increase in employee benefits and on-costs expense.

The net operating result before capital grants and contributions (\$7.3 million) was after deducting \$61.4 million in capital grants and contributions from the operating result from continuing operations.

STATEMENT OF CASH FLOWS

Cash and cash equivalents balance at 30 June 2023 (\$27.6 million) reduced by \$7.5 million compared to 30 June 2022 primarily due to proceeds from borrowings decreasing by \$9.6 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	514.2	465.4	Externally restricted balances mainly comprise developer contributions, domestic waste management and infrastructure levy. Council's externally restricted cash and investments have increased by \$24.5 million mainly due to increases in developer contributions.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	409.3	384.8	Balances are deemed internal allocations due to Council policy or decisions for forward plans including works program. Internally allocated balances have increased by \$23.6 million, primarily due to increase in allocations of:
• Internal allocations	98.9	75.3	<ul style="list-style-type: none"> • \$13.4 million for 'Strategic priorities' • \$2.9 million for 'Asset expenditure' • \$2.0 million for 'Financial assistance grants in advance'.

Debt

At 30 June 2023, Council had:

- \$7.3 million in secured loans (\$11.1 million in 2021–22)
- \$0.08 million in credit card facility with \$0.075 million unused.

PERFORMANCE

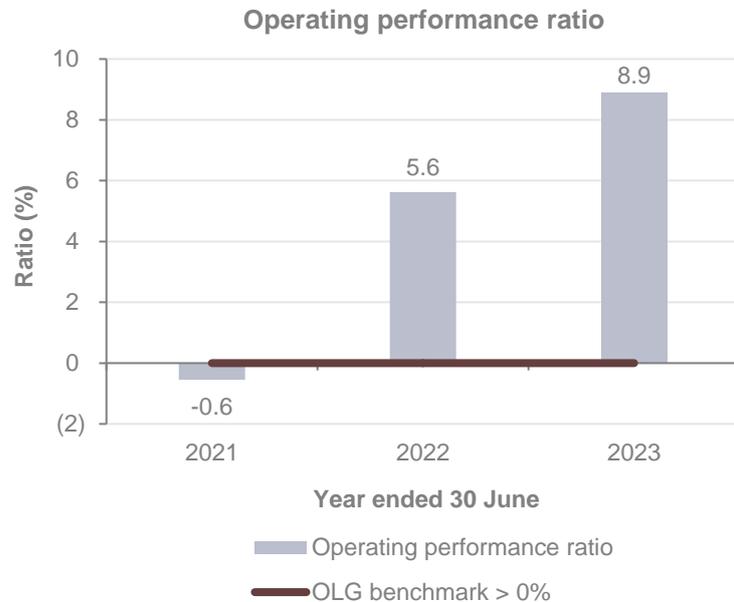
Performance measures

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

Operating performance ratio

Council exceeded the OLG benchmark for the current financial year.

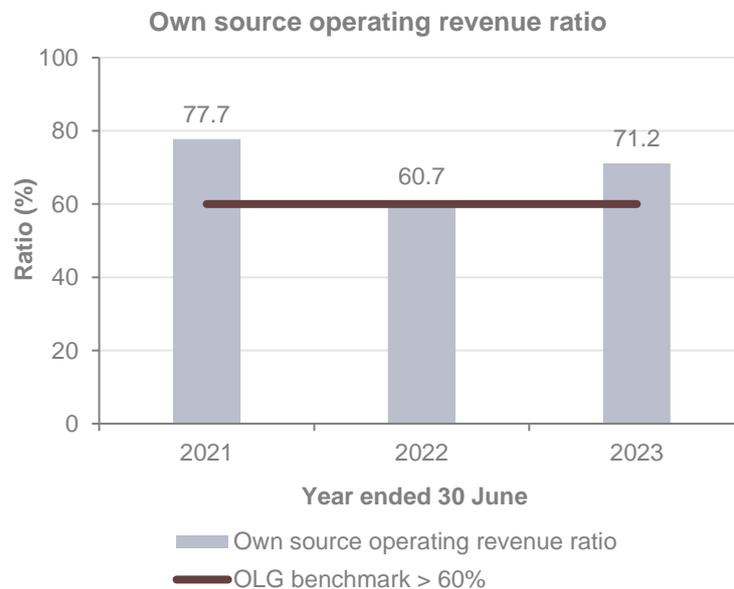
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council exceeded the OLG benchmark for the current financial year.

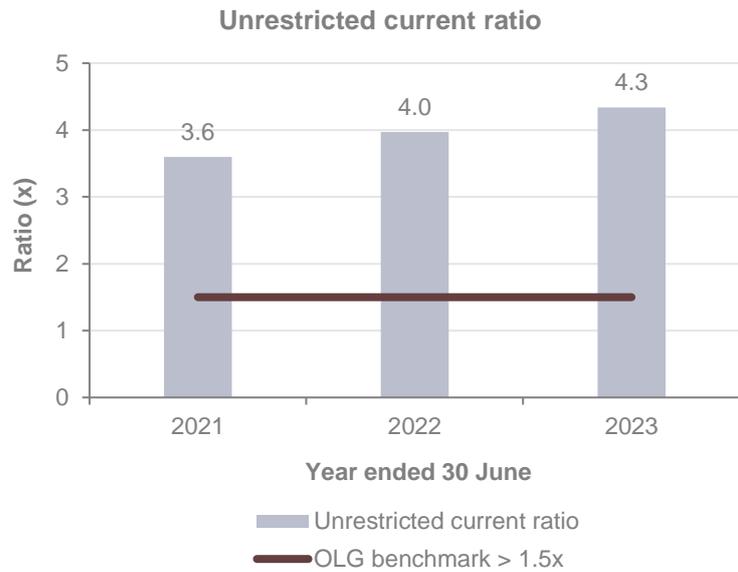
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council exceeded the OLG benchmark for the current financial year.

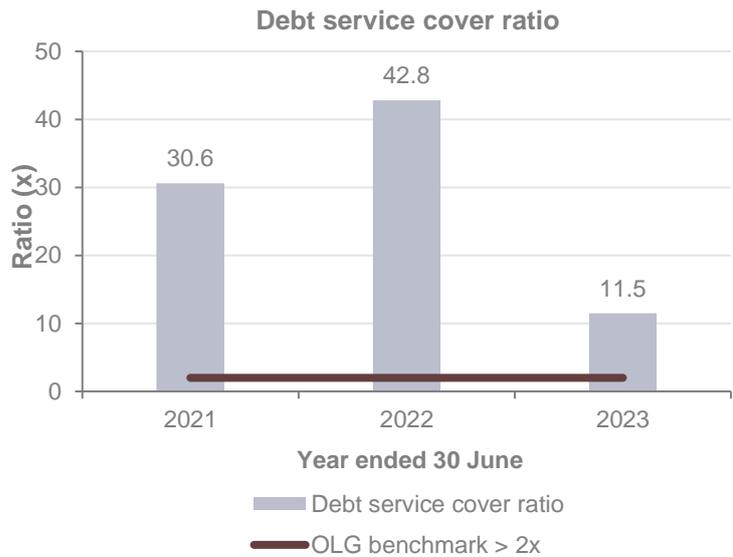
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council exceeded the OLG benchmark for the current financial year.

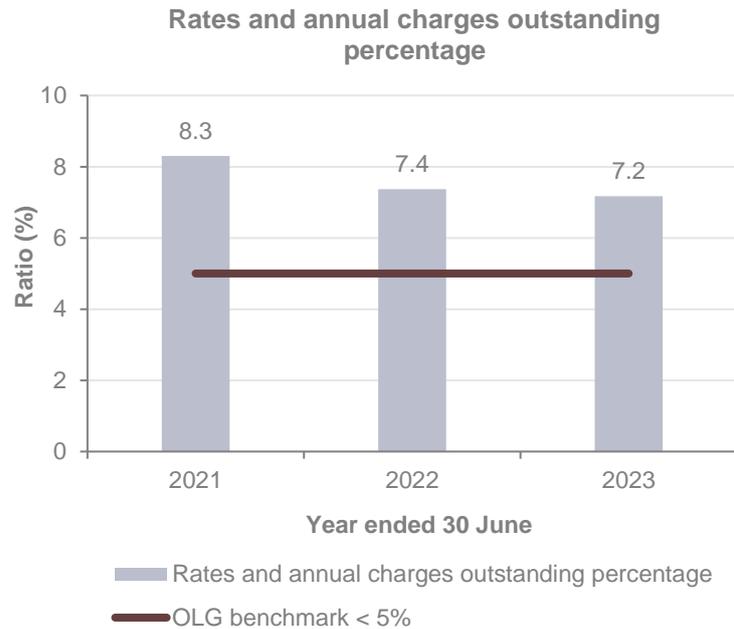
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council did not meet the benchmark for the current reporting period.

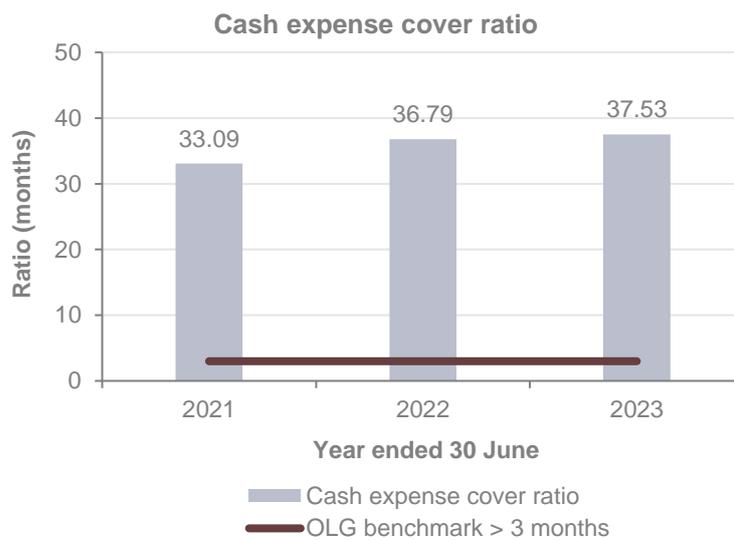
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council exceeded the OLG benchmark for the current financial year.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$42.6 million of infrastructure, property, plant and equipment during the 2022-23 financial year, compared to \$26.4 million in the prior year. A further \$19.9 million was spent on new assets, compared with \$91.0 million in the prior year.

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.



Lawrissa Chan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Bayside Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



Serving Our Community

Bayside Council

Special Schedules

for the year ended 30 June 2023

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Bayside Council

Permissible income for general rates (Merger Councils)

\$ '000	Notes	2022/23 Former Rockdale City Council	2022/23 Former Botany City Council	2022/23 Bayside Council	2023/24 Former Rockdale City Council	2023/24 Former Botany City Council	2023/24 Bayside Council
Notional general income calculation ¹							
Last year notional general income yield	a	63,026	33,762	96,788	63,197	36,507	99,704
Plus or minus adjustments ²	b	-	490	490	313	70	383
Notional general income	c = a + b	63,026	34,252	97,278	63,510	36,577	100,087
Permissible income calculation							
Or rate peg percentage	e	2.50%	2.50%	2.50%	3.70%	3.70%	
Or plus rate peg amount	i = e x (c + g)	1,576	856	2,432	2,350	1,353	3,703
Sub-total	k = (c + g + h + i + j)	64,602	35,108	99,710	65,860	37,930	103,790
Plus (or minus) last year's carry forward total	l	682	(668)	14	2,087	(2,067)	20
Sub-total	n = (l + m)	682	(668)	14	2,087	(2,067)	20
Total permissible income	o = k + n	65,284	34,440	99,724	67,947	35,863	103,810
Less notional general income yield	p	63,197	36,507	99,704	64,354	39,408	103,762
Catch-up or (excess) result	q = o - p	2,086	(2,067)	19	3,593	(3,544)	49
Carry forward to next year ⁶	t = q + r + s	2,086	(2,067)	19	3,593	(3,544)	49

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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *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

Bayside Council

To the Councillors of Bayside Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Lawrissa Chan
Delegate of the Auditor-General for New South Wales

27 October 2023
SYDNEY

Bayside Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Buildings	9,590	9,590	6,865	10,270	214,368	332,370	30.0%	23.0%	36.0%	10.0%	1.0%
	Sub-total	9,590	9,590	6,865	10,270	214,368	332,370	30.0%	23.0%	36.0%	10.0%	1.0%
Other structures	Other structures	148	148	152	–	5,416	8,332	31.0%	35.0%	28.0%	5.0%	1.0%
	Sub-total	148	148	152	–	5,416	8,332	31.0%	35.0%	28.0%	5.0%	1.0%
Roads	Sealed roads	640	640	6,273	6,513	465,987	643,110	41.3%	30.0%	29.2%	0.0%	(0.5%)
	Bridges	16	16	91	–	10,987	16,907	43.0%	54.0%	3.0%	0.0%	0.0%
	Footpaths	8,275	8,275	3,455	2,448	101,223	189,918	9.0%	67.0%	7.0%	17.0%	0.0%
	Other road assets (incl bulk earthworks)	861	861	602	114	37,165	61,746	19.0%	26.0%	51.0%	4.0%	0.0%
	Sub-total	9,792	9,792	10,421	9,075	615,362	911,681	33.1%	37.9%	25.6%	3.8%	(0.4%)
Stormwater drainage	Stormwater drainage	1,253	1,253	909	974	124,372	210,918	7.0%	33.0%	58.0%	1.0%	1.0%
	Sub-total	1,253	1,253	909	974	124,372	210,918	7.0%	33.0%	58.0%	1.0%	1.0%
Open space / recreational assets	Swimming pools	2,786	2,786	205	749	4,314	10,774	22.0%	26.0%	0.0%	0.0%	52.0%
	Other	2,458	2,458	9,960	6,292	101,328	142,114	32.0%	35.0%	26.0%	5.0%	2.0%
	Sub-total	5,244	5,244	10,165	7,041	105,642	152,888	31.3%	34.4%	24.2%	4.6%	5.5%
Other infrastructure assets	Other	711	711	291	–	11,986	18,993	23.0%	28.0%	36.0%	12.0%	1.0%
	Sub-total	711	711	291	–	11,986	18,993	23.0%	28.0%	36.0%	12.0%	1.0%
Total – all assets		26,738	26,738	28,803	27,360	1,077,146	1,635,182	28.8%	33.8%	31.9%	4.9%	0.6%

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

Infrastructure asset condition assessment 'key'

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

Bayside Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	24,203	92.32%	78.54%	42.65%	> 100.00%
Depreciation, amortisation and impairment	26,217				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	26,738	2.48%	1.69%	2.26%	< 2.00%
Net carrying amount of infrastructure assets	1,077,146				
Asset maintenance ratio					
Actual asset maintenance	27,360	94.99%	100.90%	81.40%	> 100.00%
Required asset maintenance	28,803				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,738	1.64%	4.50%	4.77%	
Gross replacement cost	1,635,182				

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

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